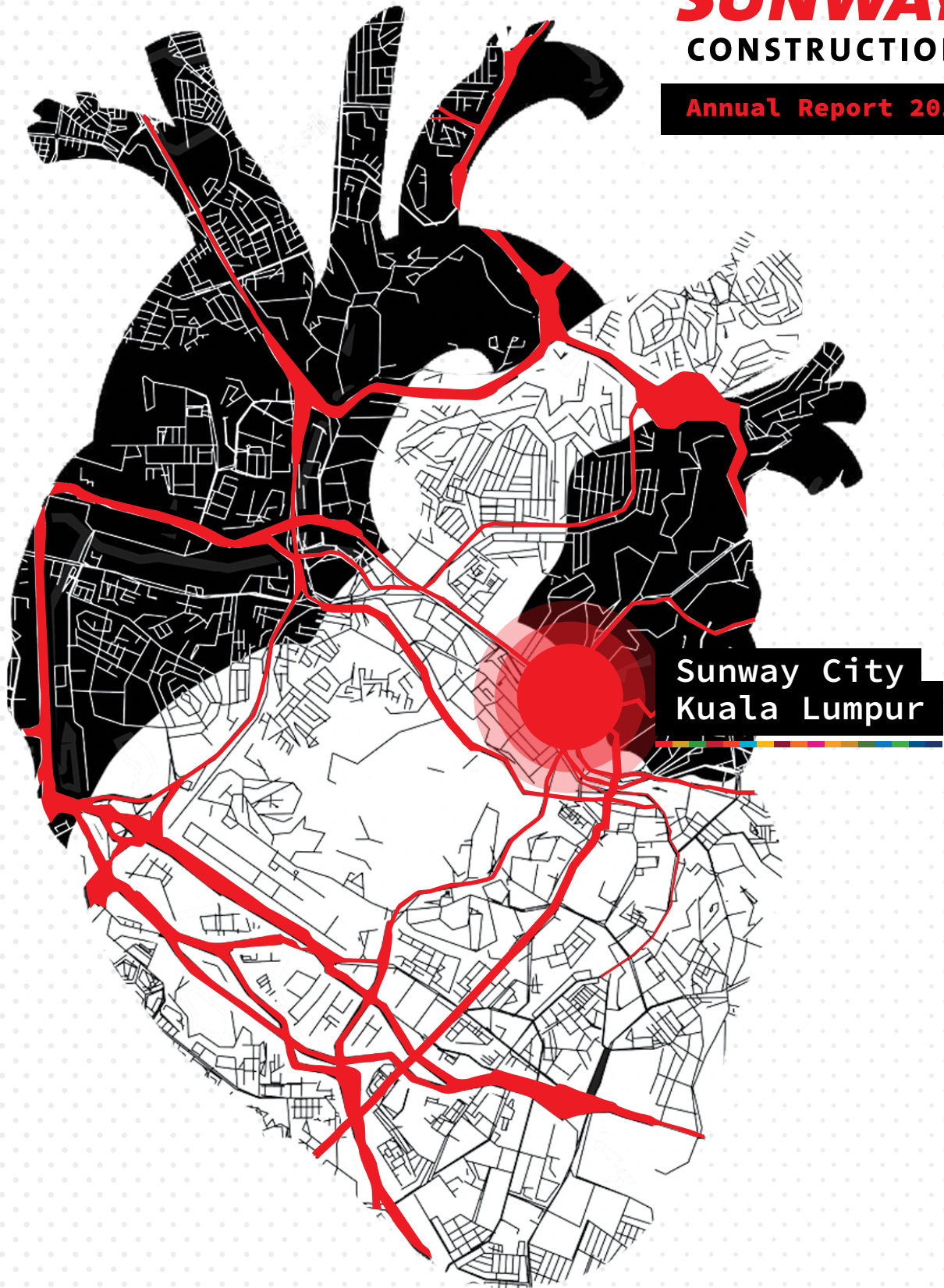
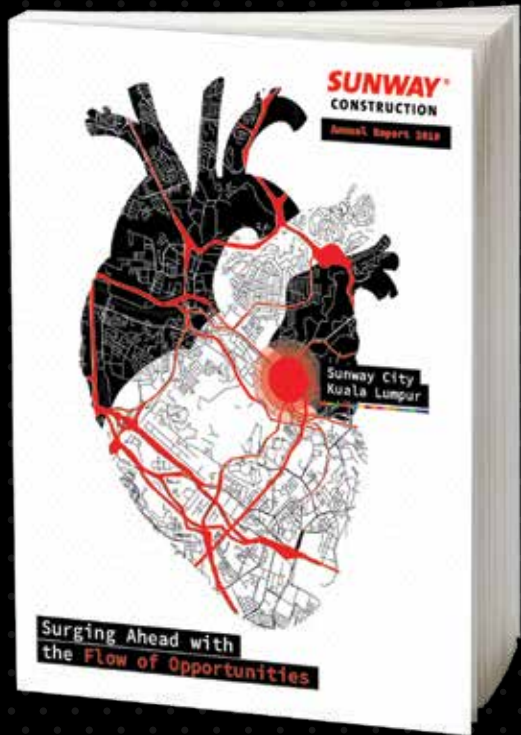


SUNWAY[®]
CONSTRUCTION

Annual Report 2019



**Surging Ahead with
the Flow of Opportunities**



ABOUT THIS REPORT

It is an honour to further extend our presence throughout the ASEAN region and beyond. As our esteemed stakeholder, you can rest assured that we are establishing infrastructures that will enrich the communities in every country featured here.

Unfazed when overcoming challenges, we continue to uphold our reputation as a sustainable builder. That has always been the guiding principle of Sunway Construction Group Berhad (“SunCon”).

We have prepared further details about SunCon’s strategy, performance, figures and future prospects in this 2019 report, especially for you. Here’s to past glories, present achievements and future successes. May our relationship thrive in perpetuity.

VISION

To be a leading regional construction and engineering group.

Sunway Construction Group Berhad (SunCon) is driven by a full range of integrated services which include building, civil engineering/infrastructural works, foundation and geotechnical engineering, mechanical, electrical and plumbing services works, industrial building systems/precast components, machinery and logistics, and renewable energy services with design & build capabilities to provide end-to-end construction solutions.

With a vision of becoming the region’s leading pure play construction group, we constantly innovate to deliver value, build synergistic and sustainable relationships and achieve the highest standards of quality, safety and excellence.

MISSION

Innovating to deliver value underpins our relentless efforts to drive positive and sustainable change in the way we work and operate to create value for all our stakeholders.

Building synergistic and sustainable relationship is the bedrock of the company’s ethos of nurturing our people and developing meaningful relationships with external parties including our business partners and customers towards achieving business objectives, while keeping the interests of our stakeholders.

Achieving the highest standards in quality, environmental, safety and health, remains our founding value that we uphold with great passion. We make individual and collective efforts in aiming higher to achieve strategic business goals with a commitment to excellence.

Connect to more information online at www.sunwayconstruction.com.my



CORE VALUES

INTEGRITY

- We believe in doing the right thing at all times.
- We conduct ourselves in an honest and trustworthy manner
 - We act professionally, ethically and honourably
 - We ensure our actions are consistent with our words

HUMILITY

- We believe in being humble.
- We never stop learning
 - We care for and respect people and the environment
 - We seek first to understand, then to be understood

EXCELLENCE

- We take pride in all that we do.
- We strive to deliver high quality products and services
 - We continuously innovate and improve for greater progress
 - We seek to inspire others to excel

CORPORATE INFORMATION

BOARD OF DIRECTORS

Independent Non-Executive Chairman
Dato’ Ir Goh Chye Koon

Senior Independent Non-Executive Director
Dato’ Dr Ir Johari Bin Basri

Independent Non-Executive Director
Dato’ Siow Kim Lun
Dr Sarinder Kumari

Non-Independent Non-Executive Director
Dato’ Chew Chee Kin
Evan Cheah Yean Shin

Group Managing Director
Non-Independent Executive Director
Chung Soo Kiong
(Alternate Director: Liew Kok Wing)

AUDIT COMMITTEE

Dato’ Siow Kim Lun (Chairman)
Dato’ Ir Goh Chye Koon
Dato’ Dr Ir Johari Bin Basri
Dr Sarinder Kumari

NOMINATION AND REMUNERATION COMMITTEE

Dato’ Dr Ir Johari Bin Basri (Chairman)
Dato’ Ir Goh Chye Koon
Dato’ Siow Kim Lun
Dato’ Chew Chee Kin
Dr Sarinder Kumari

RISK MANAGEMENT COMMITTEE

Dr Sarinder Kumari (Chairperson)
Dato’ Ir Goh Chye Koon
Dato’ Siow Kim Lun
Dato’ Dr Ir Johari Bin Basri
Evan Cheah Yean Shin

COMPANY SECRETARIES

Tan Kim Aun (MAICSA 7002988)
Soh Ke Yi (MAICSA 7060456)

REGISTERED OFFICE

Level 16, Menara Sunway
Jalan Lagoon Timur
Bandar Sunway, 47500 Subang Jaya
Selangor Darul Ehsan, Malaysia
T (603) 5639 8889
F (603) 5639 9507

SHARE REGISTRAR

Sunway Management Sdn Bhd
(Registration No. 197901006377 [50661-X])
Level 16, Menara Sunway
Jalan Lagoon Timur
Bandar Sunway, 47500 Subang Jaya
Selangor Darul Ehsan, Malaysia
T (603) 5639 8889
F (603) 5639 9507

AUDITORS

BDO PLT (LLP0018825-LCA & AF0206)
Chartered Accountants

SOLICITORS

Azman Davidson & Co
Wong Kian Kheong
Harold & Lam Partnership

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
Standard Chartered Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name SUNCON
Stock Code 5263
Shariah Compliant

WEBSITE ADDRESS

W www.sunwayconstruction.com.my
E enquirysuncon@sunway.com.my

INVESTOR RELATIONS

Ng Bee Lien Elaine Lai
T (603) 5639 9645 **T** (603) 5639 9793
E irsuncongroup@sunway.com.my
F (603) 5639 9530

FINANCIAL CALENDAR

ANNOUNCEMENT OF QUARTERLY RESULTS 2019

16 May 2019
Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2019

19 August 2019
Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2019

19 November 2019
Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2019

20 February 2020
Announcement of the unaudited consolidated results for the 4th quarter ended 31 December 2019

DIVIDENDS

1st Interim Dividend of 3.5 Sen Per Share
First interim single tier dividend of 3.5 sen per ordinary share for the financial year ended 31 December 2019

19 August 2019
Announcement of the notice of entitlement and payment

13 September 2019
Date of entitlement

26 September 2019
Date of payment

2nd Interim Dividend of 3.5 Sen Per Share
Second interim single tier dividend of 3.5 sen per ordinary share for the financial year ended 31 December 2019

20 February 2020
Announcement of the notice of entitlement and payment

13 March 2020
Date of entitlement

8 April 2020
Date of payment

SUNCON AT A GLANCE

SunCon believes that delivering landmark projects begins with a vision that eventually becomes reality through passion and determination. With every construction project we undertake, we enrich the lives of people; fostering long-term progress and economic growth.

Since 1981, we have undertaken more than RM28 billion worth of projects across seven countries. Our Group and culture are built on more than three decades of leadership and a relentless

adherence to our values, the core of which are Integrity, Humility and Excellence. These values are the one driving our delivery.

This annual report describes our responsibilities as a sustainable builder, how we build our projects, and more importantly, how we are a socially responsible organisation. Diagram below depicts SunCon's growth which can be categorised in 6 phases.

38 years of excellence

NO.1 pure play contractor listed on Bursa Malaysia

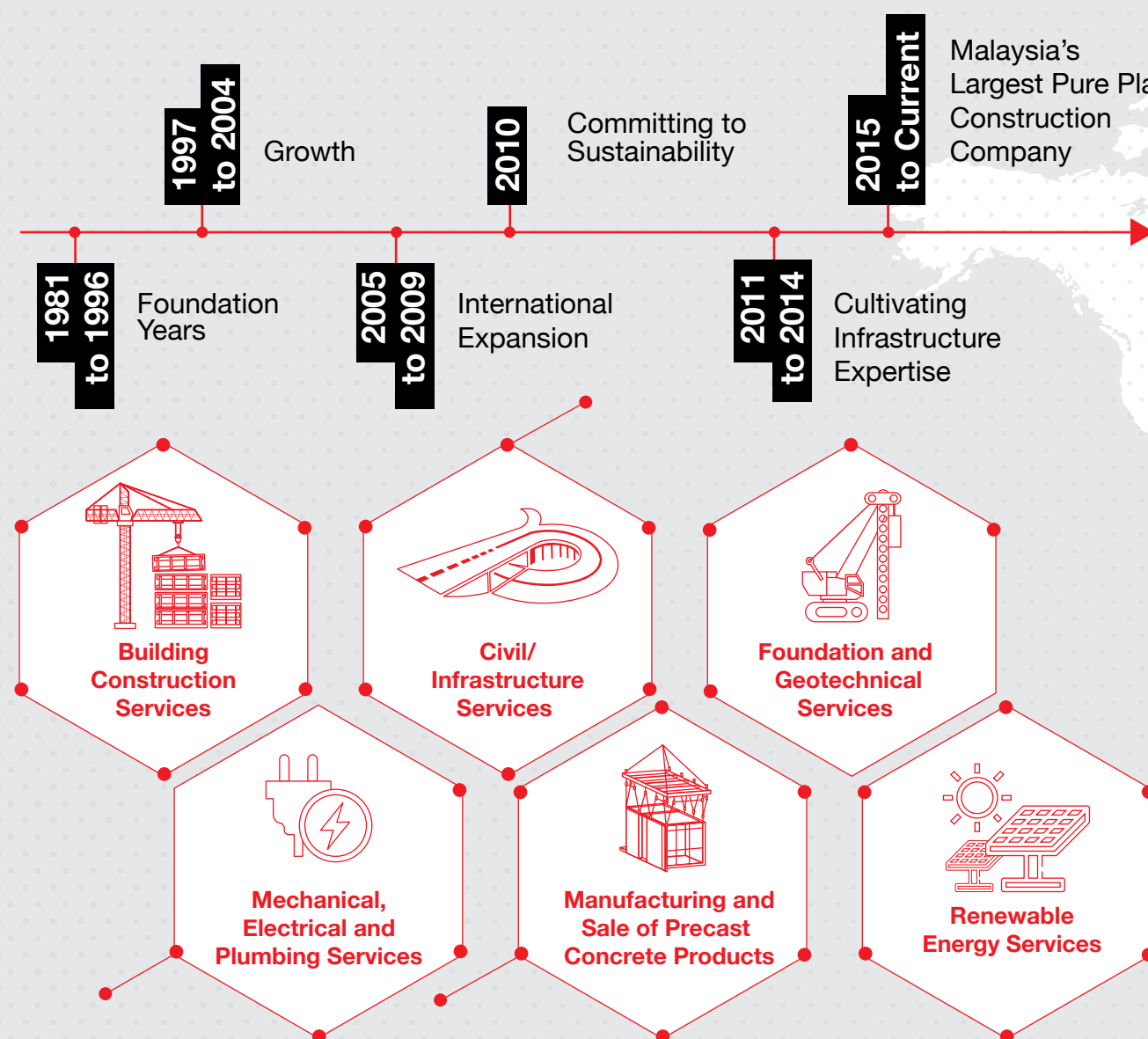
RM28 BILLION turnover recorded to-date

2,204 including direct workers
86% male & **14%** female

Invested in Virtual Design & Construction since 2010 with
RM31 MILLION invested to date

1ST Malaysian construction company to be included in the FTSE4Good Index

2 precast plants at
156,600 m³ capacity



PRESENCE IN 7 COUNTRIES





CORPORATE PROFILE





We commenced operations as **Sungei Way Quarry & Construction Sdn. Bhd.** in **March 1981** with our first project being a carpark and road resurfacing works for a shoplot owned by Selangor Properties Berhad in Bukit Damansara. Subsequently, we undertook smaller infrastructure projects, and grew our portfolio with residential and commercial projects in Bandar Sunway.


Having built our reputation nationwide, we had then undertaken international projects in


Trinidad and Tobago


Taiwan



India



Singapore

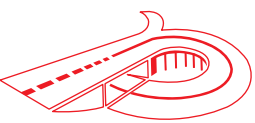

United Arab Emirates


gaining international exposure in a short span of four years.

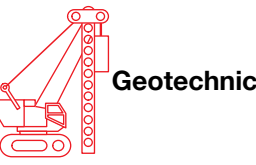
Enhancing on our expertise and experience from constructing **the Kajang SILK Highway and seven highways in India**, we have continued to foster our proficiency in infrastructure projects by undertaking rail projects.

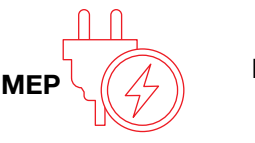


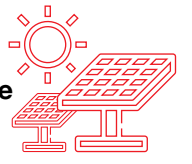

Building


Civil/ Infrastructure

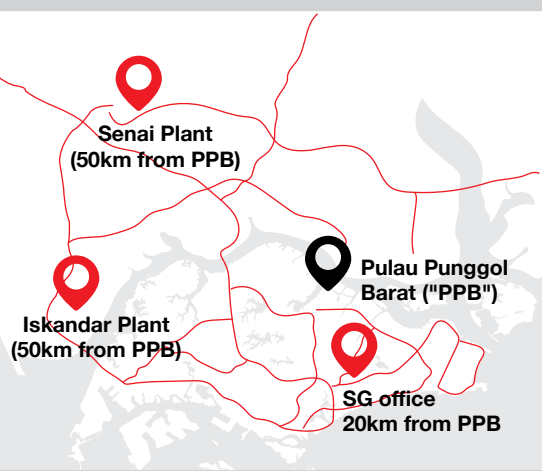

Precast Concrete Products


Geotechnical



MEP


Renewable Energy

We are now an integrated construction service Group with capabilities to provide integrated services and products across different phases of construction, from design to completion. **Our provision of foundation and geotechnical engineering services; mechanical, electrical and plumbing services; manufacturing and sale of precast concrete products; and renewable energy services complete our service offerings as an end-to-end total construction solutions provider.** We are also supported by a large fleet of **construction machinery and equipment** under the machinery and logistics unit.

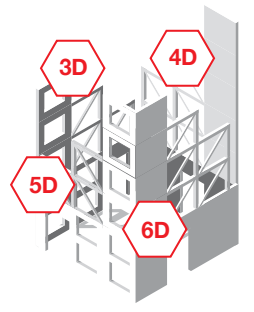


In 2018, our subsidiary, **Sunway Concrete Products (S) Pte. Ltd. together with Hong Leong Asia Ltd. won the bid for the lease of land for the development of an Integrated Construction and Prefabrication Hub (ICPH) from Building and Construction Authority of Singapore (BCA).** The fully automated precast facility which will be operational in 2022, will **further improve our productivity as well as reduce the reliance on foreign workers.**




STOCK MARKET


On 12 June 1997, we listed **Sungei Way Construction Sdn. Bhd.** on the Main Board of the Kuala Lumpur Stock Exchange, which was then renamed as **Sunway Construction Berhad** in 1999. The listing was an important milestone for the Group, signifying a period of growth, although we were subsequently privatised in August 2004. During this time, we established quality systems for health and safety standards within the organisation. In 2003, we were awarded our first Builder of the Year award by the Malaysian Construction Industry Excellence Award, our first of three.




In 2010, we implemented **Virtual Design and Construction (VDC)** in our operations and launched our journey towards Total Quality Management. We were the first in Malaysia to integrate VDC technology into our construction processes. SunCon now embraces 3D (design), 4D (time), 5D (costing), 6D (facility management) and latest 7D (green) for project life cycle management to ensure seamless transfer of information and data between project partners.



We were awarded our first rail project, the **Kelana Jaya Line Light Rail Transit (LRT) Extension** in 2011. Since then we had been awarded the construction of Malaysia's key rail infrastructure projects, including part of the **Mass Rapid Transit (MRT) Line 1 and Line 2 Projects**, Malaysia's first **Bus Rapid Transit (BRT) Sunway Line** and **Light Rail Transit (LRT) Line 3**.

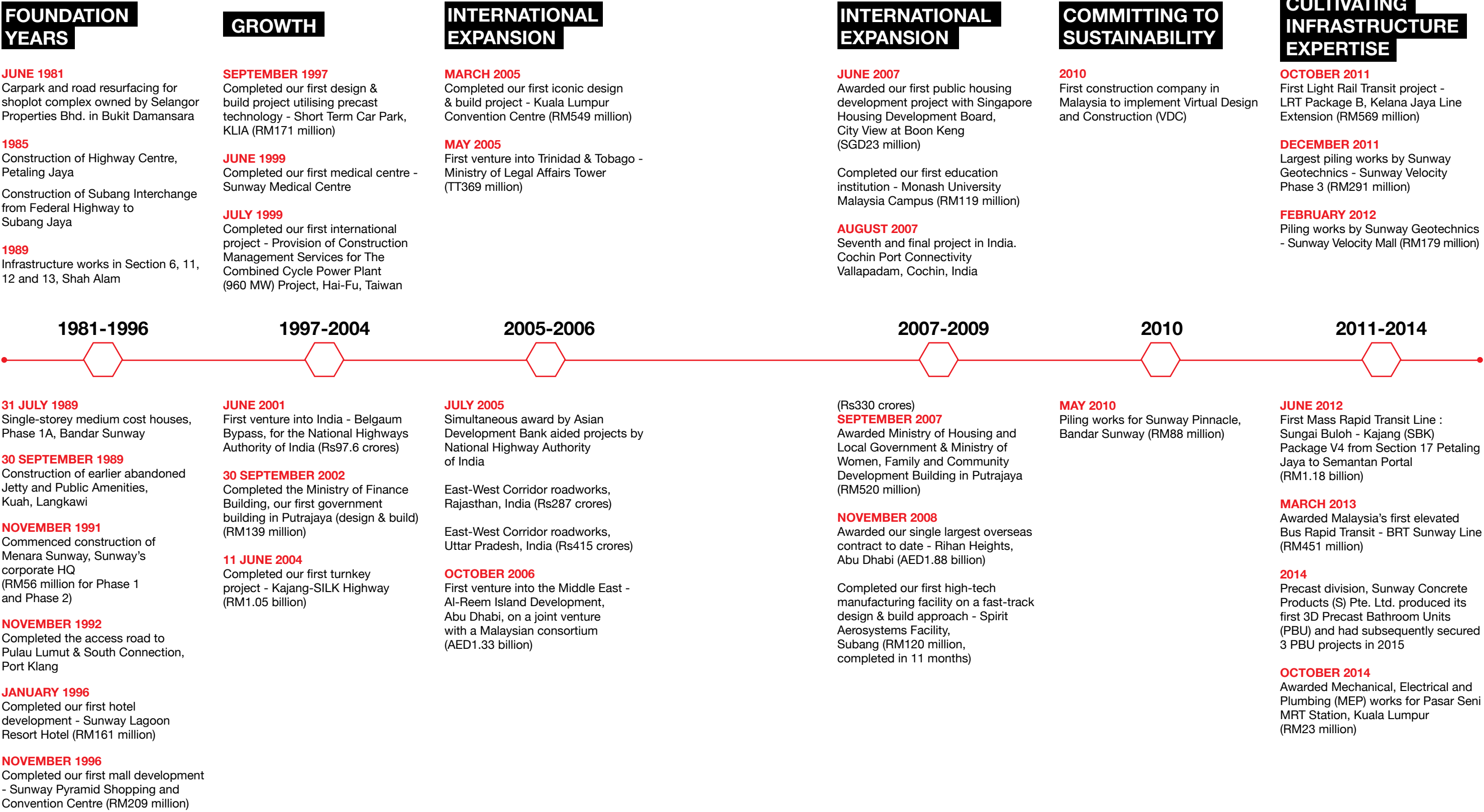


In 2015, the re-listing of SunCon further enhanced Sunway's brand recognition and visibility among existing and potential customers, and will hopefully propel us in winning more contracts locally and abroad.



