

Letter from Our Chairman

DATUK HISHAM HAMDAN
Chairman



Dear Stakeholders,

Turning Structural Advantage into Performance

2025 marked an important transition year for UEM Sunrise as we strengthened the Group's leadership bench and sharpened our focus on disciplined capital allocation and long-term value creation.

We strengthened UEM Sunrise's leadership bench during the year with the appointment of Shaharul Farez Hassan as Managing Director and Chief Executive Officer, along with Grace Yap Mei Wan and Eric Chan Kok Leong as Independent Non-Executive Directors.

Farez, who assumed the role on 17 November 2025, brings more than three decades of leadership experience across multiple industries, combining deep operational expertise with a strong background in corporate finance and strategic partnerships. These capabilities are critical as UEM Sunrise continues to sharpen its balance sheet and embed greater discipline in capital allocation to support its future growth. Operational execution must be closely aligned with how capital is allocated in such a capital-intensive industry.

Grace Yap, who joined the Board on 3 November 2025, enhances the Board's governance depth through her extensive experience in legal and corporate advisory matters, both in private practice and as in-house counsel. Her familiarity with the operating cultures of both government-linked institutions and private corporations, including stints at CapitaLand Malaysia Group, Sime Darby Berhad and Putrajaya Holdings, brings a balanced perspective to the Board and reinforces our commitment to strong governance, integrity and accountability.

We also welcomed Eric Chan to the Board on 21 August 2025. Eric brings with him over 15 years of operational experience in property development at Eastern & Oriental Berhad, including serving as Deputy Managing Director, as well as investment banking experience from his stints at BNP Paribas and RHB Sakura. He also has a strong grounding in corporate finance from his time at Danaharta. His perspective will support the Board in maintaining discipline in capital deployment and strengthening oversight of the Group's investment decisions.

Together, these appointments bring fresh perspectives, complementary strengths and additional depth across strategy, governance and operational oversight, further strengthening the Board's ability to guide the Group through its next phase of growth while maintaining discipline in how capital is deployed across the portfolio.

I would also like to record the Board's appreciation to Hafizuddin Sulaiman, who served as Officer-in-Charge during the interim period. His stewardship ensured continuity in operations and organisational focus during a period of leadership transition.

We also extend our sincere gratitude to Zaida Khalida Shaari, who retired from the Board on 11 June 2025 after more than nine years of dedicated service as a Non-Independent Non-Executive Director. Her counsel and commitment over that period have been valued, and the Board wishes her well in her endeavours ahead.

Encouraging Progress with More to Deliver

Operationally, the Group closed FY2025 on a firmer footing, with revenue increasing 27% year-on-year and sales surpassing our target by 35% as we continue to deliver on our core development activity. This reflects sustained demand for our products as we launched RM2.2 billion of projects last year.

The Group's financial position also strengthened. Cash and bank balances increased to RM1.5 billion, while net gearing improved to 0.37 times from 0.45 (FY2023), driven by sustained operational cashflows from property development, disciplined cost and capital management, and debt management initiatives undertaken under the U2030 programme launched in November 2023. Complementing this, a prudent review of the asset portfolio and a series of structured sukuk exercises have staggered the debt maturity profile evenly, extending the Group's financial runway and providing meaningful headroom to support investment and growth into 2026 and beyond.

Reflecting this progress, the Board declared a total dividend of 1.43 sen per share, including a special dividend of 0.59 sen. This translates to a total dividend payout of 102% and an ordinary dividend payout of 42%, reaffirming our commitment to delivering sustainable returns and rewarding shareholders as the Group's performance improves.

Reflecting on the Journey

This marks my third year reflecting on UEM Sunrise's progress as Chairman.

In my first Chairman's Statement in 2023, I addressed the structural challenges facing the Group and the need to confront them upfront, from underwhelming returns on equity ("ROE") to deeper questions around competitiveness, organisational culture and the role of a GLC developer operating in an increasingly competitive market. That statement was intended to diagnose the issues clearly and establish a commitment to improve the Group's fundamentals over a defined three-year horizon.

In my second statement in 2024, I widened the perspective to the broader environment within which UEM Sunrise operates. The global economy was entering a period characterised by geopolitical fragmentation, technological disruption and shifts in supply chains. At the same time, new opportunities were emerging closer to home, particularly in Johor, where cross-border integration and digital infrastructure investment were beginning to reshape the development landscape.

I referenced the work of Charles O'Reilly and Michael Tushman, who describe the need for organisations to balance exploration and exploitation when responding to such conditions. Exploration involves identifying emerging opportunities and positioning the organisation for future growth, while exploitation focuses on translating those opportunities into measurable performance. This balance demands an ambidextrous organisation, one with the DNA and culture to pursue exploration while executing with discipline at scale.

Closing the Performance Gap

While the Group has made encouraging operational progress over the past year, we must also recognise that UEM Sunrise has not yet reached the level of performance that its asset base and strategic positioning should be capable of delivering.

Across Malaysia's listed property developers, comparable private-sector peers have consistently delivered mid-to-high single-digit returns on equity, typically in the range of 5-9% over the last 5 years, supported by disciplined project sequencing, capital recycling and stronger asset productivity.

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By comparison, UEM Sunrise's recent ROE has consistently remained in the low single digits and unlike our peers, we have not recovered to pre-pandemic levels (1.03% as of FY2025 vs 3.1% in FY2019), reflecting the gap between our structural endowment and the returns currently generated from our equity base.

The market's assessment reflects this gap. UEM Sunrise's RM3.0 billion market capitalisation continues to trade below its RM6.9 billion book value despite the Group's significant asset base and strategic landbank. Closing this gap between asset value and market valuation ultimately requires sustained improvements in returns, capital discipline and execution.