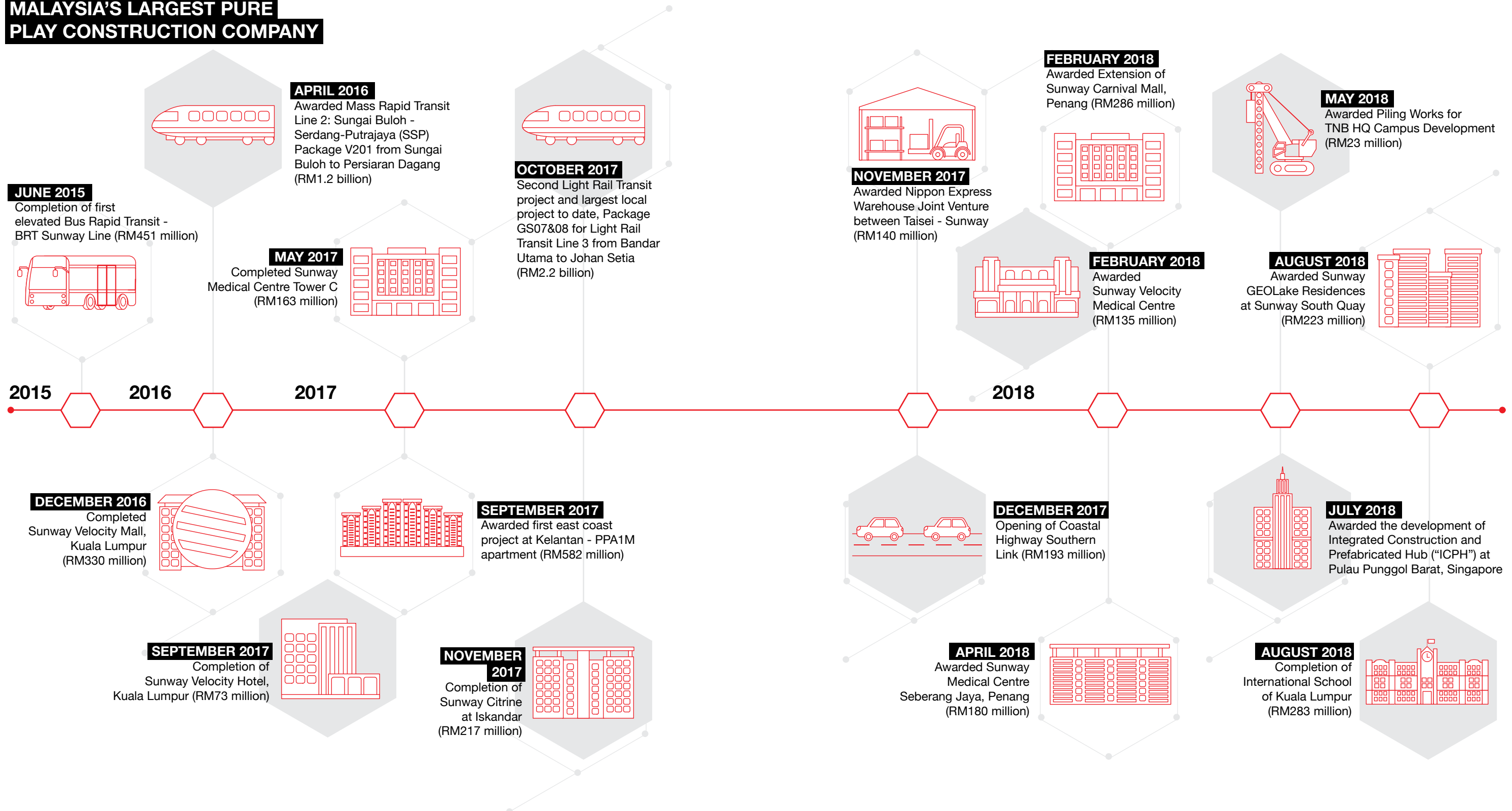
In April 2019, we continued to **expand our business in the ASEAN region by entering into a Memorandum of Understanding (MoU) with Capital Construction Limited, a member of prominent Myanmar conglomerate, Capital Diamond Star Group (CDSG), to develop major infrastructure and construction projects in Myanmar.** We are constantly on the lookout for opportunities to expand our business while remaining focused on improving our productivity and efficiency to deliver long-term shareholder value.

PROJECT MILESTONES

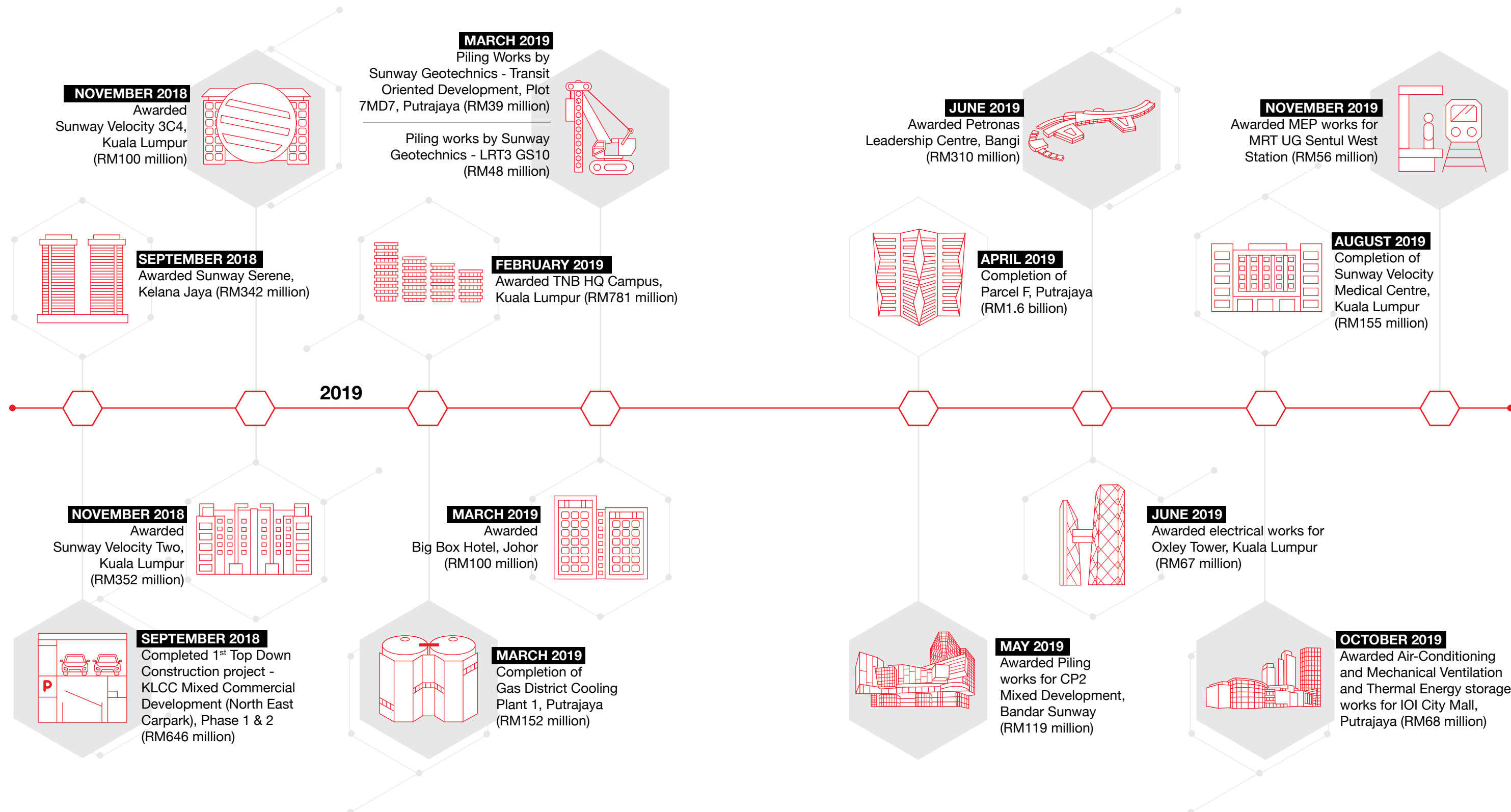


PROJECT MILESTONES (CONT'D)

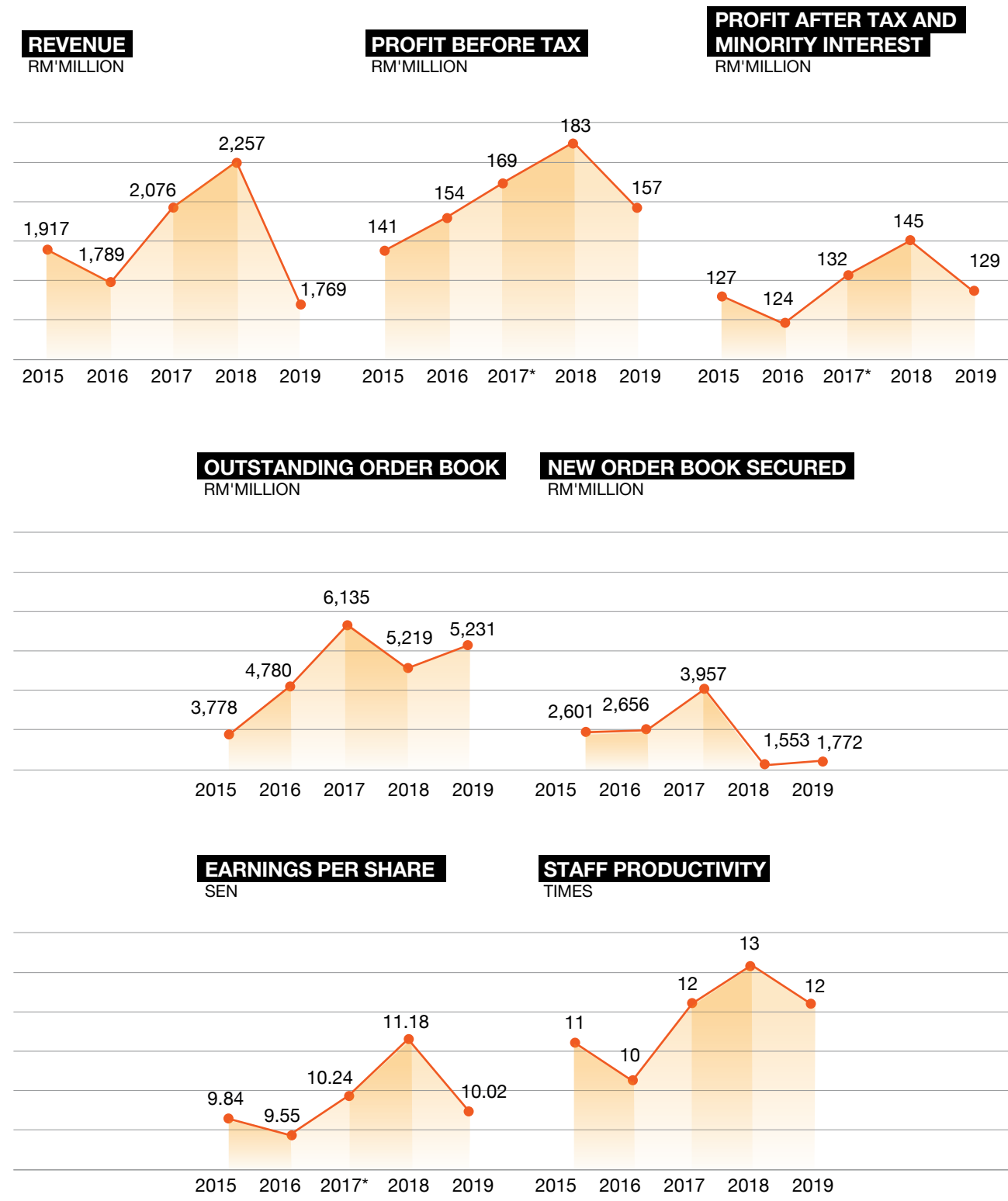
MALAYSIA'S LARGEST PURE
PLAY CONSTRUCTION COMPANY



PROJECT MILESTONES (CONT'D)



5-YEAR FINANCIAL HIGHLIGHTS



TNB HQ Campus, Bangsar



MRT Line 2 Package S201 : Damansara Damai Station

* Restated

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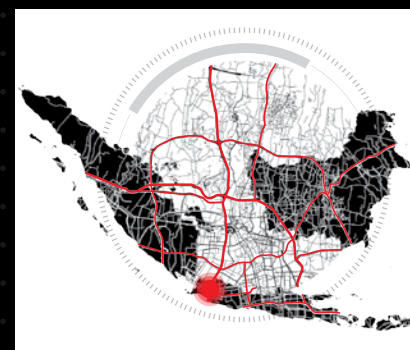
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CORPORATE DIRECTORY



SUNWAY CONSTRUCTION

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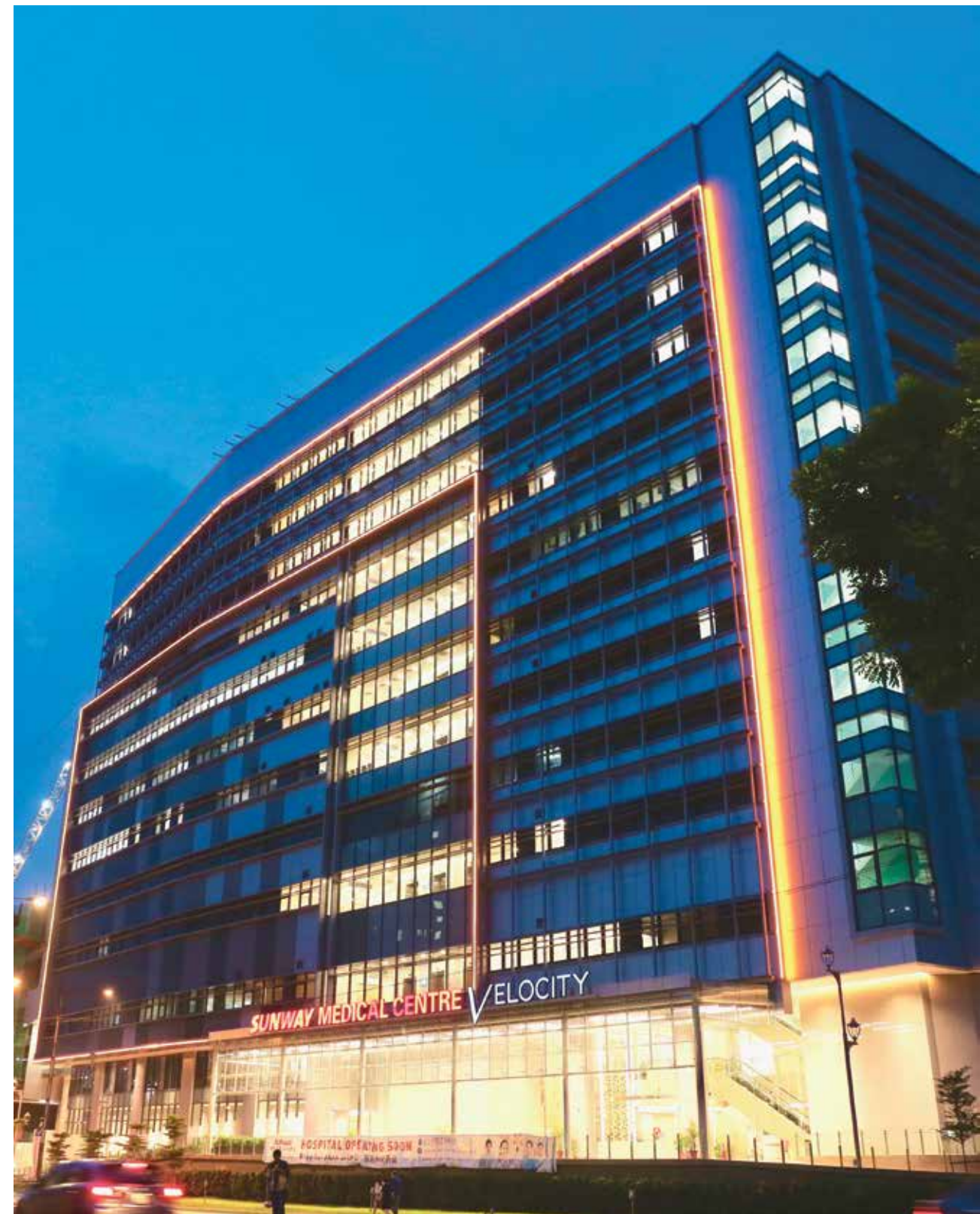
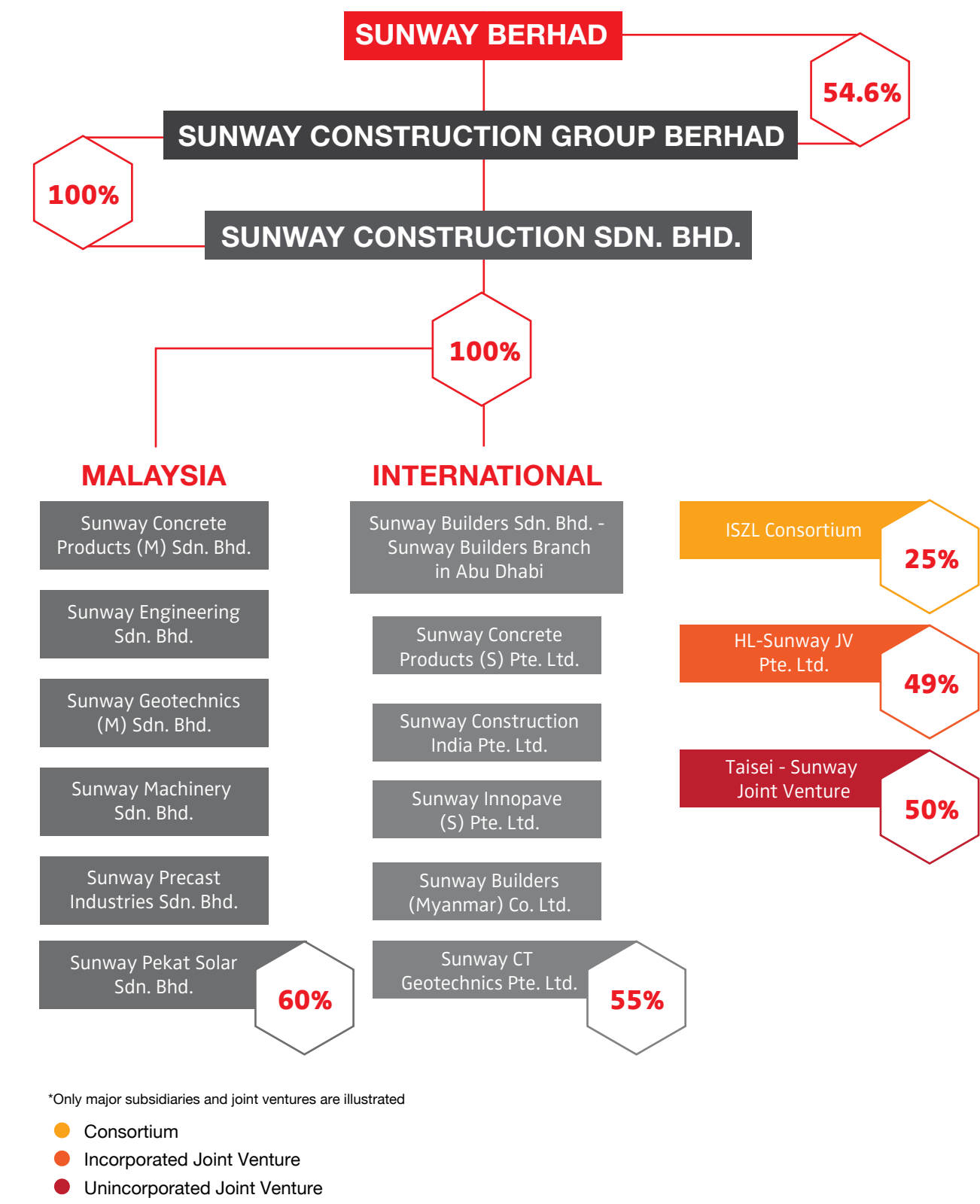
ENGINEERING THE FUTURE

SunCon created history when it became the first largest Malaysian pure play construction company to utilise and reap the full benefits of the Virtual Design and Construction (VDC) technology for its projects.

Our Building Information Modelling (BIM) software - which provides insights and tools to create virtual 3D and other multi-dimensional models of our projects - enables our teams to visualise and plan their developments in detail before transforming them into real-life structures of unparalleled quality.

SunCon's vision also extends beyond constructing world-class structures as we intend to expand our presence in the global construction industry.

GROUP CORPORATE STRUCTURE



Sunway Velocity Medical Centre, Kuala Lumpur

SUNCON IN CALENDAR

A. CORPORATE EVENTS



26TH NOVEMBER 2019

Parcel F Government Complex Handing Over Ceremony

SunCon successfully completed the RM1.6 billion design and construction of the Parcel F Government Complex in Putrajaya. The project comprising 10 blocks of government office buildings, is the first government building project built to full Building Information Modelling (BIM) standards, from the design stage to the facilities management level and is environmentally friendly. In gratitude of the teamwork and commitment by the project team, a ceremony was arranged by the client, Putrajaya Holdings Sdn Bhd to celebrate the project’s successful completion and handing over.



14TH NOVEMBER 2019

Klang Valley Mass Rapid Transit (KVMRT) Quality Day 2019

SunCon’s MRT Line 2 Package V201 project was recognised by the client, MRT Corp Sdn Bhd in collaboration with Construction Industry Development Board (CIDB) Malaysia, for their assessment of the pier exposed surface finishes quality during the KVMRT Quality Day 2019. The event was organised as a celebration of the World Quality Day, with the objective of increasing awareness on the importance of quality towards both the organisation and national growth. SunCon was awarded a score of 92%, one of the highest scores amongst all work package contractors for the project’s stringent quality requirements.



28TH – 31ST AUGUST 2019

Malaysia - Myanmar Connect 2019

SunCon participated in the Malaysia-Myanmar Connect 2019 Forum at the Wyndham Grand Yangon Hotel, Myanmar. The three-day event co-organised by the Malaysia-Myanmar Business Chambers and the Embassy of Malaysian in Yangon brought together the Malaysia and Myanmar business communities including government officials, business leaders and industry associations. More than 100 companies and 300 delegates including businesses from Malaysia attended this inaugural event.



5TH AUGUST 2019

SunCon and Taisei’s Top Management visit to New Nippon Warehouse, Shah Alam

SunCon and Taisei Corporations’ Top Management visited the Nippon Express’ new warehouse project to ensure the project is progressing within time, cost and in compliance with required standards. This design and build project is a joint venture between SunCon and Taisei Corporation.



19TH JUNE 2019

Sunway Construction Group Berhad’s 5th Annual General Meeting

Sunway Construction Group Berhad held its 5th Annual General Meeting (AGM) at the Sunway Resort Hotel & Spa.



23RD APRIL 2019

SunCon Board of Directors’ visit to Parcel F project , Putrajaya

SunCon’s Board of Directors visited the Parcel F project site to monitor the latest progress on site before handover to ensure the project is being completed on time, within cost, and in compliance with standards.

SUNCON IN CALENDAR (CONT'D)

A. CORPORATE EVENTS (CONT'D)



1ST APRIL 2019

Sunway Builders Myanmar and Capital Construction Limited sign Memorandum of Understanding

SunCon, through its subsidiary Sunway Builders (Myanmar) Co Ltd, signed a memorandum of understanding with Capital Construction Ltd (CCL). With this partnership, the companies plan to jointly bid for potential projects such as mixed-used developments, offices, hotels, hospitals and external infrastructure projects in Yangon and Mandalay, Myanmar.



4TH JANUARY 2019

SunCon 38th Anniversary Dinner

Celebrating successes and festivals together is part of SunCon's culture. With the theme "The Oriental Night", SunCon celebrated its 38th anniversary and Pre-Chinese New Year 2019 dinner at the Sunway Pyramid Convention Centre attended by more than 2000 staff and business partners. The event was packed with entertaining performances by SunCon staff, Long Service Awards as an appreciation for staff's loyalty and contributions, recognition for business partners for their excellence and exciting lucky draws.

B. SOCIAL EVENTS



13TH – 15TH DECEMBER 2019

Build A Home

SunCon built a brand new home in just three days for an Orang Asli family in Kampung Orang Asli Gurney, Batang Kali, Selangor. Funded by SunCon and in collaboration with EPIC Homes, a social organisation which focuses on the welfare of the Orang Asli community, 31 SunConians alongside the EPIC Homes team, handed over a new home to the family of seven to accommodate them with better living conditions for the well-being of the entire household.



14TH NOVEMBER 2019

The Bursa Bull Charge 2019

SunCon supported the Bursa Bull Charge 2019, a charity fundraising run organised by Bursa Malaysia in the central business district of Kuala Lumpur. SunCon's team of 2 staff participated in the 5km corporate challenge category as part of Sunway Group's team which emerged as one of the winners. The event was aimed to raise awareness and promote financial literacy and entrepreneurship, as well as to help improve the environment and the lives of underprivileged communities. Building on last year's event, this year's Bursa Bull Charge continued to support the United Nations Sustainable Development Goals, which is in line with SunCon's commitment to sustainability.



31ST OCTOBER 2019

Wheelchair donations for Persatuan Kesejahteraan Rakyat Malaysia (PKRM)

SunCon contributed 10 wheelchairs to Persatuan Kesejahteraan Rakyat Malaysia (PKRM) in aid of Bantuan Kerusi Roda Rakyat Malaysia (BKRRM).



11TH - 13TH OCTOBER 2019

Relaxing Weekend Getaway at Tasik Kenyir

SunCon Social Club organised a short weekend getaway for staff to relax and enjoy the nature at Tasik Kenyir, Terengganu.

SUNCON IN CALENDAR (CONT'D)

B. SOCIAL EVENTS (CONT'D)



30TH AUGUST – 2ND SEPTEMBER 2019

Merdeka Conservation Dive 2019

SunCon participated in a marine conservation effort held in Redang Bay Resort, Pulau Redang in conjunction with Malaysia's Independence day. The 4 day event was organized by ED Scuba as an awareness to save our oceans for future generations.



3RD AUGUST 2019

Jump Street

SunCon Social Club organised a team-building activity for extreme sports lovers to promote a healthy lifestyle. The participants get to escape from the sedentary lifestyle and experience a rush of adrenaline as they conquer a series of thrilling and exciting activities.



28TH JULY 2019

Building Programme for SJKC Chung Hua, Klang

SunCon believes education is the route to advance the nation's development. SunCon contributed funds to the completion of SJK(C) Chung Hua's new building in Klang to provide the students with full-fledged facilities and amenities for a better and more conducive learning environment.



26TH - 29TH JULY 2019

Overseas Trip to Bandung, Indonesia

SunCon Social Club organised an overseas trip to Indonesia for staff to take a break from work, sightsee and enjoy activities together.



2ND - 3RD AUGUST 2019

Construction Occupational Safety and Health Training (COST)

SunCon has mandated this 2-days training programme for our site engineers and supervisors to enhance their knowledge on safety and related protocols, as well as to improve their understanding of the duties of an employer and employees to minimise possible risks at site. SunCon has conducted 5 COST training sessions thus far and is aiming to organise this programme on a monthly basis.



29TH - 31ST JULY 2019

Building Information Modelling Masterclass

SunCon continues to improve its capability in Building Information Modeling (BIM) to enhance the quality of its products and services. This training helps our employees to better understand the BIM processes needed for design and to deliver construction projects using BIM that adheres to the International Standard ISO 19650.



19TH - 20TH JULY 2019

Scaffold Awareness Training (SAT)

SunCon has mandated this 2-days training programme for our site engineers and supervisors to equip them with basic technical skills, proper safety methods and regulations on the usage of scaffolding. A total of 3 SAT training sessions have been conducted thus far and we aim to organise this programme on a monthly basis.



1ST MAY 2019

Gotong-Royong and Fire Drill at CLQ Iskandar, Johor

SunCon organised a gotong-royong and fire drill exercise at our Centralized Labour Quarters in Johor to ensure a clean, comfortable and safe accommodation is provided for workers.

SUNCON IN CALENDAR (CONT'D)

B. SOCIAL EVENTS (CONT'D)



2019 Mobile Crane Lifting Skills Competition

Organised by Malaysia Mobile Crane Owners Malaysia (1987), CIDB and Akademi Binaan Malaysia (ABM) the competition was held to raise awareness of skills and safety in crane operations, as well as being a platform for crane operators to share information and knowledge about cranes. SunCon supported the event by participating and supplying a mobile crane for the competition.



Lifting Competency Supervisor Training

In collaboration with Master Builders Association Malaysia (MBAM), SunCon has mandated this training for our site engineers and supervisors to enhance their capabilities as competent lifting supervisors. This programme equips our employees with better awareness on the methodology of safe lifting activities and on the responsibilities of a lifting supervisor to avoid potential hazards or risks at lifting area.



Movieganza

SunCon Social Club organised a relaxing movie night at TGV Cinemas, Sunway Pyramid for employees to unwind after a long working day. Apart from allowing employees to break free from the daily grind, this event also allowed the employees to mingle around and understand one another on a more personal manner.



Virtual Design & Construction (VDC) C3D Advance System Training at Athens, Greece

SunCon participated in a series of training programmes on C3D Tool to understand the latest technology and methodology used in the industry. The training was organised by Consolidated Contractors Company (CCC), one of the top ranking construction companies in the world.



Skytrex Adventure

SunCon Social Club organised a trip for team building at Taman Botani Negara, Shah Alam located 3km inside the 817 hectares forest.



SL1M Training

SunCon conducted a session of SL1M training to equip the SL1M trainees with various soft skills including communication, creativity and analytical thinking skills.




SunConians alongside the EPIC Homes team, handed over a new home to a family in Kampung Orang Asli Gurney, Batang Kali, Selangor.

AWARDS AND RECOGNITION

18TH
DECEMBER
2019

PUTRAJAYA HOLDINGS HEALTH, SAFETY & ENVIRONMENT (HSE) AWARDS

3 Gold HSE Awards




Sunway Construction Sdn. Bhd. bagged three Gold Health, Safety & Environment (HSE) awards at Putrajaya Holding’s HSE Appreciation Lunch & Awards on 18th December 2019 held in Putrajaya. Our 7MD7 project in Putrajaya was recognised for its excellent implementation of HSE Management System, while the Project Manager and Environment Officer won the Excellence HSE Ownership & Leadership Awards for their commitment in implementing safety, health and environment practices at the construction site. The event, organised by Putrajaya Holdings Sdn Bhd, is aimed at recognising contractors who work on their project development for their HSE performance.

28TH
NOVEMBER
2019

NATIONAL ANNUAL CORPORATE REPORT AWARD (NACRA) 2019

Industry Excellence Award – Construction Sector



SunCon bagged the Industry Excellence Award for the Construction Sector at the National Annual Corporate Report Awards (NACRA) 2019 for its Annual Report 2018.

NACRA is jointly organised by Bursa Malaysia Berhad, the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA) with the objective of promoting excellence in corporate reporting. The Industry Excellence Award category gives recognition to a public listed company in the construction & infrastructure industry that has achieved excellence in corporate reporting.


The award win reflects SunCon’s commitment to upholding high standards of governance, transparency and disclosure of information to our stakeholders.

The award was presented by Minister of Finance, YB Lim Guan Eng and received by Ms Ng Bee Lien, Chief Financial Officer of SunCon on behalf of the Company at the NACRA Awards ceremony on 28 November 2019 at the Majestic Hotel, Kuala Lumpur.

8TH
NOVEMBER
2019

CONSTRUCTION INDUSTRY DEVELOPMENT BOARD MALAYSIA 5-STAR SCORE RATING FOR THE YEAR 2019

Sunway Geotechnics (M) Sdn Bhd




Sunway Geotechnics (M) Sdn. Bhd., a subsidiary of SunwayConstructionSdn.Bhd.successfullyachieved a 5-star rating under CIDB SCORE Programme 2019. The SCORE Programme (also known as Program Penilaian Keupayaan dan Kemampuan Kontraktor) is developed by CIDB Malaysia, in collaboration with SME Corporation, with an aim to provide an effective gauge of local contractors’ strengths through a stringent and comprehensive rating system.

4TH
OCTOBER
2019

MALAYSIAN CONSTRUCTION INDUSTRY EXCELLENCE AWARDS 2019

Contractor of the Year Award (Grade G7)



Sunway Construction Sdn. Bhd. emerged as the winner of the Contractor of The Year Award at the Malaysian Construction Industry Excellence Awards (MCIEA) 2019. The MCIEA Awards, organised annually by the Construction Industry Development Board (CIDB) Malaysia, are regarded as the premier accolade for all-round excellence in the Malaysian construction industry and recognise individuals, organisations and projects that have contributed and demonstrated excellence in enhancing the image and performance of the construction industry. The award winners are selected by independent panels of assessors appointed by CIDB via vigorous, detailed evaluations. As the winner of the Contractor of The Year Award, Sunway Construction was recognised for overall excellence in company performance and project implementation.The award was presented by Minister of Works, YB Baru Bian and received by Mr. Richard Wong, Senior Executive Director on behalf of Sunway Construction Sdn. Bhd. at the MCIEA Awards ceremony on 4 October 2019 at W Kuala Lumpur Hotel. For the record, Sunway Construction was a 3 time winner of the MCIEA Builder of The Year Award in years 2003, 2005 & 2013.

AWARDS AND RECOGNITION (CONT'D)

19TH
SEPTEMBER
2019

THE EDGE BILLION RINGGIT CLUB
CORPORATE AWARDS 2019

Highest Return On Equity Over Three Years



SunCon was awarded the “Highest Return on Equity Over Three Years” in the Construction Sector at The Edge Billion Ringgit Club Awards 2019. Organised by The Edge Media Group, a total of 43 companies took home 60 awards celebrating the crème de la crème of corporate Malaysia and the most responsible organisations.

The prestigious award was accepted by Mr. Evan Cheah Yean Shin, Non-Independent Non-Executive Director of Sunway Construction Group Berhad at the gala dinner held in Shangri-La Hotel, Kuala Lumpur on 19 September 2019.

With the aim of encouraging Malaysian companies to be even better at what they do, to grow, to invest, to create jobs as well as be socially responsible, The Edge Billion Ringgit Club Corporate Awards was first held in 2010 as a way to recognise Malaysia’s top performing listed companies with a market capitalisation of above RM1 billion.

16TH
AUGUST
2019

CONSTRUCTION INDUSTRY
TRADE AWARDS 2019



Sunway Engineering Sdn. Bhd., a subsidiary of Sunway Construction Sdn. Bhd., won the Best Mechanical & Electrical Contractor award at the Construction Industry Trade Awards (CITA) 2019. The CITA Awards 2019 is an inaugural effort by the Master Builders Association of Malaysia (MBAM) to recognise organisations which have contributed and demonstrated excellence in enhancing the image, performance and improvement of the construction industry in their respective fields of expertise. The award was presented by Minister of Water, Land and Natural Resources, YB. Dr. Xavier Jayakumar and received by Mr. Vignes Perumal, Senior Manager – Project Operations on behalf of Sunway Engineering Sdn. Bhd. at MBAM’s 65th Anniversary Dinner on 16 August 2019 at Sunway Resort Hotel & Spa.

MBAM is a cohesive umbrella organization, representing the construction industry and services sector in Malaysia dedicated towards promoting and developing the construction industry with close to 17,000 members.

1ST
AUGUST
2019

MSOSH OSH AWARDS 2018



Sunway Construction Sdn. Bhd. was recognised at the MSOSH OSH Awards 2018 for its commendable safety and health record. Our LRT3 Package GS07-08 project took home the Gold Class I Award, the highest award to be won by a construction & engineering company. SunCon’s other projects including Sunway GeoLake, Sunway Serene, SMC4 and Big Box Retail won the Gold Class II Award, while the MRTV201 project took home the Silver Award.

31ST
JULY
2019

MSWG-ASEAN CORPORATE
GOVERNANCE AWARDS 2018

- Excellence Award for Overall CG & Performance - 2nd Place
- Excellence Award for CG Disclosure - Top 15



SunCon was recognised for demonstrating high standards of corporate governance while maintaining good performance at the Minority Shareholders Watch Group (MSWG) - ASEAN Corporate Governance Awards 2018. SunCon received two awards, Excellence Award for Overall Corporate Governance & Performance, (2nd place) and Excellence Award for Corporate Governance Disclosure, Top 15.

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Surging Ahead with the Flow of Opportunities

Sunway Construction Annual Report 2019

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AWARDS AND RECOGNITION (CONT'D)

**30TH
JULY
2019**

**SUNWAY CONSTRUCTION GROUP
CONFIRMED AS FTSE4GOOD INDEX
SERIES CONSTITUENT**



SunCon continued to successfully remain as a constituent of the FTSE4Good Index series for the fifth consecutive year following a review in June 2019. SunCon was first included in the index in June 2015, meeting the inclusion criteria for demonstrating strong Environment, Social and Governance (ESG) practises measured against globally recognised standards. The repeated successful inclusion in FTSEGood demonstrates SunCon's strong commitment to being a responsible corporate entity.

**19TH
MARCH
2019**

**5 STAR SCORE ACHIEVER
AWARD 2019**



Sunway Construction Sdn. Bhd. and its subsidiary Sunway Engineering Sdn. Bhd. were recognized for achieving the highest 5-Star rating in CIDB's SCORE programme 2018. Under the SCORE Programme, CIDB-registered construction companies are assessed on parameters such as management strength, technical expertise, business performance and best practices.

**6TH
MARCH
2019**

ASRA AWARD 2018

Asia's Best Sustainability Report Within Annual Report



SunCon won “Asia’s Best Sustainability Report within Annual Report” at the 4th Asia Sustainability Reporting Awards (ASRA). The award reflects our leadership in managing long-term social, environmental and economic impacts, risks and opportunities for competitive advantage.

PAST YEARS PROMINENT AWARDS



2018

IFAWPCA BUILDERS AWARD

- i) Building Construction Category - Silver Medal Award - Kuala Lumpur Convention Centre Project
- ii) Civil Engineering Construction Category - Silver Medal Award - BRT Sunway Line Project
- iii) Yeoh Tiong Lay - IFAWPCA Award for Excellence - Datuk Kwan Foh Kwai

2017

MALAYSIAN SOCIETY FOR OCCUPATIONAL SAFETY AND HEALTH (MSOSH) AWARD 2016

(Parcel F, MRT V201, KLCC Package 1 and 2, Emerald Residence, Sunway Velocity Hotel)

2016

MALAYSIA-ASEAN CORPORATE GOVERNANCE AWARD

Industry Excellence Award (Property and Construction)

29TH ANNUAL SINGAPORE 1000 & SME 1000 AWARDS

Sunway Concrete Products (S) Pte. Ltd.

2015

MALAYSIA INVESTOR RELATIONS ASSOCIATION (MIRA)

- i) Best Investor Relations for An Initial Public Offering in 2015
- ii) Best Chief Financial Officer (Main Board - Mid Cap)
- iii) Best Investor Relations Website (Main Board - Mid Cap)

2014

MITI INDUSTRY EXCELLENCE AWARDS (AKI)

Category 3 Services Sector Award

CIDB QLASSIC EXCELLENCE AWARD

High QLASSIC Achievement Award & The Best QLASSIC Achievement for category: Non-Residential: Large-Scale Project (Sunway Pinnacle)

2013

BUILDER OF THE YEAR

The Malaysian Construction Industry Excellence Awards (MCIEA)

CEO OF THE YEAR - DATUK KWAN FOH KWAI (Former Advisor to SunCon Group)

The Malaysian Construction Industry Excellence Awards (MCIEA)

SIRIM QUALITY AWARD (ORGANISATION)

2012

THE ELECTRICAL & ELECTRONICS ASSOCIATION OF MALAYSIA (TEEAM)

Best Contractor Award 2012 Commercial Category Sunway Engineering Sdn. Bhd.

INTERNATIONAL ACHIEVEMENT AWARD

The Malaysian Construction Industry Excellence Awards (MCIEA)

2010

INDUSTRY EXCELLENCE AWARDS

Export Excellence Award (Services)

6TH MALAYSIAN OCCUPATIONAL SAFETY & HEALTH PROFESSIONAL'S ASSOCIATION (MOSHPA) OSH EXCELLENCE AWARD

Piling & Geotechnics Sector Sunway Geotechnics Sdn. Bhd.

INTERNATIONAL ACHIEVEMENT CATEGORY - SPECIAL MENTION

The Malaysian Construction Industry Excellence Awards (MCIEA)

THE MALAYSIA BUSINESS AWARDS

The Most Promising Contractor in the Middle East

2009

CONTRACTOR AWARD GRADE G7

The Malaysian Construction Industry Excellence Awards (MCIEA)

23RD ANNUAL SINGAPORE 1000

Sunway Concrete Products (S) Pte. Ltd.

NATIONAL AWARD OF MANAGEMENT ACCOUNTING (NAFMA)

21ST INTERNATIONAL CONSTRUCTION AWARD

Sunway Engineering Sdn. Bhd.

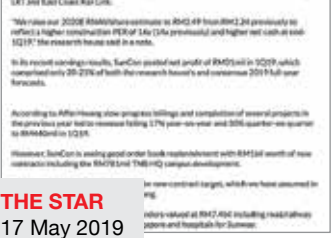
SUNCON IN THE NEWS



THE MALAYSIAN RESERVE
20 February 2019



NEW STRAITS TIMES
17 May 2019



THE BUSY WEEKLY
07 October 2019



BERITA HARIAN
15 July 2019



SINAR HARIAN
05 October 2019

Sunway Construction Group Bhd									
FY18/19 RM MIL									
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	2,079.3	2,256.8	1,848.0	3,299.0	1,950.8				
Gross profit	428.6	444.7	184.0	229.9	195.0				
EBITDA	194.9	214.6	195.7	229.2	209.4				
EBITDA margin (%)	9.5	9.9	10.6	9.8	10.7				
EBIT	199.1	216.6	214.9	217.6	241.5				
EBIT margin (%)	9.5	9.5	11.6	6.6	12.3				
PBT	132.3	144.7	130.6	148.7	124.9				
Core net profit	132.3	144.7	130.6	148.7	124.9				
Core EPS (sen)	35.2	31.2	35.1	31.5	31.7				
PER (x)	18.4	17.7	18.6	17.5	20.5				
Gross dividend (sen)	7.6	7.0	8.0	8.0	6.0				
Dividend yield (%)	3.5	3.5	4.0	4.0	3.0				
ROE (%)	25.5	25.9	21.6	22.1	18.2				

THE EDGE FINANCIAL DAILY
21 November 2019



THE EDGE FINANCIAL DAILY
21 August 2019



THE STAR ONLINE
19 November 2019

VALUE CREATION

OUR CAPITALS

SUSTAINABLE BUSINESS MODEL

VALUE CREATION

FINANCIAL

SunCon's operations are typically funded on internally generated funds and a portion of well-adjusted debt. We have a robust capital management system in place to maintain a stable financial position. SunCon is in a net cash position as at 2019 with cash in excess of RM406.6 million.

MANUFACTURED CAPITAL

SunCon owns a number of plants and a wide range of machineries. We have two Precast plants in Johor and RM128 million worth of machineries.

We are currently developing an advanced precast manufacturing facility in Singapore to mechanise the production of precast components (ICPH).

HUMAN CAPITAL

Our community spans across all age groups with diverse technical knowledge and capabilities. Cultivating lean and synergistic teams and creating an engaging, empowering and energising work environment remain key areas of focus for SunCon.

INTELLECTUAL CAPITAL

Building Information Modeling (BIM) Technology coupled with Integrated Project Delivery enables better coordination throughout the entire construction lifecycle.

We leverage on digital technology to enhance efficiency and enable business transformation.

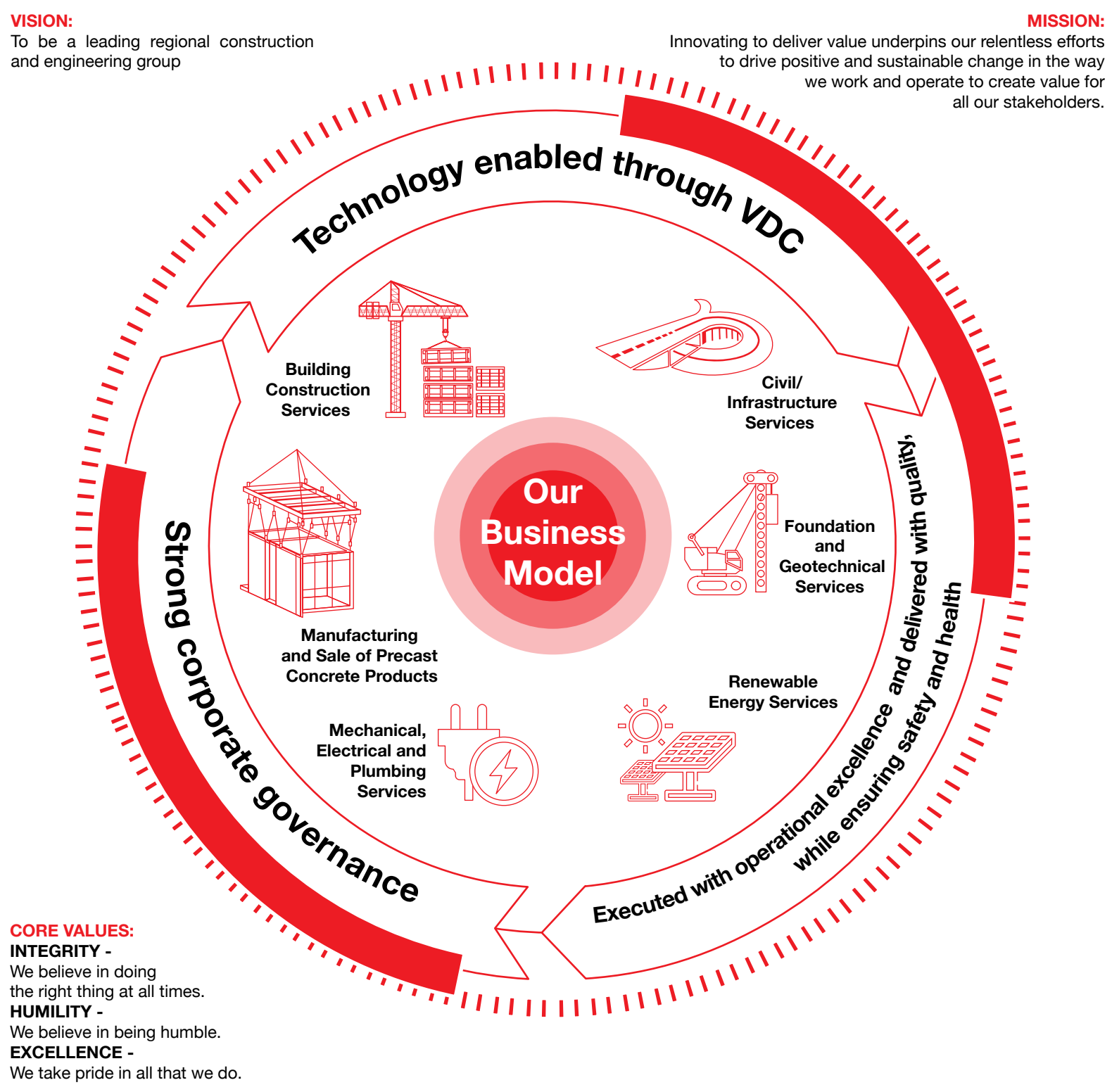
NATURAL CAPITAL

SunCon utilises water, energy and raw materials in the form of cement, sand, steel and construction aggregates in our business operations. We seek to manage and utilise resources, as well as carry out our business operations in a responsible manner that reduces the impact to the environment.

- ISO 14001 certified

SOCIAL AND RELATIONSHIP

SunCon engages and maintains strong relationships with our key stakeholders, namely clients, business partners, professional bodies and local communities where we build.



INVESTORS

We endeavour to deliver good returns to our shareholders. Though our share price performance has performed well over the past years in line with the industry sentiment, we are committed to pay dividend of more than 35% of our PATMI.

- Revenue : RM1,769 million
- Profit before Tax : RM157 million
- Dividend Per Share : 7 sen

EMPLOYEES

SunCon keeps level of pay and staff benefits under regular review and ensures that our staff benefits are competitive in the market. More than 40% of value generated from the Group are distributed back to our employees through salaries and other staff benefits.

Employee Attrition Rate : 14.5%

Staff Productivity : 12 times

Employee Engagement Survey : 72%

BUSINESS PARTNERS

Key to effective project management is a systematic and collaborative supply chain. Constant engagement with our clients, suppliers and subcontractors are important to ensure smooth progress at site.

CLIENT/CONSULTANT SATISFACTION SURVEY

- Average Score : 77.7%
- Satisfaction (YES) 2019 : 93.8%
- Response Rate 2019 : 99.3%

QLASSIC

- Average QLASSIC Score : 75%

ENVIRONMENT

Construction activities will leave construction residual inevitably. SunCon continuously monitors air, noise and water pollution closely to ensure that we do not surpass the hazardous limit. We have put in place measures to ensure that we minimise the environmental damage.

- No fines and compounds related to environmental violations received in 2019
- FTSE4Good Inclusion

SAFETY AND HEALTH

We strive to provide safe, healthy and conducive workplaces for our employees and workers, as well as protecting public safety and communities around us by ensuring all hazards and risks are mitigated to a level of as low as reasonably possible while complying to the stipulated environmental, safety and health legal requirements.

- Number of Work Related Fatalities: 1

COMMUNITY

We take active efforts to support and safeguard the surrounding communities where we operate.

- CSR contribution: RM665,831

CHAIRMAN'S STATEMENT



DATO' IR GOH CHYE KOON

Operational Achievements

Against a challenging backdrop, we have delivered a satisfactory performance in 2019. We have successfully surpassed our targeted order book replenishment with several sizeable project wins totaling RM1.8 billion during the year, bringing our outstanding order book to RM5.2 billion.

In the 1st quarter, we were awarded the TNB HQ Campus project in Bangsar for RM781 million, consisting of 7 blocks of office buildings and convention center with basement carpark, childcare center and gallery. Following this, we were awarded the Petronas Leadership Center project in Bangi for RM310 million, consisting of a one-storey semi basement car park, four-storey institutional building, two guardhouses, a surau and other associated works and upgrading of ancillary buildings. Both projects are designed to achieve the highest level Platinum rating in Malaysia's Green Building Index.