This comparison is not intended to diminish the progress made, but to clarify the standard against which we must measure ourselves. As a listed developer operating in the same market environment, UEM Sunrise must demonstrate that its landbank, balance sheet and strategic positioning can translate into returns that are competitive with the broader sector.

More broadly, the experience across parts of ASEAN illustrates a related challenge. While the region has recorded respectable economic growth (4-5%) over the past decade, equity market performance has often lagged global benchmarks. The implication is clear: economic expansion alone does not automatically translate into shareholder returns unless capital is deployed with discipline and assets generate competitive returns.

Addressing this gap requires continued improvements in capital discipline, asset productivity and operational execution.

Endowment, Trends and Moves

Against this backdrop, UEM Sunrise's position today can be understood through three lenses: **Endowment, Trends and Moves**.

Endowment

Historically, UEM Sunrise's significant landbank concentration in Johor was often viewed as a structural headwind, particularly during periods when property demand in the Klang Valley outpaced other regions and developers with heavier Klang Valley exposure benefited from stronger market cycles.

Today, however, several structural trends are beginning to reshape this dynamic. The Group benefits from significant landbanks in Johor, supported by a resilient balance sheet. Our proximity to the Johor-Singapore corridor places us within one of Southeast Asia's most dynamic cross-border economic regions.

Trends

Macro conditions are increasingly supportive. The Johor-Singapore Special Economic Zone has reignited investor interest in the region, catalysing a broader wave of industrial growth as high-value sectors establish a growing operational footprint across southern Johor.

Underpinning this is a rapid acceleration in digital infrastructure investment, with Johor emerging as Southeast Asia's fastest-growing data centre destination, drawing in associated industrial activity, workforce demand and supply chain development across the corridor. This is further accelerated by realignment of global supply chains driven by geopolitical necessities. The imminent commencement of the Rapid Transit System Link, set to open by end-2026, further reinforces this trajectory, structurally connecting Johor's growing industrial base and labour force to Singapore's capital and talent pool.

UEM Sunrise's extensive landbank positions the Group to benefit from this convergence across residential, industrial and commercial demand.

Moves

Structural advantages and favourable macro trends, however, do not automatically translate into stronger returns.

The timing and sequencing of capital deployment have long-term implications in property development. Projects launched ahead of market demand can result in slow take up and capital being tied up for extended periods, while excessive caution may lead to missed opportunities during favourable market conditions. Balance sheet leverage must also be managed carefully to ensure resilience across property cycles.

For these reasons, disciplined execution and careful capital allocation remain central to how UEM Sunrise converts opportunity into performance.

Capital Allocation as a Leadership Discipline

In The Outsiders: Eight Unconventional CEOs and Their Radically Rational Blueprint for Success, author William N. Thorndike examined a group of CEOs who consistently outperformed their peers over extended periods. Their distinguishing characteristic was not being a visionary nor leading rapid expansions. Rather, it was having a disciplined approach to capital allocation. They redeployed capital where returns were highest, divested when economics deteriorated and prioritised long-term value creation over organisational scale.

Professor Aswath Damodaran frequently reminds investors that growth enhances value only when the returns generated on invested capital exceed the cost of capital. Where this condition is not met, expansion risks diluting rather than strengthening shareholder value.

For UEM Sunrise, disciplined portfolio optimisation must therefore remain central to how we manage our development pipeline and capital commitments.

From Hosting Growth to Capturing Value, Breaking Out of the “Hotel Economy”

The Smile Curve illustrates how value often accumulates at the higher-value ends of economic activity, such as technology, design and intellectual property, while more capital-intensive middle layers tend to capture a smaller share of the value created. Therefore, while Johor is entering a new phase of economic development driven by digital infrastructure investment and industrial expansion, merely hosting this digital infrastructure alone does not necessarily translate into durable value creation as we would be playing in the middle of the curve.

Parts of Southeast Asia also face similar issues and have occasionally been described as resembling a “Hotel Economy”, where countries host economic activity while a significant share of value creation accrues elsewhere. These activities could also move elsewhere if costs significantly increase.

In this context, the role of UEM Sunrise is not simply to host development activity but to contribute to the formation of ecosystems capable of sustaining economic density over time. UEM Sunrise’s remaining landbank across Gerbang Nusajaya and Puteri Harbour represents a multi-decade development horizon, with an estimated cycle extending to 2045. This long runway

reflects the opportunity to compound infrastructure investment over time, allowing early foundations in connectivity, township planning and land preparation to underpin successive layers of economic activity across residential, industrial and commercial uses.

Real estate development is, at its core, a question of how, where and when land and capital are allocated. Where development occurs, and how it connects to infrastructure, industry and talent, plays a critical role in shaping where long-term value accumulates.

Ricardo Hausmann argued that sustained economic progress often depends on the ability of regions to develop increasingly complex networks of capabilities, where industries, suppliers, talent and institutions reinforce one another. In many respects, the role of long-horizon developers is to help lay the physical foundations that allow such ecosystems to emerge.

Preparing such ecosystems often requires patient capital well before private investment reaches scale. Early investments in township planning, infrastructure connectivity and land preparation play a catalytic role in enabling broader economic activity.

Discipline Within the Three-Year Horizon

We have strengthened the Group’s leadership. We have clarified the strategic priorities for capital allocation.

The next phase will require sustained discipline in execution and continued improvements in capital productivity.

Structural advantages and supportive macro trends provide a strong foundation, but long-term outcomes will ultimately depend on how effectively these opportunities are translated into sustained performance.

With strengthened leadership and continued discipline in how capital is deployed, I remain confident that UEM Sunrise can translate its structural advantages into sustained performance for our shareholders.

DATUK HISHAM HAMDAN

Chairman