In line with our vision to be a leading regional construction and engineering group, one of our key focus areas for the year was to expand our footprint in the ASEAN region. As part of this, we have signed a Memorandum of Understanding (MoU) with Capital Construction Ltd, the construction division of Capital Diamond Star Group (CDSG), one of Myanmar's most respected and prominent conglomerates with leading businesses in food, retail, real estate development, construction, healthcare, banking, insurance and finance sectors. This partnership enables us to jointly bid for potential projects to be developed by CDSG, such as mixed-used developments, offices, hotels and hospitals in Yangon and Mandalay, as well as external civil and infrastructure projects. The collaboration also enables us to offer the required technology and expertise to meet the project requirements and sets the stage for us to explore further inroads into this country which has vast potential for development. We have seconded a team of engineers with various technical capabilities for cross learning in Myanmar and to further our exploration there. Further to this, we are working towards establishing joint ventures with strategic alliances to pave the way for our business ventures overseas.

Review of 2019

The construction industry continued to face a challenging environment in 2019. On the domestic front, there was a slowdown in public infrastructure spending as the government reconstructed its fiscal consolidation with a focus to achieve higher economic growth while balancing many competing needs. The sentiment slightly improved moving into the 2nd half of the year with the revival of several key infrastructure projects such as the ECRL and Bandar Malaysia projects. However global headwinds continued to pose downside pressure on the construction environment, with the persistent US-China trade disputes coupled with softening of global growth.

Despite the volatile and uncertain conditions in both the local and global economic landscapes, I am pleased to report that SunCon has been able to steadily navigate through the challenges and achieved stable profitability and continued balance sheet strength during the year.

Building on our strong brand heritage of 38 years of construction excellence, our results demonstrate the resilience and strength of our diversified businesses, disciplined cost control and prudent risk management practices, which enable us to continue delivering long-term shareholder value to our stakeholders despite adverse market conditions.

During the year, we have also continued to explore other areas with strong opportunities for growth, more specifically the renewable energy sector. Malaysia's shift towards becoming a nation with sustainable energy has opened up doors of opportunity for us. Having built inroads in solar systems in our various Sunway developments such as at the Sunway Pyramid Shopping Mall, Big Box Retail Mall, Sunway University, and rooftop solar Photovoltaic (PV) systems for the Parcel F project in Putrajaya, as well as the upcoming future Petronas Leadership Center project, we are powering up our capabilities in solar energy to further tap on the vast potential in this industry. In 2019 we have formed a new subsidiary, Sunway Pekat Solar Sdn Bhd, as a move to widen our portfolio in the renewable energy sector. This is part of our strategy to capitalize on new and viable opportunities in the renewable energy sector and complements our existing business to drive growth.

We remain committed to executing and delivering our order book with operational excellence. Over the past year, we successfully handed over the design and build of the large scale Parcel F, Putrajaya project. This was one of the largest government office building projects that we have implemented to full Building Information Modelling (BIM)

standards, from design stage to facilities management stage with level of detail (LOD) 500 which enables the end user to more effectively manage and maintain the building throughout its entire life cycle.

Other key projects in our portfolio currently include LRT3 GS07&08, MRT201, Nippon Express Warehouse in Shah Alam, piling and foundation works projects for LRT3 Package GS10 and Precinct 7MD7 Putrajaya, and MEP services for a mixed commercial project along Jalan Ampang, Kuala Lumpur. All projects are progressing on track and have contributed positively to our bottom-line during the year and for the year ahead.

Sunway Bhd's continued expansion plans have also helped us to mitigate the slowdown in the local construction sector growth. In the Central region, we were awarded the CP2 Sunway South Quay for RM119 million for earthworks, bore pile foundation with secant pile and diaphragm retaining wall works. In the Southern region, we were awarded and have commenced on the construction of the Sunway Big Box Hotel, a 14 level hotel block in Medini, Iskandar at RM99.5 million, following the completion of the Big Box Retail project.



MRT Line 2 Package V201 Sungai Buloh to Persiaran Dagang

CHAIRMAN'S STATEMENT (CONT'D)

Commitment to Shareholder Returns

In FY2019 we continued to deliver on our promise of paying out at least 35% of our profits to shareholders. Our operational performance has enabled us to reward our shareholders with 2 interim dividends of 3.5 sen per share, bringing the total dividend for FY2019 to 7 sen per share which is equivalent to more than 70% of our total profits.

Awards and Recognitions

SunCon's position as one of the leading institutions in Malaysia and in the region was reaffirmed with multiple excellence award wins during the year.

We are honoured to be the recipient of The Edge Billion Ringgit Club – Highest Return On Equity (ROE) Over Three Years in the Construction Sector. This award recognizes SunCon's average ROE during the evaluation period from FY2014 to FY2017, as the highest in the industry. This year marks the first year that SunCon has qualified to participate in and won the coveted award.

Another notable achievement during the year was winning the MCIEA Contractor of The Year Award 2019. This award is in recognition of the overall excellence in our company performance and project implementation. For the record, SunCon was a three time winner of the MCIEA Builder of The Year Award in year 2013, 2005 and 2003.

SunCon also bagged the prestigious Asia Sustainability Reporting Award (ASRA) 2018 in Singapore. This award underscores SunCon's leadership in managing long-term social, environmental and economic impacts, risks and opportunities for competitive advantage.

Another key highlight during the year was the MSWG ASEAN Corporate Governance Award 2018 in which SunCon came in 2nd place for the Overall Corporate Governance and Performance category and ranked in the top 15 for the Excellence for Corporate Governance Disclosure category.

Our efforts in corporate reporting were also recognized with the National Annual Corporate Reporting Awards (NACRA) 2019 where SunCon won the Industry Excellence Award for the Construction Sector for the first time. This award win reflects SunCon's commitment to uphold high standards of governance, transparency and disclosure of information to our stakeholders.

We wish to express our gratitude to the esteemed awarding bodies and regulatory agencies for their valued recognition of our achievements. We are humbled and honoured to win these prestigious awards and shall strive for continued leadership to set the benchmark in the construction industry.



Nippon Express Malaysia New Warehouse, Shah Alam



Construction of piers at Bandar Baru Klang, LRT3 Package GS07&08

Sustainability Performance

Sustainability is an integral part of our corporate strategy. As part of the Sunway Group, we uphold the Group's corporate vision "to be Asia's model corporation in sustainable development, innovating to enrich lives for a better tomorrow". Driven by our commitment to conduct business in a sustainable and responsible manner, we strive to make a positive impact on the communities in which we operate by integrating Environment, Social and Governance (ESG) considerations into our decision making and business practices.

Our commitment to sustainability was recognized with the prestigious Asia Sustainability Reporting Award (ASRA) 2018, whereby we won the category of Asia's Best Sustainability Report Within Annual Report. ASRA is the highest regional recognition for sustainability reporting which is decided by an independent judging panel. We also continued to successfully remain a constituent of the FTSE4Good Bursa Malaysia Index for the 5th consecutive year, for demonstrating strong ESG practices measured against globally recognised standards. These recognitions are testament to our leadership in ensuring a sustainable business that will remain competitive in the years ahead.

Innovation & Technology

At SunCon, we have embraced digitalization and Industry 4.0 technology to continuously change the way we communicate, work and innovate. As one of the first construction companies in Malaysia to digitalize the construction process with the use of BIM, we have made further progress in our implementation of BIM in 2019 with the refinement in 4D to 6D, enabling us to have better cost

control and more effective project delivery. We have also published a Sunway VDC Handbook which will serve as a guide to BIM implementation in all our projects as well as established an in-house BIM module to more effectively develop the competencies of our personnel in BIM. We will continue to develop our talent with the latest advancements in BIM technology to remain at the forefront of innovation.

In addition, we are also continuing to improve our efficiency through automation of our business processes and the use of data-driven artificial intelligence for a more secure, transparent and efficient manner. We will continue to leverage on state-of-the-art technologies to elevate our business processes to a higher level and to provide more value-added services and solutions to our customers.

Corporate Governance

SunCon continues to uphold high standards of transparency, accountability and integrity in managing our Group's business and we are proactively taking measures to further enhance our corporate governance framework.

During the year, we have intensified / strengthened our efforts in corporate governance and internal controls with the establishment of an Anti-Bribery and Corruption Policy which was rolled out in January 2020. This is further to our 'No Gift Policy' that was implemented in 2018. This policy outlines the Company's zero-tolerance position against all forms of bribery and corruption and our commitment to conducting our business in accordance with all applicable laws, rules and regulations and to the highest ethical standards.

CHAIRMAN’S STATEMENT (CONT’D)

As a testament to our high standards of corporate governance while maintaining good performance, SunCon was awarded the Minority Shareholders Watchdog Group (MSWG) ASEAN Corporate Governance Recognition 2018 in July 2019. The awards recognise public listed companies in the ASEAN region that have achieved excellence in corporate governance best practices based on the ASEAN Corporate Governance Scorecard assessment. We came in 2nd place, just after Petronas, for the Excellence Award for Overall CG & Performance and ranked in the top 15 for the Excellence Award for CG Disclosure.

We believe that good governance builds the foundation for an effective, transparent and sustainable business. We remain committed to effectively managing company risk and reporting, and providing clear leadership and vision to our people, in the pursuit of service excellence for our clients.

Our Focus in 2020

Since the incorporation of SunCon in 1976 we have delivered in excess of RM28 billion in projects for our clients in Malaysia and internationally.

Our strong track record in integrated construction has laid a solid foundation for our future and the challenges ahead, from which we can continue to fortify our business to seize growth opportunities, as we remain committed to our goal of delivering long term value to our shareholders.

Looking ahead, construction activity in Malaysia is expected to remain challenging. Headwinds arising from the unexpected change in federal government, policy uncertainties, trade tensions, a subdued property market and the impact from Covid-19 will persist in the background throughout 2020. We remain cognizant of the local and global economic landscape and will continue our prudent business strategy while charting our expansion plans for a sustainable growth.

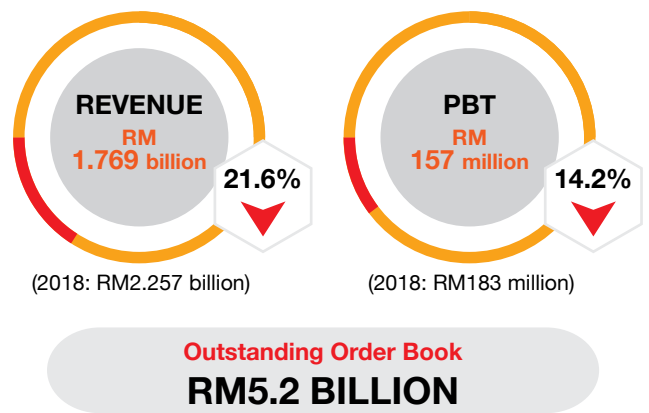
In the coming year, we will continue to prioritize on increasing our geographical coverage by expanding regionally. In addition to Myanmar, we are also looking into opportunities in other developing countries such as India, Indonesia and the Philippines. We believe that our strong track record in delivering total solutions will be a competitive advantage in the regional market and look forward to tendering for more projects locally as well as abroad.


In the renewable energy sector, we will continue to explore opportunities in large scale solar power to address increasing environmental concerns and to chart a further growth path for the Company.

Moving in step with technological advancement, we will move forward with upskilling of our talent while remaining lean and agile to adapt flexibly to changes in the business environment. At the same time, we will continue to drive innovation to produce high value-added products, enhance operational excellence and optimize costs, through further application and development of technologies in our business, such as VDC and automation of key processes. Backed with a solid order book in hand, we are confident of capitalizing the opportunities for growth.

Note of Appreciation

The Board of Directors wishes to thank all employees for their contribution, perseverance and hard work in 2019 and for embracing our vision to secure our future together. We also thank all our shareholders, customers and business partners for their confidence and unwavering support they have given us.




Dato' Ir Goh Chye Koon
Chairman & Independent Non-Executive Director



Sunway GEOLake Residences, Sunway South Quay



EXEMPLARY LEADERSHIP

52	Profile of Board of Directors
60	Profile of Key Senior Management
69	Organisation Structure

MOULDING EXEMPLARY LEADERSHIP

As part of SunCon's integrated multi-disciplinary services, our precast manufacturing division has successfully catered to the construction of numerous Housing Development Board (HDB), commercial buildings and private executive condominiums in Singapore since 1994.

To meet the construction industry's ever-expanding demands, we continue to enhance our organisation's capabilities.

Our management team sets new standards in exemplary leadership by inspiring the organisation to seek fresh innovations, improve products and processes, lower costs and increase productivity.

This has resulted in the development of ground-breaking facilities such as the Integrated Construction and Prefabrication Hub (ICPH) in Singapore.

PROFILE OF BOARD OF DIRECTORS



DATO' IR GOH CHYE KOON

Malaysian, Aged 70, Male

Chairman & Independent Non-Executive Director
 Date Appointed to the Board: 17 October 2014
 Years of Directorship: 5.5 years

- Qualifications:**
- Bachelor of Engineering (Hons) degree in Civil Engineering from the University of Malaya
 - Professional Engineer (P.Eng) and a Member of the Institution of Engineers Malaysia (MIEM)
 - Advisory Peer Group Member of the School of Science and Technology at Wawasan Open University
- Membership of Board Committees:**
- Audit Committee
 - Nomination and Remuneration Committee
 - Risk Management Committee
- Directorships of Other Public Companies and Listed Issuers:** Nil

Skills, Working Experience and Expertise:

Dato' Ir Goh began his career as an engineer in the Ministry of Works, where he served for 11 years rising to the position of Superintending Engineer prior to joining IJM Corporation Berhad as a Senior Engineer in 1984. He was promoted as General Manager (Central Region) in 1986 and subsequently appointed as Alternate Director in 1995 before assuming the position of Deputy Group Managing Director in 1997. He was redesignated Deputy Chief Executive Officer and Deputy Managing Director in 2004 and upon his retirement in 2008, Dato' Ir Goh continued to serve as Executive Director of IJM Corporation Berhad until June 2009 and thereafter Non-Executive Director from July 2009 until June 2013.

He was a member of the Presidential Consultative Council of the Board of Engineers Malaysia (2002 - 2004) and also a member of the Construction Consultative Panel of Malaysia Productivity Corporation (2003 - 2009). He was the Chairman of the Building Industry Presidents' Council and President of the Master Builders Association Malaysia for the session 2004/2006 and has served as its Deputy President, Vice President and Deputy Secretary General.

Dato' Ir Goh was a board member of the Construction Industry Development Board Malaysia (CIDB) from 2004 to 2006 and served as a Main Committee Member (2001 - 2009) and Chairman of the Working Group for construction projects (Local and Foreign) (2003 - 2009) in the Construction Industry Master Plan of CIDB.



CHUNG SOO KIONG

Malaysian, Aged 53, Male

Group Managing Director & Non-Independent Executive Director
 Date Appointed to the Board: 1 November 2015
 Years of Directorship: 4.5 years

- Qualifications:**
- Bachelor of Science (Hons) Degree in Quantity Surveying from the University of Abertay Dundee
 - Diploma in Building (Technology) from Tunku Abdul Rahman College
- Directorships of Other Public Companies and Listed Issuers:** Nil
- Membership of Board Committees:** Nil

Skills, Working Experience and Expertise:

Mr. Chung began his career with Taisei Corporation in 1990 where over a period of seven years he rose to the position of Section Manager - Quantity Surveying. In 1997, he joined Sunway Construction Sdn. Bhd. and served as the Contract Manager of Business Development & Marketing Department. Thereafter, Mr. Chung acted as the Country Manager/Project Director of Sunway Innopave Sdn. Bhd. (Abu Dhabi Branch) for the period from 2007 to 2013.

After his stint in Abu Dhabi, Mr. Chung took up the role of Deputy Managing Director of Sunway Construction Sdn. Bhd. since 2013 before he was promoted to the position as Managing Director of the Company in November 2015. He was further promoted to Group Managing Director of the Company in January 2020. Mr. Chung has over 20 years of experience in the construction sector.

PROFILE OF BOARD OF DIRECTORS (CONT'D)



DATO' DR IR JOHARI BIN BASRI
 Malaysian, Aged 65, Male

Senior Independent Non-Executive Director
 Date Appointed to the Board: 17 October 2014
 Years of Directorship: 5.5 years

- Qualifications:**
- PhD. in Process Safety from the University of Sheffield, United Kingdom
 - MSc. in Terotechnology from Manchester University, United Kingdom
 - Bachelor of Engineering in Mechanical Engineering from University Technology Malaysia
 - Fellow of the Institute of Engineers Malaysia (IEM)
 - Associate Fellow of The Institution of Chemical Engineers (U.K.)
 - Professional Engineer registered with the Board of Engineers Malaysia
 - Life member of The Malaysian Society for Occupational Safety and Health (MSOSH)

- Membership of Board Committees:**
- Nomination and Remuneration Committee (Chairman)
 - Audit Committee
 - Risk Management Committee


Directorships of Other Public Companies and Listed Issuers: Nil

Skills, Working Experience and Expertise:

Dato' Dr Ir Johari joined the Factories and Machinery Department of Malaysia, which is now known as Department of Occupational Safety and Health (DOSH), as a Factories and Machinery Inspector (Engineer) in 1977. He was then promoted as Director of Industrial Safety Division of DOSH in 1997.

In 2000 and 2004, Dato' Dr Ir Johari was seconded from DOSH to be the Executive Director of National Institute of Occupational Safety and Health (NIOSH) Malaysia. He was the Executive Director of NIOSH Malaysia for years 2000 - 2002 and 2004 - 2007. In between that period, he returned to DOSH and assumed the role of Director General where he was responsible for the overall planning and implementation of the core activities of DOSH. Concurrently during his tenure in NIOSH Malaysia from 2004 to 2007, he was the Executive Director of ASEAN-OSHNET, the regional grouping of 10 ASEAN member countries working together towards improving the safety and health of the workers. In 2007, he returned to DOSH to resume the role of Director General until his retirement in June 2014.

Dato' Dr Ir Johari was also a member of the board of directors of NIOSH (2007 - 2014), board of member of CIDB (2007 - 2014), Chairman for the Industrial Standard Committee of Occupational Safety and Health (ISCW) SIRIM Berhad (2007 - 2014) and Member for Malaysian National Standards Committees (MyNSC) Standards Malaysia (2007 - 2014).



DATO' SIOW KIM LUN
 Malaysian, Aged 69, Male

Independent Non-Executive Director
 Date Appointed to the Board: 17 October 2014
 Years of Directorship: 5.5 years

- Qualifications:**
- Master in Business Administration from the Catholic University of Leuven, Belgium
 - Bachelor of Economics (Hons) degree from Universiti Kebangsaan Malaysia
 - Advanced Management Program at the Harvard Business School

- Membership of Board Committees:**
- Audit Committee (Chairman)
 - Nomination and Remuneration Committee
 - Risk Management Committee

- Directorships of Other Public Companies and Listed Issuers:**
- EITA Resources Berhad
 - Hong Leong Assurance Berhad
 - Eco World International Berhad
 - Radiant Globaltech Berhad
 - RHB Investment Bank Berhad

Skills, Working Experience and Expertise:

Dato' Siow has over 30 years of working experience in investment banking, corporate finance and regulatory oversight of the Malaysian Capital Market.

He began his career in investment banking with Malaysian International Merchant Bankers Berhad in 1981. From 1985 to 1993, he was with Permata Chartered Merchant Bank Berhad (now known as Affin Hwang Investment Bank Berhad) first as a manager and later as the Divisional Head of its Corporate Finance Division. Between 1993 and 2006, he was with the Securities Commission Malaysia ("SC") and has served in several positions at the SC including that of the Director of its Issues and Investment Division and the Director of its Market Supervision Division. He has also served as a director of MainStreet Advisers Sdn Bhd, a licensed corporate finance advisory firm, from 2008 to 2019.

PROFILE OF BOARD OF DIRECTORS (CONT'D)



DR SARINDER KUMARI A/P OAM PARKASH
 Malaysian, Aged 63, Female
Independent Non-Executive Director
 Date Appointed to the Board: 1 March 2018
 Years of Directorship: 2.1 years

- Qualifications:**
- Ph.D. in Financial Economics from University Putra Malaysia
 - Masters in Economics from George Washington University
- Membership of Board Committees:**
- Risk Management Committee (Chairperson)
 - Audit Committee
 - Nomination and Remuneration Committee
- Directorships of Other Public Companies and Listed Issuers:** Nil


Skills, Working Experience and Expertise:

Dr Sarinder has over 30 years of experience in policy and strategic planning, trade negotiations, regulatory and Government affairs. She has previously served in various portfolios with the Ministry of Finance (MOF), Ministry of International Trade and Industry (MITI) and the Performance Management and Delivery Unit under the Prime Minister's Department in Malaysia.

In MOF, she was involved in the raising of Federal Government loans from the international capital and bond markets, debt management and privatisation projects. Her portfolio in MITI included the World Trade Organisation (WTO), Strategic Planning and Free Trade Agreements (FTAs) Policy and Negotiations. She was also the lead negotiator for Services for Malaysia's first Bilateral FTA.

In PEMANDU she provided strategic direction on the planning and implementation of the Tourism-related initiatives under Malaysia's National Transformation Programme. She was also responsible for the Strategic Reform Initiative encompassing the Competition Act, Adoption and Development of International Standards and the Liberalisation of Services. She developed the performance assessment and management system for the performance assessment of all Ministers by the Prime Minister.

Dr Sarinder joined PEMANDU Associates in March 2017 and she is currently responsible for business development activities with a focus on public sector transformation and business turnaround.



DATO' CHEW CHEE KIN
 Malaysian, Aged 74, Male
Non-Independent Non-Executive Director
 Date Appointed to the Board: 17 October 2014
 Years of Directorship: 5.5 years

- Qualifications:**
- Bachelor of Economics (Hons) Degree from the University of Malaya
 - Program in Management Development at Harvard Business School
- Membership of Board Committees:**
- Nomination and Remuneration Committee
- Directorships of Other Public Companies and Listed Issuers:**
- Sunway Berhad
 - Gopeng Berhad

Skills, Working Experience and Expertise:

Dato' Chew started his career as a Trainee Executive in UMW (Malaya) Sdn. Bhd. in 1974. Prior to joining Sunway Group, he was the General Manager of UMW (Malaya) Sdn. Bhd.

He joined the Sunway Group in 1981 as the Group General Manager (Operations) and was subsequently promoted to Deputy Group Managing Director (Operations) of the Sunway Holdings Berhad Group in 1989. In 1995, he was promoted to Group Managing Director of the Sunway Holdings Berhad Group and to President of the Sunway Holdings Berhad Group in 1999.

Upon the completion of the merger of Sunway City Berhad and Sunway Holdings Berhad in 2011, Dato' Chew was designated as the President of Sunway Berhad. He has more than 30 years' experience in general management, quarrying, construction, building materials, trading and manufacturing businesses.

PROFILE OF BOARD OF DIRECTORS (CONT'D)



EVAN CHEAH YEAN SHIN

Malaysian, Aged 40, Male

Non-Independent Non-Executive Director
 Date Appointed to the Board: 18 September 2014
 Years of Directorship: 5.6 years

- Qualifications:**
 - Bachelor of Commerce Degree and Bachelor of Business System Degree from Monash University
 - Chartered Financial Analyst Charterholder
 - Certified Practising Accountant
 - Member of Malaysian Institute of Accountants
- Membership of Board Committees:**
 - Risk Management Committee
- Directorships of Other Public Companies and Listed Issuers:** Nil

Skills, Working Experience and Expertise:

Mr. Evan Cheah joined the Sunway Group following his graduation as an Executive Assistant and was attached to the Sunway Group Finance division from 2001 to 2002, with key roles in investment analysis, due diligence, corporate finance, management accounting and group procurement. In 2003, he was promoted and rotated to Sunway Construction where he was the Finance Manager. In 2006, he became the General Manager, Business Development of Sunway Group's Trading & Manufacturing division. In 2010, he was promoted to be the Executive Director of Sunway Mas Sdn. Bhd., a property development company within Sunway Group, in charge of operation matters.

In 2011, Mr. Evan was designated Chief Executive Officer of Sunway Group's China operations, responsible for the China Corporate Office and the development of new business opportunities for the Sunway Group in China. In 2013, he assumed the additional role of Executive Director in the President's Office of Sunway, assisting the Group President in overseeing the Trading & Manufacturing, Building Materials, Quarry & Information Technology businesses.

Effective 1 March 2015, Mr. Evan was redesignated as Executive Vice President - President Office with additional role of assisting the President's Office to identify potential business growth opportunities for Sunway Group and driving the group's synergy.



LIEW KOK WING

Malaysian, Aged 51, Male

Alternate Director to Chung Soo Kiong & Managing Director of Sunway Construction Sdn Bhd
 Date Appointed to the Board: 7 January 2020
 Years of Directorship: Less than a year

- Qualifications:**
 - Master of Science Degree in Civil Engineering, National University of Singapore
 - Bachelor of Engineering (Hons) in Civil Engineering, National University of Singapore
- Directorships of Other Public Companies and Listed Issuers:** Nil
- Skills, Working Experience and Expertise:**

Mr. Liew began his career with L&M Geotechnic in Singapore in 1993, as a Project Engineer at various construction projects in Singapore. In 1996, he was transferred to L&M Systems, Thailand as a Project Manager. In the same year, he left to join Taylor Woodrow Projects (M) Bhd. before joining SunCon as Senior Geotechnical Engineer from 1996 to 1998. Thereafter, he joined Nishimatsu Construction Company Singapore.

He rejoined SunCon in 2000 and was promoted during the course of overseeing various projects in Malaysia and India to the position of Senior General Manager, heading the Civil Engineering Division in 2013. He was further promoted as the Deputy Managing Director in 2016 and as the Managing Director of Sunway Construction Sdn. Bhd. on 7 January 2020.

He has over 20 years of experience in the construction industry.

- DIRECTORS**

Family Relationship with Director and/or Major Shareholder

Mr. Evan Cheah Yean Shin (Evan Cheah) who is a Non-Independent Non-Executive Director and major shareholder of Sunway Construction Group Berhad (SunCon), is the son of Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling (Tan Sri Dr Jeffrey Cheah) and brother of Ms. Sarena Cheah Yean Tih (Sarena Cheah) and Mr. Adrian Cheah Yean Sun (Adrian Cheah). Tan Sri Dr Jeffrey Cheah, Ms. Sarena Cheah and Mr. Adrian Cheah are the major shareholders of SunCon. Tan Sri Dr Jeffrey Cheah and Ms. Sarena Cheah are also the directors of Sunway Berhad, which is a major shareholder of SunCon.

Save as disclosed above, none of the other Directors has any family relationship with any director and/or major shareholder of SunCon.
- Conflict of Interest**

None of the Directors has any conflict of interest with SunCon Group.

Conviction for Offences

All the Directors have not been convicted of any offence (other than traffic offences, if any) within the past 5 years and have not been imposed any public sanctions or penalty by the relevant regulatory bodies during the financial year 2019.

Attendance of Board Meetings

The attendance of the Directors at Board and Board Committees' Meetings held during the financial year ended 31 December 2019 is disclosed in the Corporate Governance Overview Statement.

PROFILE OF KEY SENIOR MANAGEMENT

NG BEE LIEN
 Malaysian, Aged 48, Female
Chief Financial Officer

Qualifications:

- Chartered Accountant, Malaysian Institute of Accountants
- Bachelor of Commerce, Majoring in Finance, University of Western Australia

Skills, Working Experience and Expertise:
 Ms Ng started her career as an auditor with Ernst & Young from 1994 to 1997. Thereafter, she joined Muhibbah Engineering (M) Bhd in 1997.

 She joined SunCon in 2005 as a Senior Manager-Finance. She has been with SunCon for 14 years where she takes charge of the finance department within SunCon Group.

 She was appointed Chief Financial Officer on 1 January 2016. She has been heading the Finance Department since 1 January 2010.



ERIC TAN CHEE HIN
 Malaysian, Aged 48, Male
Executive Director

Qualifications:

- Registered Professional Engineer with Practising Cert, Board of Engineers Malaysia
- Registered GBI (Green Building Index) Facilitator
- Competent GBI Commissioning Specialist (CxS)
- Master of Business Administration, The Nottingham Trent University
- Bachelor of Engineering Degree in Mechanical Engineering, Universiti Sains Malaysia

Skills, Working Experience and Expertise:
 Mr. Tan began his career with SSP (E&M) Sdn. Bhd. in 1996 where he served as a Mechanical Engineer.

 In 2000, he joined Sunway Engineering Sdn. Bhd. and has held various positions in the company during his tenure of 19 years within the company. He has been heading the Mechanical, Electrical and Plumbing division since 1 November 2014.

 Mr. Tan was appointed Executive Director on 1 January 2019.





WONG KWAN SONG, RICHARD
 Malaysian, Aged 55, Male
Senior Executive Director

Qualifications:

- Bachelor of Engineering (Hons) in Civil Engineering, University of Portsmouth
- Certificate in Technology (Building), Tunku Abdul Rahman College

Skills, Working Experience and Expertise:
 Mr. Richard Wong started his career in 1987 at Syarikat Pembinaan Perlis Sdn. Bhd. He then joined Syarikat Pembinaan YTL Sdn. Bhd. in 1988 before joining SunCon in 1989.

 Thereafter, he joined Setarabina Sdn. Bhd. in 1995 and served as a Project Manager before rejoining SunCon in 1999.

 He has held various positions in SunCon during his 20-year tenure with SunCon Group.

 Mr. Richard Wong was appointed Senior Executive Director on 1 January 2018. Prior to this, he was the head of Building Division since January 2007.



THOMAS SAMUEL A/L CT SAMUEL
 Malaysian, Aged 60, Male
Executive Director Geotechnical

Qualifications:

- Master's Degree in Business Administration, Heriot Watt University
- Bachelor of Engineering (Hons), University of Malaya

Skills, Working Experience and Expertise:
 Mr. Thomas began his career as a project engineer in the specialised field of geotechnical engineering with Pilecon Engineering Bhd in April 1983.

 In October 1988, he joined Bauer Malaysia Sdn. Bhd. In a career spanning 27 years, he was extensively involved with the development and installation of large diameter deep bored piles. He was also involved in development of new techniques for borehole stabilisation using third generation polymers and the development of removable temporary ground anchors. He also helped to successfully introduce the installation of high strength soil cement columns for stabilisation of road and rail embankments.

 Mr. Thomas joined Sunway Geotechnics (M) Sdn. Bhd. on 15 January 2015 as an Executive Director. He has held this position since then.

PROFILE OF KEY SENIOR MANAGEMENT (CONT'D)

TAN KIM YOKE

Malaysian, Aged 64, Male

Senior General Manager
Business Development

Qualifications:

- Committee Member of International Affairs, Master Builders Association of Malaysia
- Associate Member, Malaysia Institute of Management (MIM)
- Advanced Diploma in Building Technology, Federal of Institute of Technology

Skills, Working Experience and Expertise:

Mr. Tan joined SunCon in 1982 and left to join Pembinaan JBBS Sdn. Bhd. in 1991. He rejoined SunCon in 1992 as Senior General Manager and was involved in various project implementation. From 1999 till 2007, he headed SunCon's operations in India and completed 7 packages of National Highways.

He then joined Soma Enterprise Ltd. in India from 2008 till 2013 and was involved in the Chennai Metro line and elevated tollway. In 2013, he joined Pelangi Wira (M) Sdn. Bhd as Project Director for Pagoh Education Hub, Johor.

Mr. Tan rejoined SunCon on 1 October 2015 as Senior General Manager in Business Development.



KONG HEONG FOOK

Malaysian, Aged 55, Male

Senior General Manager
Machinery

Qualifications:

- Master of Arts in International Business, York St John University, United Kingdom
- Diploma in Supervisory Management, Malaysia Institute of Management (MIM)
- Advance Diploma in Automotive Technology, Department of Skills Development Malaysia
- Certificate in Automotive and Diesel Technician, Ungku Omar Polytechnics

Skills, Working Experience and Expertise:

Mr. Kong began his career at Automotive Corporation Malaysia in 1986. He joined Auto Bavaria Sdn. Bhd. in 1989 and Pilecon Engineering Berhad in 1991.

He then joined Megah Sewa Sdn. Bhd. (subsidiary of Gamuda Engineering Sdn. Bhd.) in 2000 as Plant Manager.

Mr. Kong joined Sunway Machinery Sdn. Bhd. in 2005 as a General Manager and has over 29 years of experience in construction plant and machinery industry.

He was appointed Senior General Manager on 1 January 2018.



MAJOR (R) LEONG YEE KEONG

Malaysian, Aged 59, Male

Senior General Manager
Environmental, Safety and Health

Qualifications:

- Master of Occupational Safety and Health Risk Management, Open University Malaysia
- International General Certificate (IGC), National Examination Board in Occupational Safety and Health (NEBOSH), UK
- Safety and Health Officer registered with DOSH
- DOSH endorsed Trainer for Occupational Safety and Health in Construction Industry (Management), (OSHCIM)

Skills, Working Experience and Expertise:

Major (R) Leong served in the Malaysian Armed Forces from 1979 to 1993 and has held various appointments in different military organisations.

He joined Universal Concrete Products Berhad in 1994 and held leadership roles in various departments including Project Management and Safety. In 2008, he joined SunCon as Senior Manager, Environmental, Safety and Health (ESH) and was also involved in the completion of overseas project in Abu Dhabi. He currently serves as the Deputy Chairman of the Safety and Health Committee and Master Builders Association Malaysia (MBAM). He was also a member of several CIDB Committees in developing Construction Industry Standards. Major (R) Leong was appointed Senior General Manager, ESH on 1 January 2016.



MAU CHE PEAN

Malaysian, Aged 60, Male

General Manager
Land Survey

Qualifications:

- Bachelor in Construction Management, Open University Malaysia
- Diploma in Survey

Skills, Working Experience and Expertise:

Mr. Mau began his career with Jurukur Berjasa Licensed Surveyor in 1981 as a field surveyor for engineering and building construction.


He then joined JHEOA-KOPERASI Kijang Mas from 1987 to 1992 and headed the drafting department for "Cadastral" survey works.

In 1992, he joined Jurukur Nik Hisyam and worked for the Felda Township at Terengganu.

He subsequently joined Sunway PMI-Pile in 1996.

Mr. Mau joined SunCon in 1999 where he has held various positions and was also posted overseas to the United Arab Emirates for four years.

Mr. Mau was appointed General Manager heading the Land Survey Department since 1 January 2014.



PROFILE OF KEY SENIOR MANAGEMENT (CONT'D)

MOHD FAUDZI BIN HANAFIAH

Malaysian, Aged 57, Male

General Manager
Total Quality Management

Qualifications:

- Bachelor of Science in Civil Engineering, The Ohio State University, USA
- ISO 9001 Lead Assessor
- Qualified Trainer for Awareness of Quality Assessment System in Construction (QLASSIC)


Skills, Working Experience and Expertise:

Encik Mohd Faudzi started his career in 1988 as Project Engineer with Pembangunan Langkawi (M) Sdn. Bhd., Penang.

In 1991, he joined Malaysia Productivity Corporation which is under the Ministry of International Trade & Industry as a management consultant in the Productivity & Quality Improvement Department.

He joined Pilecon Engineering Berhad in 1995 as Senior Quality Assurance Engineer.

On 27 May 1996, Faudzi joined SunCon as Assistant Manager – Quality Assurance. He was responsible in setting up the Quality Management System and leading the Total Quality Management initiatives. He was promoted to his current position on 1 January 2015.



EWE TENG JOON

Malaysian, Aged 31, Male

Head of Human Resources

Qualifications:

- Bachelor Degree in Mechanical Engineering, University Tenaga Nasional

Skills, Working Experience and Expertise:

Mr. Ewe started his career in 2012 when he joined SunCon as a Management Trainee. As part of the programme, he was rotated across key departments which includes Operation, Supply Chain & Contracts Management, Quality, Safety & Technical department before joining Human Resources as an Organization Development Executive.

He was given the opportunity to lead key projects in performance management, organization change management before assuming the role Human Resource business partner for Building, Geotechnics, Supply Chain & Contracts Management and Finance in 2017.

He was promoted to Head of Human Resources on 1July 2019.



STEVEN SHEE BOO CHEONG

Malaysian, Aged 61, Male

General Manager
Legal

Qualifications:


- Bachelor of Laws (LLB), University of London
- Certificate of Legal Practice

Skills, Working Experience and Expertise:

Mr. Shee began his career in an engineering consultancy firm as a draftsman. He later retrained in law and moved on as an in-house counsel dealing with construction contracts, claims and dispute resolution.

He is actively involved in the construction industry and sits in various capacities in the various committees of the Master Builders Association of Malaysia. He is now a Vice President and Chairman of the ICT and Publications Committee. He also contributes to the CIDB Construction Law Reports and the Master Builders Journal. Steven is a trained adjudicator and is a Fellow with the Asian Institute of Alternative Dispute Resolution.

He was appointed General Manager, Legal on 1 January 2011. Prior to this, he headed the Contracts Services Department.



SUBBA RAO A/L V SEMENCHALAM

Malaysian, Aged 52, Male

General Manager

Qualifications:

- Current Education Executive Bachelor in Construction Management, Open University Malaysia

Skills, Working Experience and Expertise:

Mr. Rao started his career in 1986 at LFY Construction Sdn. Bhd. In 1989 he left the company and joined SunCon.

He has held various positions in SunCon within his 30-year tenure with the Group. Within his tenure, he was also posted to India for 11 years, where he was involved in 7 major highway projects ranging from 40 to 80 kilometres in length each.

Mr. Rao was appointed General Manager heading the Civil Division on 1 January 2016.



PROFILE OF KEY SENIOR MANAGEMENT (CONT'D)

YAP WEI LEN

Malaysian, Aged 54, Male

General Manager

Qualifications:

- Registered Professional Engineer, Board of Engineers Malaysia
- Member of Institution of Engineers Malaysia
- MBA (Construction and Real Estate), University of Reading UK
- Project Management Professional (PMP), Project Management Institute
- Postgraduate Diploma in Project Management, RICS
- Bachelor of Engineering (Hons), University of Malaya

Skills, Working Experience and Expertise:

Mr. Yap began his career with the consulting firm, Perunding Hashim & NEH in 1990. From 1993, he joined international companies in Malaysia.

He joined SunCon in 2000 as Deputy Project Manager. He held various roles and positions in SunCon Malaysia and oversea projects during his 19-year tenure with SunCon Group.

On 1 January 2015, Mr. Yap was promoted to General Manager - Operations. Subsequently in the same year, he was also appointed as Project Director for Putrajaya Parcel F Project. On March 2019, Mr. Yap has been appointed as General Manager for Package S201 of MRT2 project.



LEE KUAN HONG

Malaysian, Aged 45, Male

General Manager

Qualifications:

- Master Degree in Business Administration U21 Global
- Bachelor of Science in Civil and Structural Engineering (Hons), Nanyang Technological University, Singapore

Skills, Working Experience and Expertise:

Mr. Lee began his career in 1999 as Project Engineer with Econ International Ltd (Singapore).

Since then, he has held leadership roles in different construction companies, gaining extensive experience in the full range of operations, from tendering, planning to construction of challenging local and international projects such as the Electrified Double Track Project from Rawang to Ipoh, twin 45 storey luxury residential towers and international branded hotel in Melaka, and building and highway projects in Qatar and Bahrain.

Mr. Lee's entrepreneurial vision and strategic leadership skills led him to set up his own construction company in 2007. Prior to joining SunCon, Mr Lee was attached to Turner International Malaysia Sdn. Bhd. in 2017 as Senior Project Manager.

Mr. Lee was promoted to his current position as General Manager, Operations on 1 January 2018, where he is responsible for setting up and overseeing the operations of SunCon's northern region branch.



Family Relationship with Director and/or Major Shareholder

None of the Key Senior Management has any family relationship with any director and/or major shareholder of Sunway Construction Group Berhad (SunCon).

Conflict of Interest

None of the Key Senior Management has any conflict of interest with SunCon Group.

Conviction for Offences

All the Key Senior Management have not been convicted of any offence (other than traffic offences, if any) within the past 5 years and have not been imposed any public sanctions or penalty by the relevant regulatory bodies during the financial year 2019.

Directorship In Public Companies and Listed Issuers

None of the Key Senior Management has any directorship in public companies and listed issuers.

ORGANISATION STRUCTURE

Board of Directors			
Core Operation Services	Operation Support Services	International Ventures & Business Development	Corporate Sustainability, Governance & Organizational Development
Building	Supply Chain & Contracts Management	Business Development	Finance & Administration
Civil / Infrastructure	Total Quality Management	India	Human Resources
Foundation & Geotechnics	Environment, Safety & Health	Myanmar	Legal
Mechanical, Electrical and Plumbing	VDC		
Precast	Machinery		
Renewable Energy	Land Survey		



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BUILDING CONNECTIONS

The communication routes to our leaders are always open. By communicating effectively with one another, our dedicated staff have developed productive relationships with their management personnel.

After all, when it comes to building connections, we have a proven track record. Our seven constructed highways in India, which include the East Coast Corridor roadworks in Rajasthan and Cochin Port Connectivity in Vallapadam, Kerala, among others, are a testament to our achievements.

SunCon’s connectivity also extends to the rail & transit lines that we have built in Malaysia, including the MRT SBK Line Package V4, LRT – Kelana Jaya (KLJ) Line Extension and Bus Rapid Transit (BRT) Sunway Line – with more projects being completed soon.

OUTLOOK AND FUTURE PROSPECT

Construction Segment

Moving into 2020, the Malaysian economy is expected to be weighed down by political uncertainties, on-going trade tensions and the protracted outbreak from Covid-19. Malaysia's growth is expected to drop to between -2.0% to 0.5% according to Bank Negara Malaysia, down from the 10-year low of 4.3% in 2019. Given the prevailing political uncertainties, the construction sector will be susceptible to changes in government policies and delays in public-sector project awards. This, coupled with a subdued property market will continue to impact the construction industry moving forward. In light of this, the construction industry is expected to operate in challenging environment.

The prospects for the construction sector will largely be dependent on the resumption of mega projects such as the MRT3, KL-Singapore High Speed Rail (HSR) and East Coast Rail Link (ECRL) as outlined in Budget 2020. Fiscal stimulus targeted at infrastructure may also help to stimulate growth in the construction sector. Apart from that, the Penang Transport Master Plan, construction of new hospitals and upgrading of existing ones as identified in Budget 2020 may provide further impetus to the construction industry.



Sunway Big Box Retail equipped with solar photovoltaic panels

SunCon will be looking to pursue the opportunities arising from the country's infrastructure development plan and is confident that we are in a strong position to achieve sustainable growth in 2020 to add to our healthy outstanding order book of RM5.2 billion which will keep us busy for the next 2 years. At the same time, we remain cognizant of the need to remain vigilant in the challenging journey ahead and will continue to pursue our strategy to sustain our leading position and improve our services to stay ahead while we explore new markets and opportunities.

To mitigate any potential slowdown in the domestic construction industry and in line with our aspiration to become a regional player, we will accelerate our efforts to strengthen our business footprint in the region. With our strong track record in delivering infrastructure projects and other specialised buildings such as hospitals, hotels and shopping malls, we believe this will be a competitive advantage as we explore opportunities on the regional front in countries such as Myanmar, India, Indonesia and the Philippines. Our strategic alliances with local partners in the regional countries will also give us a competitive advantage in our business ventures. Having submitted several tenders for overseas projects in 2019 we are confident of making inroads in the regional sector in 2020.

We will also pursue our strategy to explore new markets and opportunities. Against the backdrop demand for more renewable energy sources in Malaysia with the roll out of more large scale solar (LSS) farms, we are also looking to capitalize on the prospects in this sector. We will continue to tender for packages of the LSS as we explore new areas of growth such as biomass and gas district cooling plants, to deliver further shareholder value.

Apart from that, Sunway's development projects in the pipeline will also continue to provide a steady stream of orders and will help to cushion the impact of the slowdown. The landbanks are located in strategic areas such as in the Klang Valley, Penang, Ipoh, Iskandar, Johor, as well as in Singapore and have been earmarked by Sunway for the construction of medical centers, executive condominiums and mixed developments with a total GDV of RM59 billion over the next 15 years. Having built a strong track record in projects of similar nature, SunCon will be looking to pursue these projects to add to our order book and sustain our business going forward.



MRT Line 2 Package V201 - 102m long span bridge across Jalan Kuala Selangor, KTM tracks and Sungai Gasi

Precast Segment

Singapore's economy expanded at its slowest pace in a decade with growth recorded at 0.7% in 2019, narrowly avoiding a recession, compared to 3.1% growth in 2018. The economy is expected to face a more challenging environment in the year ahead due to heightened risks in the global economy and the rapidly evolving Covid-19 outbreak, resulting in a lower GDP growth forecast of between -4.0% to -1.0%, according to the Ministry of Trade and Industry (MTI).

However, the construction sector, which was one of the strongest performers in the Singapore economy in 2019 registered 2.8% growth, is projected to continue to post steady growth in the year ahead, driven by a firm demand in both public and private housing. The outlook for our precast division remains promising on the back of the increase in construction opportunities in Singapore.

In 2020, HDB will launch about 16,000 - 17,000 new flats, in which they have launched about 3,000 in the first exercise in February 2020 (2019:14,591, 2018:15,811, 2017:17,593, 2016:17,891). A wide selection of flats will be offered across mature and non-mature estates including Sembawang, Toa Payoh, Choa Chu Kang, Tengah, Pasir Ris and Tampines to meet the diverse housing needs of Singaporeans.


Our precast division has a healthy outstanding order of RM304 million as of 31 December 2019. We remain committed to our vision of providing top precast quality products in Singapore. We will continue to focus on the construction of our ICPH facility in Pulau Punggol Barat, which will enable us to increase our production capacity up to 256,600 m³ of precast components per year, strengthen our presence in Singapore and penetrate the private market in a larger scale as the usage of precast picks up.

Apart from that we will focus on our growth strategy by expanding our customer base, upgrading of our existing precast plant in Senai to cater to the growing demand of PPVC products, and improving our operational efficiency while reducing wastage.

Overall

We remain cautious about the prospects in the year ahead as the construction industry continues to be impacted by the slower pace of growth in Malaysia and the region, amid the weak global economic outlook. Despite the external factors, we have a solid order book going forward and will remain focused on pursuing our strategy to sustain our leading position and deliver a profitable performance in FY2020.

BUSINESS OPERATIONS REVIEW



BUILDING CONSTRUCTION SERVICES

Our building construction services division specialises in the design and construction of special purpose buildings with a proven track record in constructing buildings that have become national landmarks such as the Kuala Lumpur Convention Centre; Traders Hotel, Kuala Lumpur; Pinewood Iskandar Malaysia Studio, Johor; Legoland Malaysia Theme Park; Government Buildings in Putrajaya, amongst others. We have also completed several projects overseas in the past years.

PUTRAJAYA

Constructed **16** iconic buildings
with a total value of **RM2.7 BILLION**

2 projects completed in 2019
RM1.795 BILLION

KLCC

Constructed **3** blocks of buildings with a
total value of **RM830 MILLION**

3 projects awarded in 2019
RM1.191 BILLION

2019

During the year, we have successfully completed several key projects within the Klang Valley. One of the projects is the Parcel F, Putrajaya project, which is one of our largest building projects undertaken to full Building Information Modelling (BIM) standards.

We have also completed the Sunway Medical Center Velocity, a 12-storey building with 2-storey basement and podium carpark. The center has a designed capacity of 240 beds, 77 consultation suites, 6 operating theatres and a laboratory.

Other on-going projects in the Klang Valley in our portfolio include the Sunway Serene service apartments, Sunway Velocity Two service apartments, Sunway GEOLake residential tower in Sunway South Quay, and 2-storey block office and service apartment next to the Sunway Medical Center Velocity.

In the Southern Region, we have completed the Sunway Big Box shopping mall, the first of its kind retail park in Malaysia that features big warehouse concept stores in an open-air strip mall environment.



TNB HQ Campus, Bangsar

Our projects in the Northern region, namely the Sunway Carnival Mall Extension and Sunway Medical Center Seberang Jaya have been slightly delayed due to ground water conditions encountered during substructure works, and we have taken measures to recover the progress which has since been proceeding well underway.

Our 1Malaysia Civil Servants Housing Project (Projek Perumahan Awam Malaysia, PPA1M) in Kota Bharu, Kelantan, comprising of 3 blocks of 29 storey apartments is progressing steadily and is on track towards completion in 2020.

Amid the challenging market, our building division managed to secure new orders totaling RM1.2 billion during the year. Two of the projects are for GBI Platinum rated buildings, namely the TNB HQ Campus Building in Kuala Lumpur and the Petronas Leadership Center in Bangi, Selangor. The TNB HQ Campus project comprises of four office buildings with convention center, Interactive Center of Electricity (ICE), childcare and Pelitawanis. The Petronas Leadership Center project is a four-storey institutional building with one-storey semi-basement carpark and associated works. Construction has commenced on both projects.

In the Southern Region, following the completion of the Sunway Big Box Shopping Mall, we were awarded the construction of the Big Box Hotel in Sunway Iskandar, a 14-storey 288 room hotel located adjacent to the Sunway Big Box Shopping Mall.

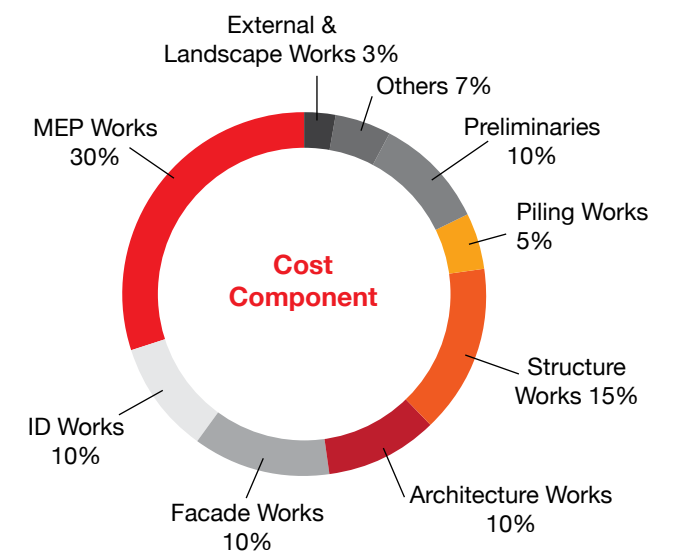
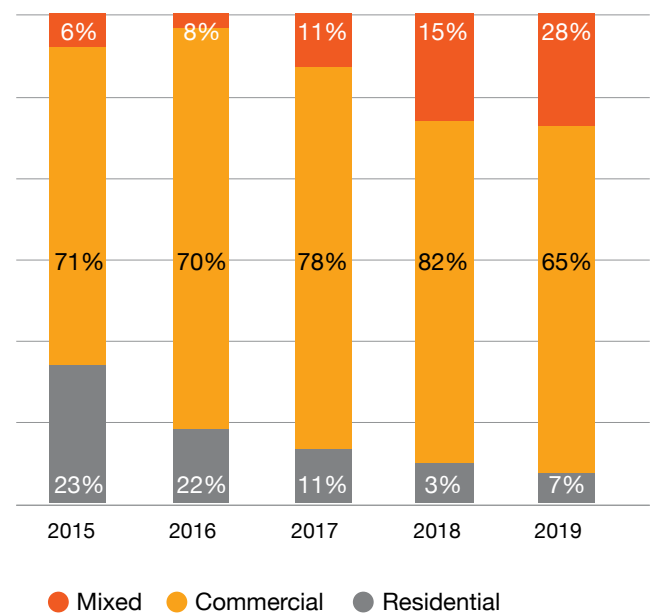
2020 and beyond

Looking ahead, the projects as announced in Budget 2020 such as construction of new hospitals and schools offer a positive outlook to the Malaysian construction industry. With prior expertise in similar projects SunCon will seek to pursue these opportunities in addition to anticipating more projects as part of Sunway Berhad's expansion plans. We are also exploring within our in-house projects to commence a project in central region using precast / Industrialised Building Systems (IBS) for more consistent quality, faster cycle time and promoting a safer site environment. We have successfully completed the Sunway Emerald Boulevard 88 in Iskandar Johor that was constructed with precast in 2018.

From high rise construction to government buildings and medical centers, SunCon has delivered numerous challenging and iconic buildings in the country and is ever ready to add value to our clients with our integrated construction solutions and innovative approaches such as BIM, as the country continues to develop further.

Workforce

Staff Force	2017	2018	2019
Male	668	781	621
Female	92	100	105
TOTAL	760	881	726
Staff Category (%)	2017	2018	2019
Executive	40	32	35
Non Executive	60	68	65



BUSINESS OPERATIONS REVIEW (CONT'D)



CIVIL AND INFRASTRUCTURE SERVICES

The civil and infrastructure division specialises in civil and rail infrastructure services and has vast experience in various roads, highways, airports and runways, bridges and rail transportation infrastructure projects over the last 38 years. Some of the notable projects that have been completed are the Ipoh Airport, Kajang SILK Highway, South Klang Valley Expressway (SKVE), Light Rail Transit – Kelana Jaya Line extension, Bus Rapid Transit Sunway Line and Mass Rapid Transit (MRT) Jalan Semantan to Sungai Buloh – Package V4. We have also completed the Coastal Highway Southern Link that links Medini, Johor to Singapore via the Second Link Expressway. Other than that, our track record also includes seven highway projects in India.

Highway Projects

Total length constructed : **368 KM**
Total contract value : **RM2.8 BILLION**

Rail & Mass Transit Projects

Total length constructed : **34 KM**
Total contract value : **RM5.6 BILLION**

2019

During the year, our MRT201 from Sungai Buloh to Persiaran Dagang has progressed steadily on track. We have completed all the viaduct works and handed over these portions to the specialized trackworks contractors. Currently we are constructing the stations, namely Damansara Damai, Sri Damansara East and Sri Damansara West, and the works include structural, architectural and system fit out works as well as station infrastructure works.

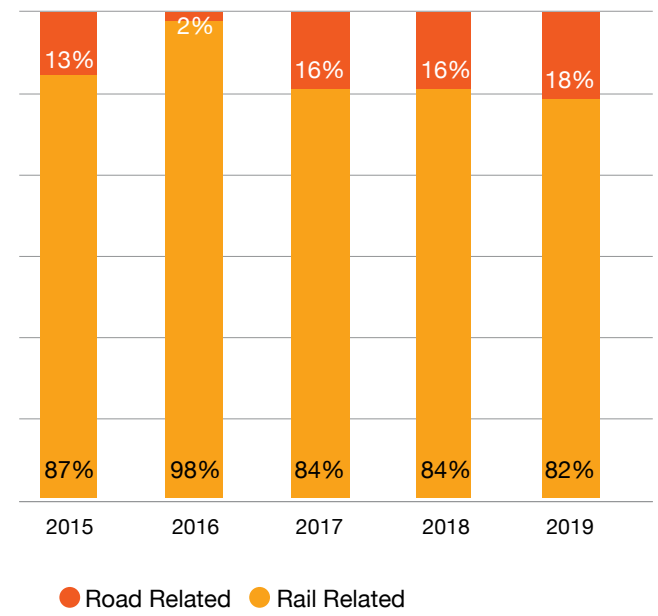
We continue to emphasize on maintaining high standards in product quality. During the year our MRT V201 project was recognized by our client, MRT Corp Sdn Bhd in collaboration with Construction Industry Board (CIDB) Malaysia, for their assessment of the pier exposed surface finishes quality. SunCon was awarded a score of 92%, one of the highest scores amongst all work package contractors for the project's stringent quality requirement on pier construction.



MRT Line 2 Package S201, Sri Damansara West Station

The construction of our LRT3 project has also been proceeding on schedule, whereby the majority of the design works have been finalized following the cost optimization exercise by the client. We are in progress of constructing the piers and viaducts for the alignment and have completed the piling works for all stations. The pace of work has resumed in the later part of 2019 and profit recognition is expected to increase moving forward.

As part of our regional expansion strategy, during the year we have recruited a team of engineers in India to work on tenders for six toll road projects amounting to RM3.2 billion. Leveraging on our strong track record in India together with our joint venture with a local Indian contractor, we are confident of securing opportunities in the construction work for railways and road infrastructure in the country.



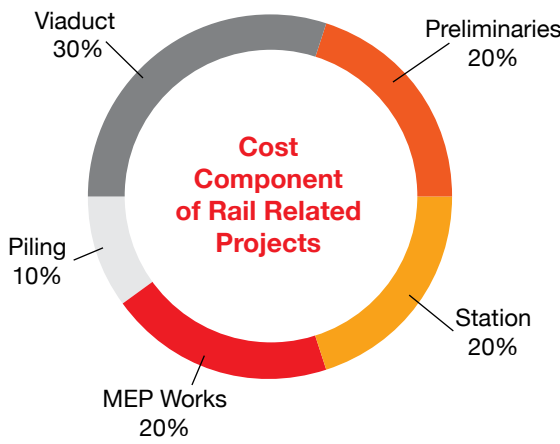
2020 and beyond

Moving forward, we will continue to focus on civil and infrastructure projects in Malaysia, where our growth prospects appear promising on the back of the anticipated industry growth with construction projects as announced in Budget 2020.

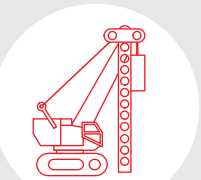
Apart from that, we will actively bid for projects in the ASEAN region and India, where we are well positioned to capture the opportunities arising from the countries' developments and leveraging on our strong track record in highway and transit construction solutions.

Workforce

Staff Force	2017	2018	2019
Male	312	629	576
Female	43	60	56
TOTAL	355	689	632
Staff Category (%)	2017	2018	2019
Executive	35	24	24
Non Executive	65	76	76



BUSINESS OPERATIONS REVIEW (CONT'D)



FOUNDATION AND GEOTECHNICAL ENGINEERING SERVICES

SunCon has expertise in foundation and geotechnical engineering works including piling, large diameter bored piles, diaphragm wall construction, deep basement construction, top down construction and ancillary work. We also own a large fleet of machines which enables us to provide integrated geotechnical solutions for a wide range of building projects, from residential projects to large scale developments, as well as civil and infrastructure works. Our foundation and geotechnical division primarily supports all building and civil infrastructure projects that we obtained as a Group. Hence we are able to have better control of the projects through on-site coordination and more efficient machinery utilization.

4 projects completed in 2019
RM439.4 MILLION

6 projects awarded in 2019
RM226.3 MILLION

Review of 2019

Our geotechnical division had another solid year in 2019. Several of our major projects are in the advanced stage of completion including the bored piling works for Sungai Besi – Ulu Kelang Highway for ACRE Works Sdn. Bhd.; the design and build of retaining wall system for a tunnel in Bukit Bintang City Center project; and bored piling works for LRT3 Package GS06.

We have successfully secured several large scale foundation works jobs during the year, including the bore pile works for viaduct and station for the LRT3 Package

GS10 from Bandar Utama to Johan Setia (RM47.6 mil), and earthworks and piling works for the proposed transit-oriented development at Plot 7MD7 in Precinct 7 Putrajaya (RM38.8 mil).

To further grow our business, we have established a joint venture company, Sunway CT Geotechnics Pte. Ltd. as well as opened a branch office in Singapore and mobilized piling rigs there to better position ourselves in the Singapore market as part of our regional expansion plans.

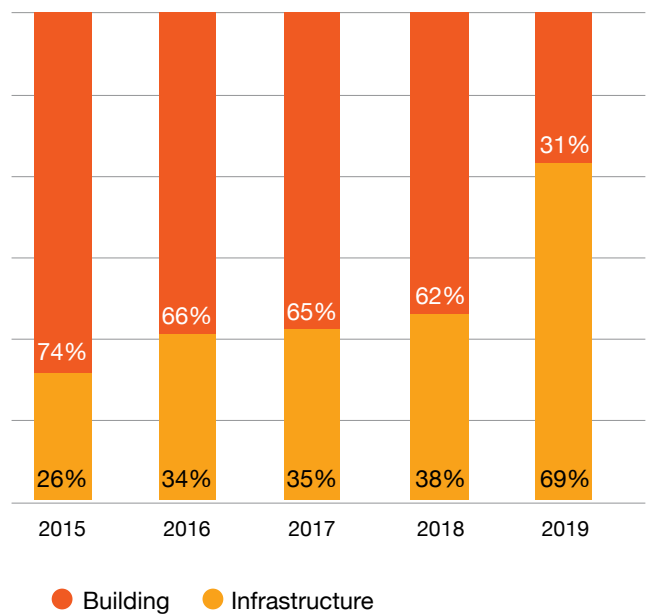


Piling and foundation works at Precinct 7MD7, Putrajaya

We continue to strengthen our internal business processes to enhance operational efficiency. We have further refined the development of our bore pile management system which will enable us to collect data from our piling rigs and equipment at our project sites through a centralised platform. Through this platform we will be able to monitor the productivity of our machines through a dashboard in real time and at any location in order to optimize machine utilisation.

Workforce

Staff Force	2017	2018	2019
Male	168	146	144
Female	36	34	29
TOTAL	204	180	173
Staff Category (%)	2017	2018	2019
Executive	50	53	52
Non Executive	50	47	48



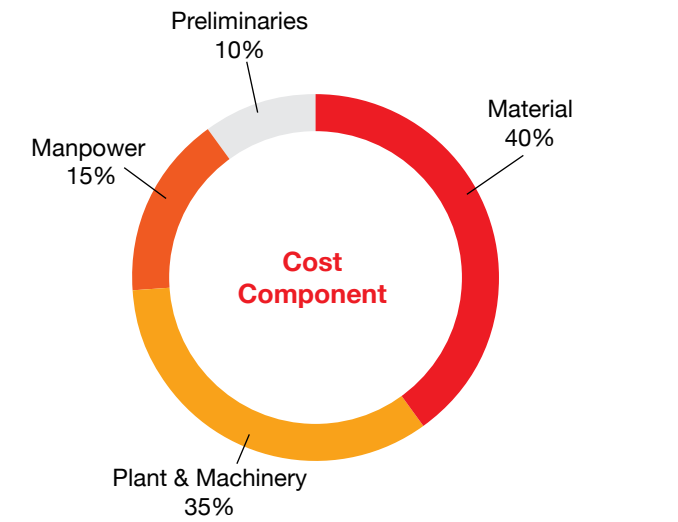
2020 and beyond

We have a healthy pipeline of geotechnical projects in our portfolio to support our growth and are confident of our long-term outlook. Furthermore we continue to see demand for our integrated geotechnical services with the revival and rollout of mega infrastructure projects in Malaysia and will continue to actively tender for related projects. We will also explore opportunities in the ASEAN region where our geotechnical division’s scale and capability will give us an added advantage to tender for sizeable and complex projects which generate higher returns.

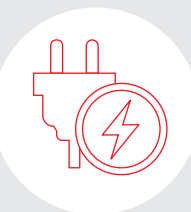
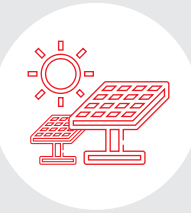
We also own 28 boring rigs and will continue to purchase equipment with Multi-Functional Foundation System.

Rig Utilisation Rate

	2017	2018	2019
No of rigs	31	31	28
Rig utilisation rate	74%	78%	75%



BUSINESS OPERATIONS REVIEW (CONT'D)

MECHANICAL, ELECTRICAL, PLUMBING AND RENEWABLE ENERGY SERVICES

SunCon provides mechanical, electrical and plumbing (MEP) services, and specialized engineering solutions as a fully integrated construction services business. The modus operandi for our mechanical, electrical and plumbing service is very much to complement the projects under the building construction service and civil infrastructure service division in achieving the Green Building Index (GBI) as planned by our clients. We are able to offer innovative, energy efficient and cost effective MEP solutions for purpose built or specialty projects. Our MEP expertise also includes District Cooling Plants, Central Utilities Facilities, Green Buildings, Biotechnology and Renewable Energy, among others. We have the resources and know-how to complete the most technically-challenging project of any size.

1 project completed in 2019
RM8 MILLION

6 projects awarded in 2019
RM289 MILLION

2019
Our MEP division continued to perform well during the year, delivering a steady revenue of RM300 million. During the year we successfully secured several key contracts. The first contract worth RM67.8 million, was from SsangYong Engineering & Construction Co., Ltd. for the supply, delivery, installation, testing and commissioning of the electrical and mechanical and electrical extra-low voltage system for Oxley Tower’s proposed mixed commercial development consisting service suites, hotels, and an office block in Jalan Ampang. Following this, we were appointed as the nominated sub-contractor for MEP works at TNB HQ Campus project for RM96 million.



Installation of Auxiliary Gas Boiler and Chilled Water Pump System

We were also awarded the MEP works for the MRT Line 2 Sentul West underground station for RM57 million from MMC Gamuda KVMRT after our successful completion of the Pasar Seni underground station MEP works in 2018.

Apart from that, we secured two contracts from IOI City Mall Sdn Bhd for Phase 2 of the mixed commercial development in IOI Resort City, Putrajaya. The first contract is for the Air Conditioning and Mechanical Ventilation (ACMV) services for RM41 million, and the second contract is for a Thermal Energy Storage System and Chiller Plant for RM27 million.



Further to the completion of the Gas District Cooling (GDC) Plant 1 project in Putrajaya for Gas District Cooling (Putrajaya) Sdn Bhd in 2018, and as a testament to our capabilities, we were successfully awarded the Engineering, Procurement, Construction and Completion (EPCC) contract for GDC Plant 2 project in Precinct 2, Putrajaya from the same client for a total contract sum of RM14 million. The project which involves the installation of 2500 RT steam absorption chillers and associated works, has been successfully completed during the year.

During the year, we have made further progress in our strategy to embark on solar energy. We have established a new subsidiary in 2019, Sunway Pekat Solar Sdn. Bhd., to focus on widening our portfolio in the renewable energy sector moving forward. The company was formed through partnership with Pekat Teknologi Sdn. Bhd., a leading solar service provider specializing in providing a full range of solar photovoltaic (PV) solutions for Large Scale Solar (LSS). The Malaysian government has set a target to generate 20% of the country’s electricity from renewable energy sources by 2025. The shift to renewable energy

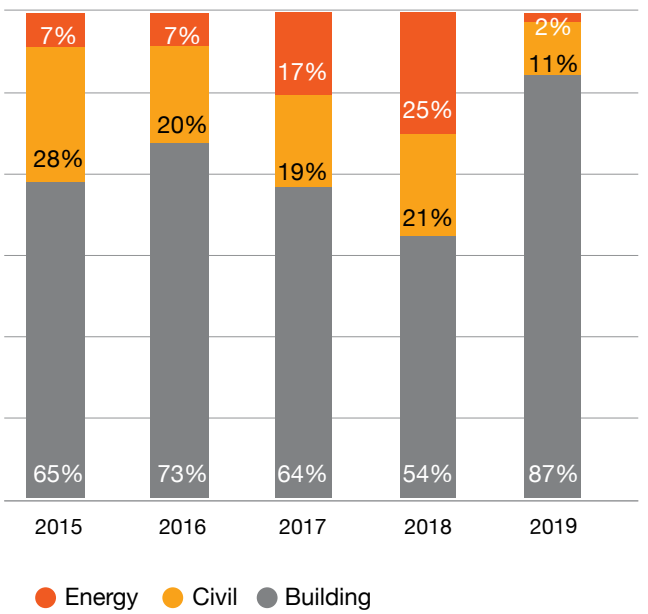
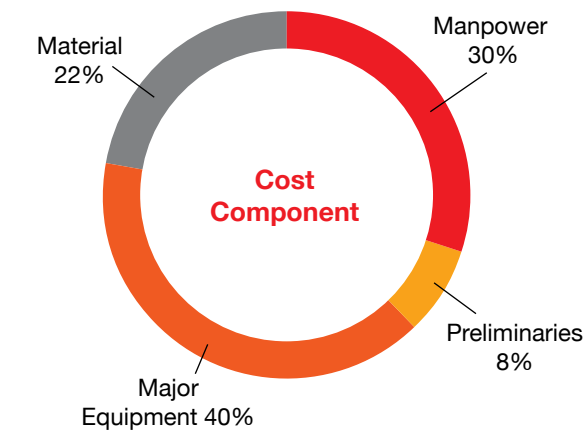
will provide more affordable, reliable and sustainable electricity to the people. To achieve the target, about 3,991MW of new energy capacity will be required in addition to the grid.

As part of the economic stimulus package, the Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC) is expected to open for bids a quota of 1,400MW for solar power generation in 2020. With the growing demand for renewable energy, we look forward to capitalize on the opportunities in this sector.

2020 and beyond
Moving forward we will continue to seek opportunities where we are able to offer innovative and value added solutions to our clients as well as focus on growing our successful track record in MEP services for building and infrastructure works. We will also explore prospects in the renewable energy sector, in particular Large Scale Solar (LSS) farms, biomass and hydroelectricity plants to cater to the growing sustainable energy market. We have commenced our renewable energy projects with in-house projects and are actively tendering for external projects including the LSS3 which has since closed on 19 August 2019.

Workforce

Staff Force	2017	2018	2019
Male	149	132	113
Female	23	20	20
TOTAL	172	152	133
Staff Category (%)	2017	2018	2019
Executive	77	81	80
Non Executive	23	19	20

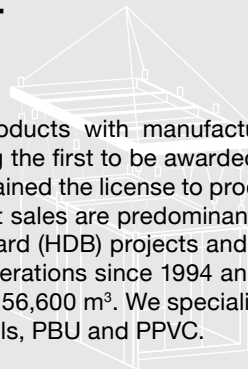


BUSINESS OPERATIONS REVIEW (CONT'D)



MANUFACTURING AND SALE OF PRECAST CONCRETE PRODUCTS

We develop, design, manufacture and supply precast concrete products with manufacturing plants located in Iskandar and Senai in Johor, Malaysia. We are among the first to be awarded the license to produce precast Prefabricated Bathroom Unit (PBU) and obtained the license to produce Prefabricated Prefinished Volumetric Construction (PPVC). Our precast sales are predominantly in Singapore where we cater to the Singapore Housing Development Board (HDB) projects and also private executive condominiums. Our precast business has been in operations since 1994 and we currently have a total of two precast plants with an annual capacity of 156,600 m³. We specialize in manufacturing building components such as precast walls, slabs, panels, PBU and PPVC.



2019

The Singapore economy remained subdued in 2019 on the back of slowing global growth. Despite the challenging market conditions, our precast division remained resilient. We successfully secured several new orders for the supply of precast components for Housing Development Board (HDB) projects in Singapore, amounting to RM160 million during the year.

Our precast division has started to register profitability towards the end of 2019 as the projects that were secured in 2018 with slimmer margins are nearing completion. The projects that we secured during the year are expected to contribute positively to the earnings of SunCon in 2020 onwards.

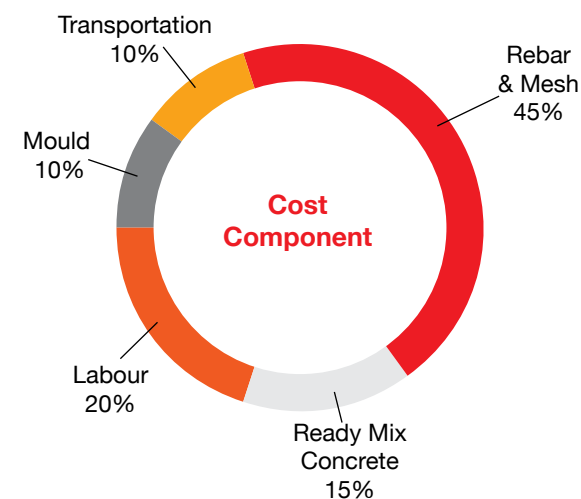
During the year, we have commenced on the construction of our Integrated Construction and Prefabrication Hub (ICPH) in Pulau Punggol Barat, Singapore. The plant is scheduled to be operational in 2022, which will double our current precast production capacity. Upon completion, the ICPH will be a multi-storey fully automated manufacturing facility for producing prefabricated construction elements with a high degree of mechanization and/or automation.

As part of our continuous improvements, we are also working towards upgrading our existing precast plant in Senai, Johor with higher capacity cranes and supporting facilities which will enable us to produce PPVC modules and enhance the product offering mix to cater to the growing demand for precast products.

HDB Dawson Vista Flats, Singapore, constructed with precast components manufactured and supplied by Sunway Concrete Products (S) Pte Ltd

2020 and beyond

Singapore is expecting slower growth in the year ahead with GDP downgraded to between -4.0% to -1.0% amid heightened uncertainties in the global economy arising from the Covid-19 outbreak. However there are still pockets of strength in the Singapore economy, such as the construction sector which is projected to post steady growth given the rebound in construction demand since 2018. The outlook for our precast division remains promising on the back of the increase in construction opportunities in Singapore.



We are working steadily towards the completion of our ICPH facility targeted by end of 2021. Upon completion, the ICPH will be able to speed up the production process, provide better quality control of the precast concrete products and produce a larger variety of precast components for use in both public and private sector projects. This will enable us to strengthen our presence in the Singapore market and leading to enhanced shareholder value. The ICPH facility in Pulau Punggol Barat is the 5th land tender awarded by the Building and Construction Authority (BCA) to date as part of the government's initiatives to transform the industry to one that adopts highly productive technology and mechanisation.

Workforce

Staff Force	2017	2018	2019
Male	21	47	58
Female	6	7	9
TOTAL	27	54	67
Staff Category (%)	2017	2018	2019
Executive	70	35	33
Non Executive	30	65	67

Precast Segment Indicators

	2017	2018	2019
HDB BTO Launched in Singapore (units)	17,593	15,811	14,591
Precast Division Sales - Private (%)	15%	4%	4%
Precast Division Sales - HDB (%)	85%	96%	96%
Maximum Plant Capacity (m ³ per annum)	156,600	156,600	156,600
Overall Plant Utilisation (%)	47%	49%	49%

BUSINESS OPERATIONS REVIEW (CONT'D)

MACHINERY DIVISION

SunCon's machinery division specializes in supplying machines and providing related support services for our building and civil/infrastructure construction projects. We own and operate a full range of heavy construction machinery and equipment such as tower cranes, boring rigs, crawler cranes, excavators, mobile cranes and formwork systems, which are all registered and licensed with valid operating permits by the relevant authorities.

Our machinery are operated and maintained by our team of competent operators and technicians who are accredited by the relevant bodies achieve maximum performance and productivity.

2019

The division is committed to providing quality and reliable services to SunCon's projects. During the year, we have continued with our productivity enhancement programme and have recorded a higher machinery utilisation compared to 2018. We have also continuously renewed our fleet of machinery to achieve optimum efficiency and performance. With the establishment of our Machine Renewal Programme since 2011, the majority of our machinery are currently less than 10 years old which enhances their usability and minimizes loss of productivity due to breakdowns. As such, we are able to maintain the repair and maintenance costs associated with the upkeep of our fleet of machinery at a lower percentage of 11% in 2019 as compared to 13% in 2018 and 2017.

Machinery Utilisation Rate

	2017	2018	2019
Boring rigs	74%	78%	75%
Formwork systems	70%	60%	74%
Other machinery	88%	93%	95%

Machinery Operators Trained by Sunway Machinery Sdn. Bhd. - Training Academy

	2017	2018	2019
No. of Operators	56	215	177

Apart from that, we are also committed to reducing our environmental footprint by improving energy efficiency, using resources responsibly and reducing waste. Through the recycling and reuse of hydraulic oil, we have recycled a total of 12,787 litres of hydraulic oil in 2019. Besides that, we have also started using a higher performance engine oil that could prolong its life cycle and reduce the oil change interval from every 350 hours of regular service to every 1,000 hours, thus reducing oil waste. In addition, we

also plan on using green energy through the installation of solar panels at our new workshop to generate electricity for own consumption.

As part of our efforts to continuously upscale the skills and knowledge of machinery operators to support our construction business as well as to add value to the construction industry, SunCon's machinery division conducts training on the safe operation and maintenance of machines at our accredited training center, as well as offers certification programmes for operators. Our fully equipped training facility is located at our premises and is accredited by Jabatan Pembangunan Kemahiran (JPK) and Construction Industry Development Board (CIDB). The trainings are conducted by competent and trained instructors and coaches, and comprise beginner, intermediate and advanced level programmes, encompassing both classroom and practical sessions. In 2019 we have trained 177 operators for key machineries.

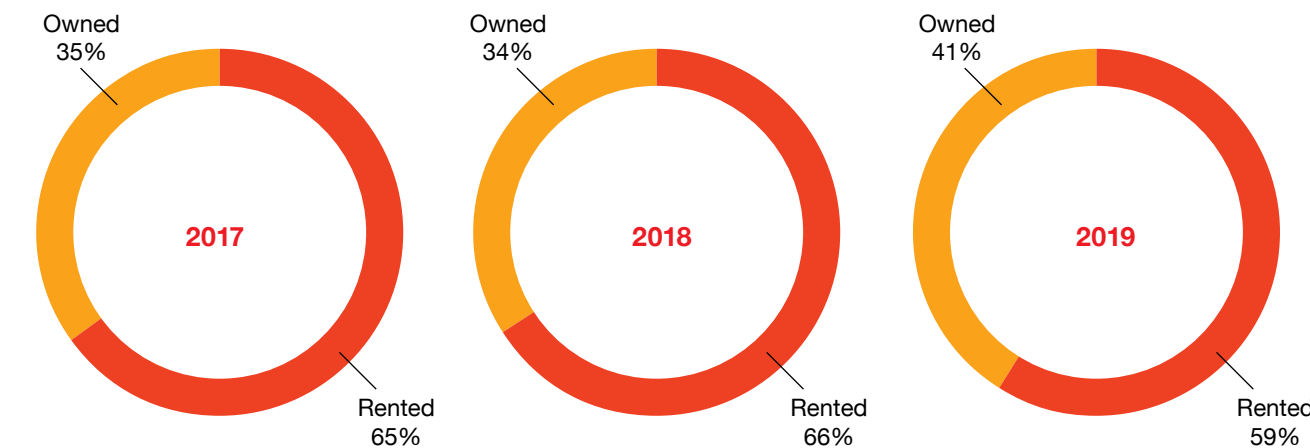
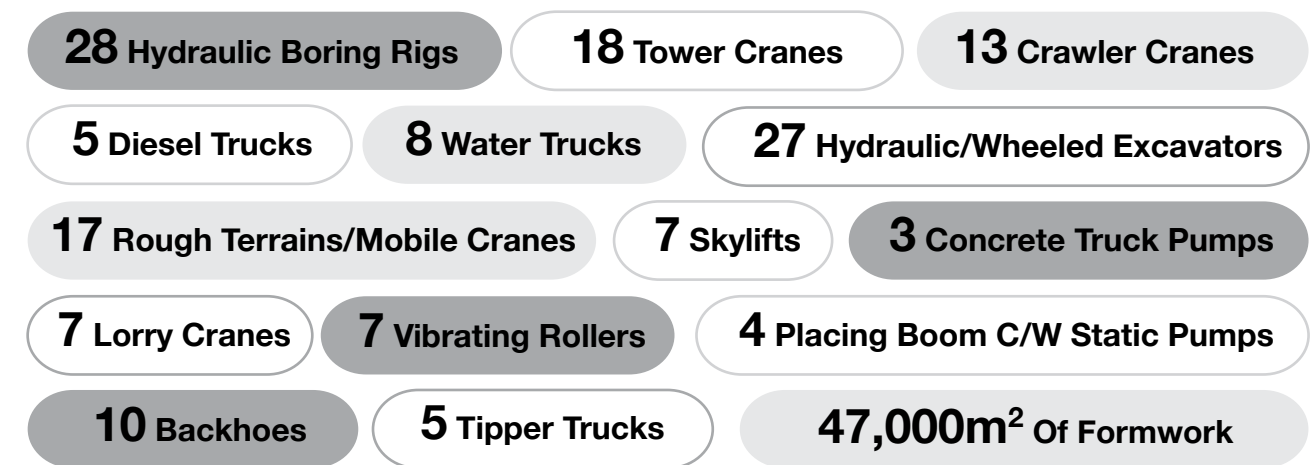
2020 and beyond

We will be relocating our machinery workshop in USJ and warehouses in Batang Kali to a centralised location in Putra Perdana in 2020. With all our resources and facilities in one place, we are looking forward to achieving greater cost and operational efficiency across SunCon Group. We will continue to provide support to SunCon's projects and grow together via regional and overseas expansion.

Workforce

Staff Force	2017	2018	2019
Male	258	276	273
Female	18	18	16
TOTAL	276	294	289
Staff Category (%)	2017	2018	2019
Executive	11	11	9
Non Executive	37	43	41
Operators	52	46	50

FLEET OF MACHINERY



Construction in progress for the new Sunway Machinery Workshop and Warehouse in Dengkil

BUSINESS OPERATIONS REVIEW (CONT'D)

CENTER OF EXCELLENCE

SunCon VDC (Virtual Design & Construction)
 SunCon VDC specialises in Building Information Modelling (BIM) and Integrated Project Delivery (IPD). We provide Design Management, Schedule Control, Value Engineering, Asset Information Modelling and Innovation by integrating the management of BIM models as well as people and processes.

To date, we have completed numerous notable BIM projects such as Parcel F at Putrajaya, The Pinnacle at Bandar Sunway, Sunway Pyramid 3 at Bandar Sunway, Sunway Velocity at Jalan Cheras, and Avant Parc at Singapore. The on-going major BIM projects are Phase 2 TNB HQ Campus at Bangsar valued at RM781 Million, Sunway Medical Centre Phase 4 at Bandar Sunway valued at RM450 Million, and Sunway Medical Centre at Seberang Jaya Penang valued at RM180 Million. One of the notable BIM project awards during this year was Petronas New Leadership Centre (PNLC) at Bandar Baru Bangi, valued at RM310 Million.

Our recipe of success lies in our expertise in BIM and IPD; we manage to plan and simulate the timely delivery of these projects by adopting comprehensive virtual construction planning using 4D BIM technology. Drawing from our rich experience completing Parcel F, we are also working closely with our Quantity Surveyors (QS), operation team and client's facility management (FM team) to implement 5D cost monitoring, overall project controls and 6D BIM-FM solutions in the TNB and PNLC projects. At the same time, we are also applying BIM and VDC in our tender proposals including large scale solar projects.



Petronas Leadership Centre project to be fully implemented with BIM



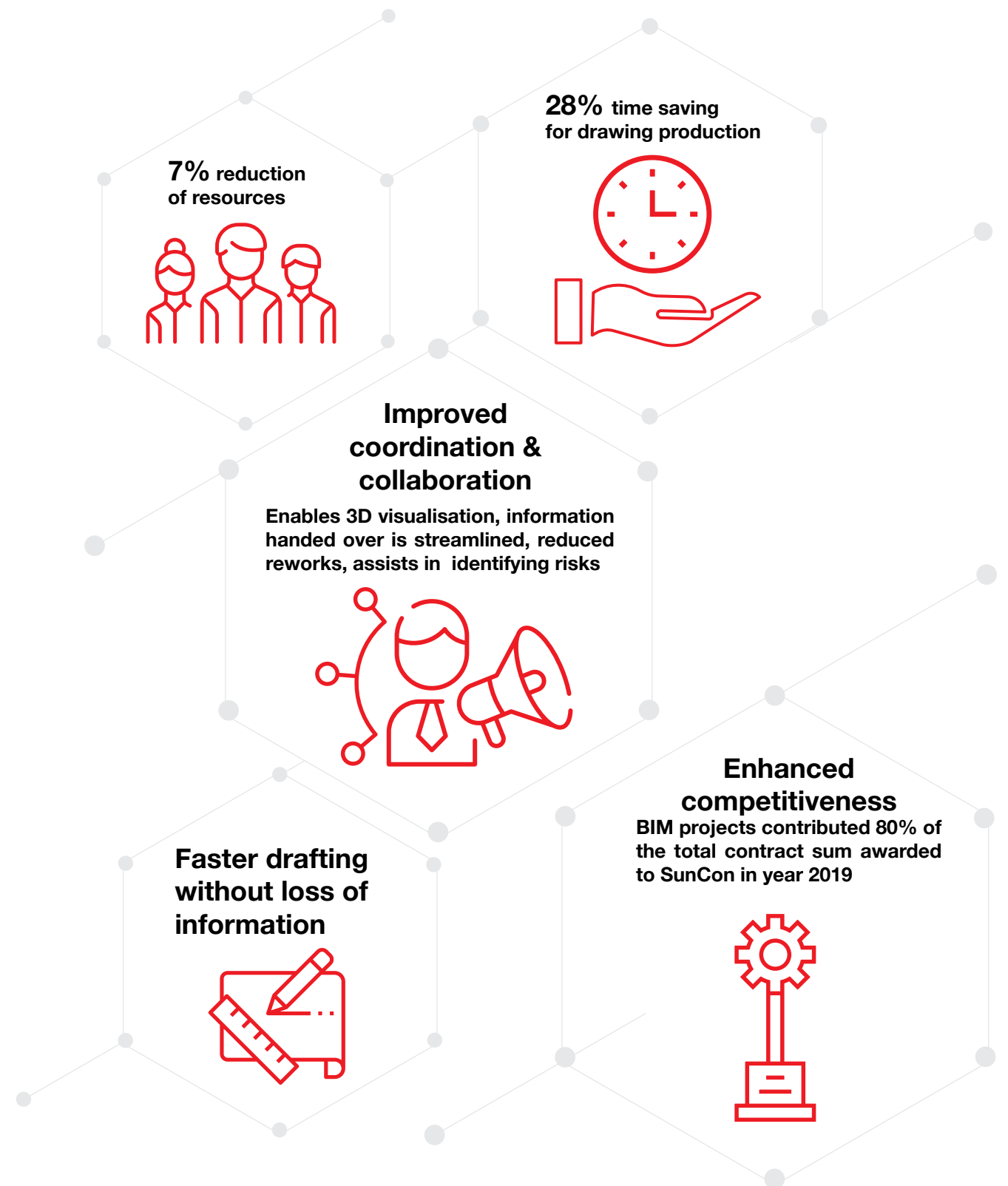
4D BIM simulation of typical floor construction cycle

Sunway VDC Standards & Implementation
 We have published our Sunway VDC Handbook which serves as BIM guidelines to ensure the adoption of standardized practices throughout the supply chain. While every BIM model is made up of many components, standards connect the components to create a cohesive result. Therefore, Sunway VDC Handbook is the standard that ensures consistency in construction management and operations, achieving a quality control that spreads far and wide. For that purpose, the handbook is adopted internally and externally by our clients.

Sunway VDC Roadmap
 SunCon's VDC Roadmap focuses on the application of BIM to maximize the benefits of BIM to Project Management. To improve our competitiveness in the emerging era of Industry 4.0, we have started our R&D on BIM-to-field by using Robotic Total Station which aims at enhancing our competitive edge in providing innovative BIM field applications that lead to effective construction management.

Alongside with the increasing IBS implementation, VDC is also being adopted for precast housing construction which aims to introduce automation in the production system to reduce delivery time, construction costs, wastages, project lifecycle maintenance costs as well as improve product quality. For end-users who are excited about their new dwellings or offices, VDC enables whole new experiences such as interactive visits and virtual property showcases by integrating virtual and augmented reality (VR & AR) technology.

Moving forward, we would further enhance SunCon's VDC capabilities by incorporating Green Design and Initiative as part of the Sunway Group initiatives. Moreover, we are working towards integrating VDC with technologies such as 5G mobile internet, artificial intelligence, cloud technology, internet of things, big data analytics, VR, AR and advanced robotics that serve as the digital disruption for the construction industry.



BUSINESS OBJECTIVES AND STRATEGIES

Business Objectives	FY 2019 reviews	FY 2020 – FY 2021 Priorities
To be the Top 3 Construction and Engineering Company in Malaysia	Market Capitalisation: RM2,469 million New Order Book: RM1,772 million Return on Capital Employed: 31%	<ul style="list-style-type: none"> The Group targets a min revenue of RM2 billion annually The Group aims to maintain a return on capital employed (ROCE) > 30% We target a minimum order book replenishment of RM2.0 billion to RM3.0 billion per annum
Sustainability through Environment, Safety and Health	SAFETY AND HEALTH Accident statistics: 1 fatal accident Worked Man Hours: 16,611,284 Accident Frequency Rate (AFR): 0.06 ENVIRONMENT Environmental Compounds & Fines: Nil	SAFETY AND HEALTH <ul style="list-style-type: none"> To achieve ZERO life loss To maintain AFR below 0.10 To achieve Safety and Health Assessment System in Construction (SHASSIC) score 4 Star and above ENVIRONMENT <ul style="list-style-type: none"> To maintain ZERO compounds and fines from environmental violations
Sustainability through employees as our key assets	Staff Productivity: 12 times Attrition Rate: 14.5% Employee Engagement Score: 72%	<ul style="list-style-type: none"> We hope to maintain productivity of more than 15 times (2018: 13, 2017: 12, 2016: 10, 2015: 11) We target employee turnover to be lower than the industry's attrition (2018: 13% vs 15.8%, 2017: 14.7% vs 14.6%, 2016: 15.1% vs 15.1%) Employee Engagement Survey aspiration score of 2021: >75% (2019: 72%, 2017: 69%, 2015: 59%)
Sustainability through Quality and Innovation	Customer Satisfaction Score: 93.8% (2018: 93.3%) Average QLASSIC Score: 75%	QUALITY <ul style="list-style-type: none"> To achieve at least 90% in Customer Satisfaction Score We aim to maintain QLASSIC score more than the Malaysian industry average presently at 73% (2019: Emerald Residence 79%, Parcel F 77%, SVMC 69%) (2018: 74% VS Industry average 74%) (2017: 81% VS Industry average 74%) INNOVATION – DIGITAL TRANSFORMATION <ul style="list-style-type: none"> Being in the age of disruption, the Group will further improve the Virtual Design and Construction particularly in tracking the progress of project, costing and facilities management. The Group will also further automate the billing system after successfully implementing the Esker Invoicing for the past 2 years. We target to improve operational efficiency as a whole.
Global Expansion and New Product	We have successfully signed a Memorandum of Understanding (MOU) with Capital Construction Ltd, the construction division of Capital Diamond Star Group (CDSG), a leading Myanmar conglomerate. We have established Sunway Pekat Solar Sdn Bhd to capitalize on new and viable opportunities in the renewable energy sector.	GLOBAL EXPANSION <ul style="list-style-type: none"> Overseas venture in 2020 (India, Myanmar, Indonesia, Philippines, Vietnam) NEW PRODUCT <ul style="list-style-type: none"> Exploring Renewable Energy and various green products through Mechanical, Electrical and Plumbing division such as Large Scale Solar Projects.

REVIEW OF FINANCIAL RESULTS

STATEMENT OF FINANCIAL PERFORMANCE

Condensed Financial Statement

RM' 000	2019	2018	2017	2016	2015
		Restated			
Revenue	1,768,727	2,256,835	2,076,290	1,788,844	1,916,859
Profit Before Tax	157,396	182,731	168,660	153,677	140,750
Income Tax Expense	(27,066)	(37,966)	(36,227)	(30,039)	(13,012)
Profit Net of Tax	130,330	144,765	132,433	123,638	127,738
Profit Attributable to:					
- Non-Controlling Interest	1,006	339	137	119	574
- Owners of the Parent	129,324	144,426	132,296	123,519	127,164

FINANCIAL RATIOS

Gross Profit Margin (%)	21.4%	19.7%	20.6%	21.2%	20.3%
Profit Before Tax Margin (%)	8.9%	8.1%	8.1%	8.6%	7.3%
Effective Tax Rate (%)	17.2%	20.8%	21.5%	19.5%	9.2%
Basic Earnings Per Share (sen)	10.02	11.18	10.24	9.55	9.84
Average Return on Capital Employed (%)	31%	44%	47%	57%	52%
Average Return on Equity (%)	21%	26%	26%	26%	31%

Quarterly Performance

RM' 000	2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
	YTD	Oct-Dec	Jul-Sept	Apr-Jun	Jan-Mar
Revenue	1,768,727	485,935	402,582	440,175	440,035
Profit Before Tax	157,396	40,507	35,562	41,200	40,127
Income Tax Expense	(27,066)	(7,806)	(2,538)	(8,228)	(8,494)
Profit Net of Tax	130,330	32,701	33,024	32,972	31,633
Profit Attributable to:					
- Non-Controlling Interest	1,006	1,062	(458)	(213)	615
- Owners of the Parent	129,324	31,639	33,482	33,185	31,018
Total Net Profit to Owners of the Parent	129,324	31,639	33,482	33,185	31,018

FINANCIAL RATIOS

Profit Before Tax Margin (%)	8.9%	8.3%	8.8%	9.4%	9.1%
Effective Tax Rate (%)	17.2%	19.3%	7.1%	20.0%	21.2%
Basic Earnings Per Share (sen)	10.02	2.45	2.60	2.57	2.40

REVIEW OF FINANCIAL RESULTS (CONT'D)

Segmental Revenue

	2019	%	2018	%	2017	%	2016	%	2015	%
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Building Construction	1,033,113	64%	1,377,444	65%	1,288,046	67%	1,097,324	73%	931,298	56%
Civil and Infrastructure	460,830	28%	570,042	27%	487,866	25%	370,434	25%	546,516	33%
Foundation and Geotechnical Engineering	237,954	15%	252,752	12%	202,840	11%	200,092	13%	293,568	18%
Mechanical, Electrical and Plumbing	330,176	20%	510,555	24%	465,975	24%	321,656	21%	380,667	23%
Others	2,151	0%	6,669	0%	5,217	0%	2,086	0%	697	0%
Consolidated Adjustment	(445,310)	-28%	(594,300)	-28%	(518,552)	-27%	(489,493)	-33%	(488,730)	-29%
Total Construction	1,618,914	100%	2,123,162	100%	1,931,392	100%	1,502,099	100%	1,664,016	100%
Total Precast	149,813		133,673		144,898		286,745		252,843	
Total Turnover	1,768,727		2,256,835		2,076,290		1,788,844		1,916,859	

Segmental Profit

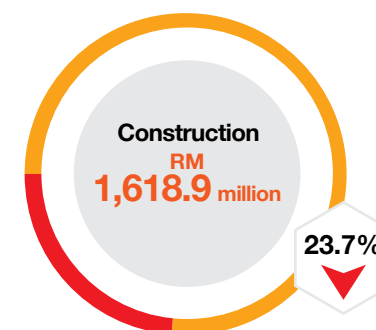
	2019		2018		2017		2016		2015	
Restated										
GROSS PROFIT MARGIN										
Construction	22.4%		20.6%		20.4%		20.7%		18.0%	
Precast	9.9%		4.8%		24.0%		23.9%		35.1%	
Total	21.4%		19.7%		20.6%		21.2%		20.3%	
PROFIT BEFORE TAX										
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Construction	154,643	9.6%	181,764	8.6%	141,173	7.3%	95,454	6.4%	63,790	3.8%
Precast	2,753	1.8%	967	0.7%	27,487	19.0%	58,223	20.3%	76,960	30.4%
Total	157,396	8.9%	182,731	8.1%	168,660	8.1%	153,677	8.6%	140,750	7.3%

Major Customers

	2019		2018		2017		2016		2015	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Syarikat Prasarana Negara Berhad	-	0%	12,815	1%	40,239	2%	43,572	3%	239,012	14%
MRCB George Kent Sdn Bhd *	251,000	16%	176,155	8%	32,845	2%	-		-	
MMC Gamuda	193,026	12%	295,864	14%	344,124	18%	230,807	15%	235,723	14%
Cititower Sdn Bhd	-	0%	151,310	7%	161,200	8%	166,495	11%	77,050	5%
Putrajaya Bina Sdn Bhd	137,564	8%	536,348	25%	491,222	25%	184,619	12%	112,359	7%
In-House	582,409	36%	464,975	22%	640,372	33%	710,624	47%	748,621	45%
Others	454,915	28%	485,696	23%	221,390	11%	165,982	11%	251,251	15%
Total Construction Turnover	1,618,914	100%	2,123,162	100%	1,931,392	100%	1,502,099	100%	1,664,016	100%

* For LRT 3 package GS07&08 there was a client change from Prasarana Malaysia Bhd. to MRCB George Kent Sdn. Bhd.

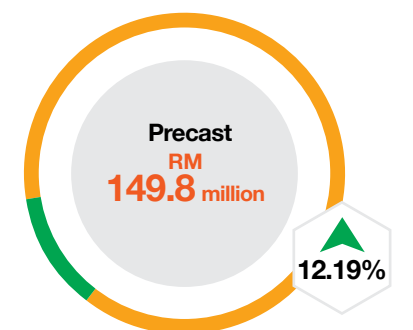
Revenue



(2018: RM2,123.1 million)

Construction Segment

The construction segment registered a lower turnover this year due to slower progress in LRT3 package GS07&08 from cost optimisation for a large part of 2019 by our client. In addition, Parcel F Putrajaya project which contributed 25% of 2018's revenue was completed in first quarter 2019.



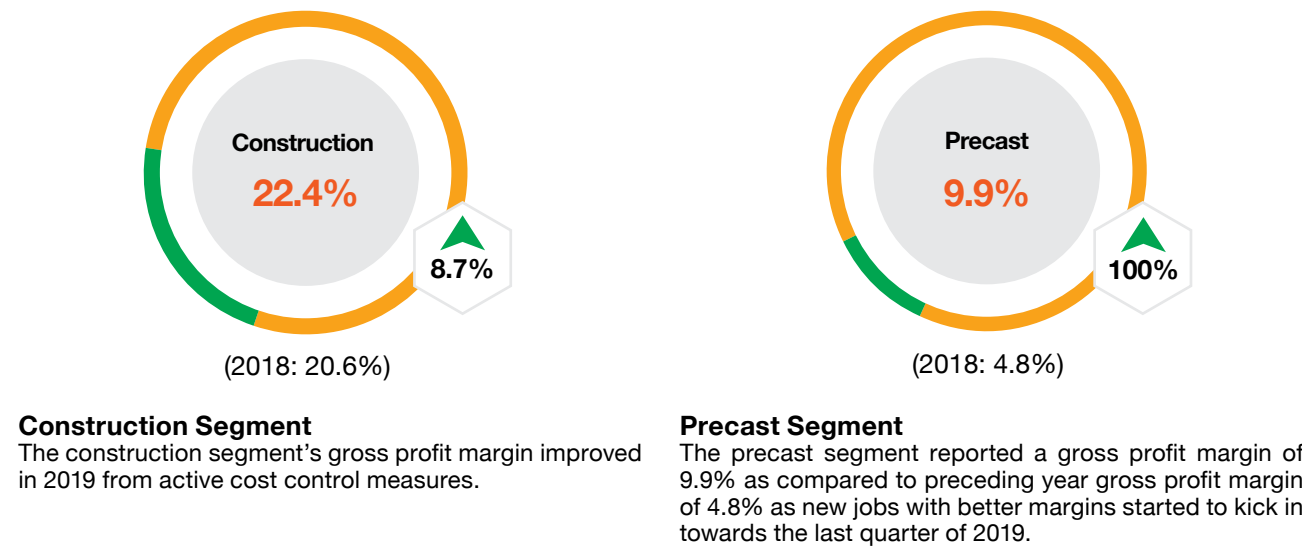
(2018: RM133.7 million)

Precast Segment

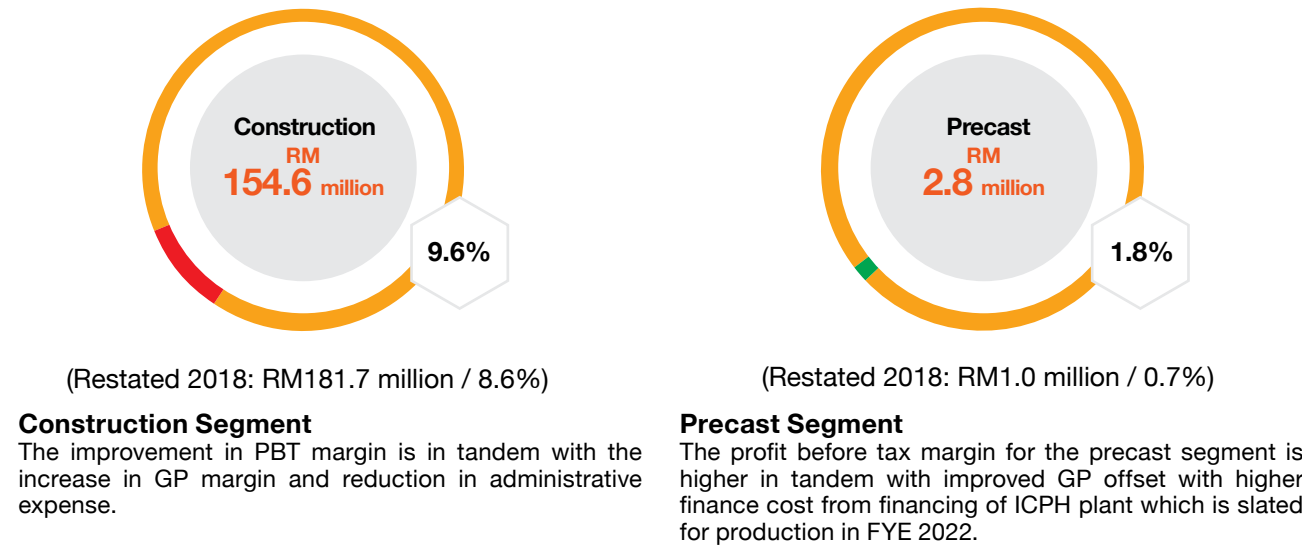
The precast segment revenue improved by 12% from its healthy outstanding order book of RM304 million.

REVIEW OF FINANCIAL RESULTS (CONT'D)

Gross Profit



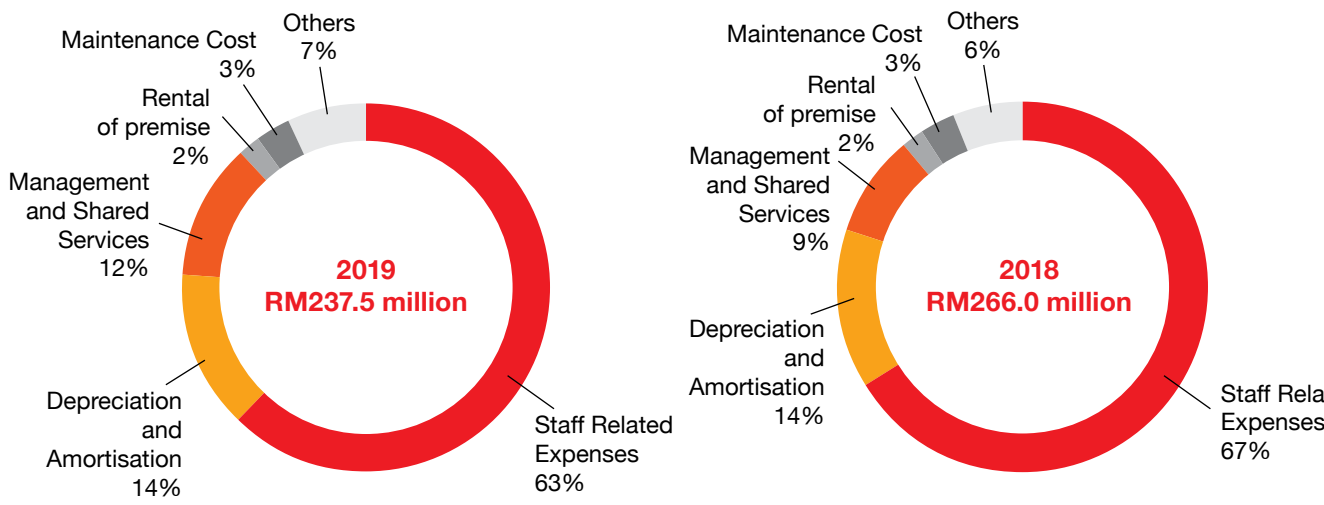
Profit Before Tax



Other Income

Other income for FYE 2019 (RM20.1 million) is broadly the same as FYE 2018 (RM20.7 million) even with the absence of arbitration gain of RM4.1 million recorded in FYE 2018 from our previous Trinidad and Tobago project. In FYE 2019 fair value reversal adjustment for MFRS 9 and reversal provision under MFRS 9 amounted to RM9.2 million (2018 : RM5.3 million). In FYE 2019 as well, we have an increased on gain in disposal of PPE of RM3.1 million (2018 : RM1.2 million) mainly due to disposal of 5 boring rigs that were proven to be too costly to repair and maintain. In addition, our appeal for reduction of tax penalty from 45% to 10% was approved by IRB and we made a reversal of RM1.1m in FYE 2019.

Administration Expenses



Administrative Expense decreased by 11% from RM266.0 million to RM237.5 million mainly from reduction in staff cost. Number of staff reduced from 1,568 in 2018 to 1,315 in 2019, representing a 19% reduction through natural attrition.

Other Expenses

The total of other expenses amounted to RM19.7 million (FYE 2018 : RM24.2 million). Lower other expenses in FYE 2019 was due to :

- MFRS 9 allowance for impairment this year is RM2.3 million as compared to RM10.6 million provision in 2018
- Lower amortisation expense of RM0.4 million (2018 : RM2.2 million)
- Lower MFRS 9 fair value adjustment of RM2.0 million (2018 : 5.6 million)

The above lower other expenses was offset partially from our write-off of our balance launcher girder of RM7.1 million (FYE 2018 : RM4.4 million) and provision for an arbitration case on prudence ground of RM6.7 million.

REVIEW OF FINANCIAL RESULTS (CONT'D)

Finance Income and Finance Cost

Finance income for FYE 2019 was at RM25.2 million (FYE 2018 : RM16.0 million). Included in finance income are interest obtained from a legal case won of RM3.5 million. Finance income was higher in FYE 2019 due to higher average placement throughout the financial year. Finance income are mainly tax exempt as it is placed with money market instruments with special tax exemption.

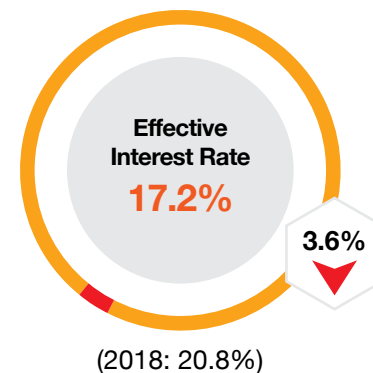
Finance cost was higher for FYE 2019 mainly due to drawdown of Singapore loan to finance our ICPH construction.

Further details on SunCon's capital management is presented under Capital Management section.

	2019	2018	Variance
	RM'000	RM'000	%
		Restated	
Finance Income - placement	21,699	16,040	35%
Finance Income -arbitration	3,461	-	
Finance Cost - MYR	(10,186)	(8,212)	24%
Finance Cost - SGD	(2,205)	(84)	>100%
Finance Cost -MFRS 16	(812)	(927)	
Finance Income rate	5.18%	5.57%	-7%
Finance Cost rate - M'sia	3.81%	3.94%	-3%
Finance Cost rate - S'pore	2.25% to 2.62%	N/A	

Taxation

The effective tax rate for FYE 2019 of 17.2% was lower than Malaysia's statutory tax rate of 24% mainly due to interest income which are tax exempted and over provision of tax in 2018.



STATEMENT OF FINANCIAL POSITION

Key Balance Sheet

		2019	2018	2017	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
			Restated	Restated		
Property, Plant and Equipment	1	138,507	176,468	164,342	138,381	161,783
Investments in joint arrangements	2	44,261	44,739	-	-	-
Other Non Current Assets		12,411	9,673	8,663	16,729	18,426
Total Non Current Assets		195,179	230,880	173,005	155,110	180,209
Receivables	3	817,936	884,359	1,005,106	652,984	487,377
Cash and Bank and Placement	*	692,638	484,869	487,240	465,768	468,477
Intercompany		123,190	83,516	73,650	132,187	90,584
Tax Recoverable	4	21,721	22,100	21,922	12,737	14,370
Other Current Assets (inventory + other debtors)	5	54,360	62,277	63,966	56,967	156,421
Total Current Assets		1,709,845	1,537,121	1,651,884	1,320,643	1,217,229
Total Assets		1,905,024	1,768,001	1,824,889	1,475,753	1,397,438
Trade Payables	6	674,640	656,182	728,039	577,029	548,836
Borrowings and Lease Liabilities	*	235,907	117,267	136,876	136,515	136,841
Intercompany		14,408	62,460	149,087	82,960	53,810
Other Current Liabilities		195,239	226,827	247,397	190,154	202,178
Total Current Liabilities		1,120,194	1,062,736	1,261,399	986,658	941,665
Borrowings and Lease Liabilities	*	61,553	10,739	13,053	-	-
Intercompany		95,833	96,314	-	-	-
Other Non Current Liabilities		2,273	6,536	7,009	608	4,095
Total Non Current Liabilities		159,659	113,589	20,062	608	4,095
Total Liabilities		1,279,853	1,176,325	1,281,461	987,266	945,760
Total Equity		625,171	591,676	543,428	488,487	451,678
Total Liabilities and Equity		1,905,024	1,768,001	1,824,889	1,475,753	1,397,438

* Please refer to Capital Management

REVIEW OF FINANCIAL RESULTS (CONT'D)

Financial Ratios

		2019	2018	2017	2016	2015
	Note					
Construction Segment						
Trade Receivables Turnover (Days)	3	132	103	129	109	82
Trade Payables Turnover (Days)	6	91	84	113	162	115
Precast Segment						
Trade Receivables Turnover (Days)	3	190	127	99	73	71
Trade Payables Turnover (Days)	6	88	76	88	82	46
Inventory (Precast) Turnover (Days)	5	65	85	79	39	37

Note 1 : Property, Plant and Equipment

Net Book Value (NBV) in RM' 000	2019	2018
Freehold land	8,538	8,538
Buildings	12,177	13,029
Plant and Machinery	97,770	127,365
Motor Vehicles	8,895	11,499
Office Equipment	947	1,546
Capital Work in Progress	-	1,223
Right of use assets	10,180	13,268
Total	138,507	176,468

Note 1 : Property, Plant and Equipment

There is only an addition to fixed assets of RM8.2m (2018 : RM55.7m) and total disposal of NBV of RM0.5m in 2019 (2018 : RM0.2m). The minimal addition is in line with the generally slower construction growth in Malaysia and some addition was acquired via payment in kind. The disposals were mainly from the 5 boring rigs which were more than 10 years old.

SunCon holds a freehold land in Senai, Johor with the cost of RM8.5 million. This land is currently used as our Precast Plant in Senai and it has a total land area of 475,409 sq ft. This consists of an open casting yard with 9 production lines, a worker's canteen, office and a power station.

The net book value of RM12.2 million under the Buildings category consists of our casting yards and site offices for both our Iskandar and Senai precast plants. Both the precast plants are located in Johor, Malaysia.

In terms of Motor Vehicles, SunCon owns a fleet of four-wheel drives and motorcycles that are allocated to all project sites for ease of travelling within the construction sites. Apart from that, it is also a norm under the contractual requirement for SunCon to provide motor vehicles for our clients and consultants. These vehicles will be disposed-off or used by our own project team at the end of the contractual period.

Office equipment, furnitures and fittings of RM0.9 million is mainly IT equipment in the likes of hardware.

Capital work in progress of RM1.2 million in FYE 2018 was due to upgrading works for the existing launcher girder in used. This amount has been fully written off in 2019.

Note 2 : Investment In Joint Arrangements

Investment in joint arrangements pertains to investment in HL-Sunway JV Pte. Ltd. to acquire the land in Singapore for ICPH.

Note 3 : Trade Receivables

SunCon continues to be in overall net cash position with healthy collection from its customers.

Trade receivable turnover for precast segment for FYE 2019 was high due to long duration required for settlement of final account. Despite longer debtors turnover period, precast pays its creditors obligation timely in order to get rebate for prompt payment.

Under Construction Segment, due to our client base which mainly comprise GLC and reputable companies, our collections are healthy. The increase in turnover days for trade receivables are due to a handful of debts that we are pursuing settlement, we have assessed the collection and have provided for those that we considered as possible defaults as per accounting standards.

Note 4 : Tax Recoverable

Total tax recoverable amounted to RM21.7 million (2018 : RM22.1 million). Amount recoverable from India tax authorities amounted to RM 12.1 million and all are under legal proceedings. SunCon continues to pursue its recoverability of taxes from the tax authorities in India.

The balance of the tax recoverable of RM9.6 million are with the Inland Revenue Board of Malaysia of which majority are for over payment of taxes with respect to tax audit for year of assessment of which we have received written confirmation of settlement and are of the opinion the amount can be recovered soon.

Note 5 : Inventory

Our Precast Segment's inventory turnover mainly comprises raw materials and finished goods. Our holding period has now improved to 65 days (FYE 2018 : 85 days) with some clients agreeing to allow us to recognise sales when goods are completed at our factory site.

Note 6 : Trade Payables

Precast Division : Despite longer debtors turnover period, precast pays its creditors obligation timely (FYE 2019 : 88 days; FYE 2018 : 76 days) in order to get rebate for prompt payment.

Construction Division : Payment terms to our creditors remained at an average of 91 days (FYE 2018:84 days).

REVIEW OF FINANCIAL RESULTS (CONT'D)

STATEMENT OF CASH FLOWS

Condensed Cash Flow Statement

Financial Year Ended					
RM' 000	2019	2018	2017	2016	2015
		Restated			
Dividend from Joint Venture	790	731	2,153	-	24,841
Other Operating Cash Flows	192,749	196,923	60,681	85,616	214,788
Total Operating Cash Flows	193,539	197,654	62,834	85,616	239,629
Acquisition of Property, Plant and Equipment	(8,312)	(56,169)	(54,688)	(19,016)	(38,673)
Disposal of Property, Plant and Equipment	3,564	1,393	6,246	2,055	14,980
Advanced Received from Related Company	-	-	83,314	11,250	24,542
Disposal / Acquisition of Investment	38	(44,110)	-	-	-
Placement in Funds	-	-	-	78,000	(64,800)
Placement of deposits pledged to licensed banks	(263,784)	-	-	-	-
Other Investing Cash Flows	-	237	(7)	379	17
Total Investing Cash Flows	(268,494)	(98,649)	34,865	72,668	(63,934)
Dividend	(90,357)	(96,918)	(71,090)	(84,039)	(70,000)
(Repayment to)/Advanced Received from Related Company	(46,618)	24,413	-	-	-
Other Financing Cash Flows	156,459	(29,574)	(2,851)	(326)	1,599
Total Financing Cash Flows	19,484	(102,079)	(73,941)	(84,365)	(68,401)

Operating Cash Flows

Operating cashflow was comparable to last financial year despite lower profit recorded this financial year ended.

Investing Cash Flows

Increased in investing activities is mainly due to placement of deposit pledged to licensed bank to secure funds for ICPH construction.

Acquisition of invesment in FYE 2018 of RM44.1 million represents our share of equity of 49% for the joint venture between our precast unit with Singapore listed Hong Leong Asia Limited's precast concrete unit HL Building Materials Pte Ltd ("HL") (51%) announced end of July 2018. Our plans are to build a fully mechanised, state-

of-the-art integrated precast plant on the land, with an expected annual production capacity of 100,000 cubic meters of concrete products on a land with a tenure 30 years from July 2018. The land is located at Pulau Punggol Barat and measures approximately 38,421.8 square meters which will be shared between us and HL. The land cost of SGD\$25.7 million has been fully paid in 2018.

Financing Cash Flows

The positive financing in FYE 2019 was mainly due to drawdown of Singapore loan to finance the ICPH construction.

CAPITAL MANAGEMENT

	2019	2018	2017	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000
		Restated			
Term Loans - Long term	52,656	-	-	-	-
Term Loans - Short term	76,270	-	-	-	-
Loan Bills Discounting	157,124	107,544	134,659	136,515	86,652
Revolving Credits	0	6,087	-	-	50,189
Total Borrowings	286,050	113,631	134,659	136,515	136,841
Total Finance Cost (exclude MFRS16 lease finance cost)	12,391	8,296	6,084	6,056	3,507
Total Finance Income (exclude arbitration gain)	21,699	16,040	13,477	10,488	8,045
Net Finance Income	9,308	7,744	7,393	4,432	4,538

Financial Ratios

Net Gearing Ratio (Times)	Net Cash Positive				
Interest Coverage Ratio	11	21	26	25	39

SunCon has a robust capital management system to ensure that we maintain a healthy capital ratio in order to support our daily operations without disruption. Our strategy is to maximise shareholder's wealth by managing our excess funds accordingly. Our funds are invested in a diverse portfolio such as in fixed income securities, money market instruments and placement in selected funds.

Through the support from Sunway Treasury Sdn. Bhd. and it's Islamic arm, Sunway Treasury Sukuk Sdn Bhd, we are able to source for the most reasonable rate both in placement and borrowing. Our objective as a Group is to optimise internal funds and to minimise external borrowings. We manage our funds by planning our payment ahead of time to ensure that we keep a minimum bank balance at all times. This will allow us to place our excess funds in quest to obtain a higher return. With this, we will be able to arbitrage between our placement and borrowing rates differential.

Our payment and collection are mostly transacted in Ringgit Malaysia and Singapore Dollars for our precast business in Singapore. We do constant monitoring on our foreign currency exposure and ensure that we hedge accordingly when opportunity arises.

Debt Management

SunCon has borrowings of RM157.1 million (FYE 2018 : RM107.5 million) from Loan Bill Discounting where monthly project progress certificates are being used as an instrument for lending with maturity tenure ranging from 30 to 120 days. These short term borrowings are mainly used to manage our receivables turnaround period. It is also used to support the initial capital requirement of new projects, capital expenditure requirements, bulk purchase of materials for better economies of scale and optimisation of interest rates differential.

Apart from that, our borrowings also consist of term loan for our Singapore precast division's ongoing ICPH plant expansion. There is no net gearing in the Group as SunCon is able to maintain a net positive cash position.

REVIEW OF FINANCIAL RESULTS (CONT'D)

Invoice Factoring

In any construction job, cash turnaround is of great importance. As such, SunCon strives to ensure that our payment to our subcontractors and suppliers are on a timely basis so that they have sufficient cash flow to work around. Any disruption to our subcontractors and suppliers will have a chain effect on the progress at site. However, in any circumstances where our subcontractors require funds earlier than the stipulated credit period, we will arrange for them to factor their invoices with Sunway Credit so that they are able to obtain their required funds within 3 business days with competitive rates.

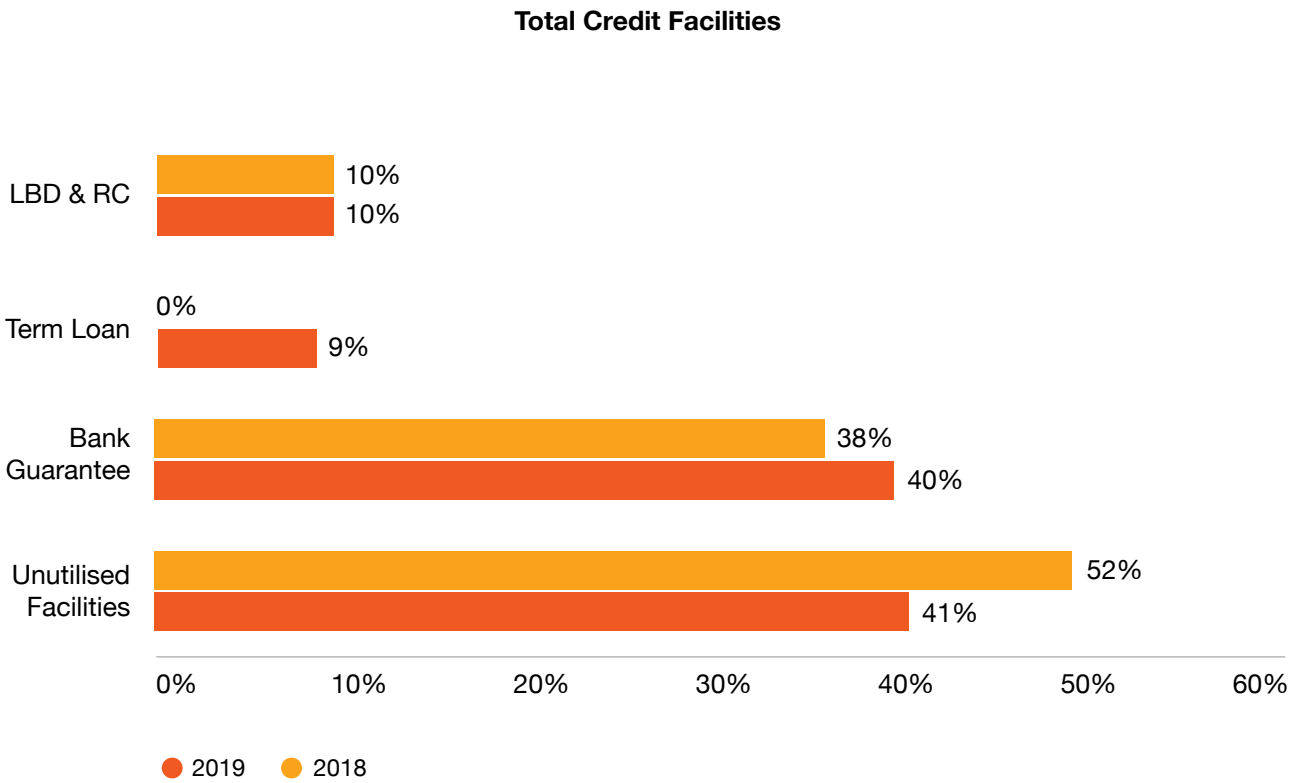
Shariah Compliant Funds

SunCon has placed 25% (FYE 2018 : 36%) or RM174.5 million (2018 : RM174.2 million) in Shariah Complaint Funds in order to comply with the Shariah Compliant regulations that requires cash that are placed under conventional accounts and instruments to be less than 33% of total assets.

SunCon has a total gross cash of RM692.6 million (FYE 2018 : RM484.9 million), the ratio of cash under conventional accounts and instruments over total assets was at 27% (2018 : 17%) hence satisfying the compliant regulation. Total assets in FYE2019 amounts to RM1,905.0 million (FYE 2018 : RM1,768.0 million).

Credit Facilities

It is important to ensure that we have sufficient credit facilities on hand to ensure that we can seize any job opportunity in the market. Our credit facilities vary for the issuance of bank guarantees such as performance bonds, advanced payment bonds, tender bonds, security bonds, loan bill discounting and revolving credit. In 2019, 41% of our credit facilities are increased and available for immediate use (2018: 52%).



DIVIDEND POLICY

	2019	2018	2017	2016	2015
	Restated				
Dividend per share (RM'sen)	7	7	7	5	4
Dividend payout (RM'000)	90,256	90,457	90,457	64,646	51,716
Profit After Tax and MI (RM'000)	129,324	144,426	132,296	123,519	127,164
Dividend Payout Ratio	70%	63%	68%	52%	41%

SunCon's dividend policy is to distribute at least 35% of our net profit for the year back to our esteemed shareholders. The Board's intention is to continuously pay good dividends to our shareholders in appreciation of their support towards the company's growth.

During the year, SunCon declared a total of 7 sen per share for the financial year ended 2019.

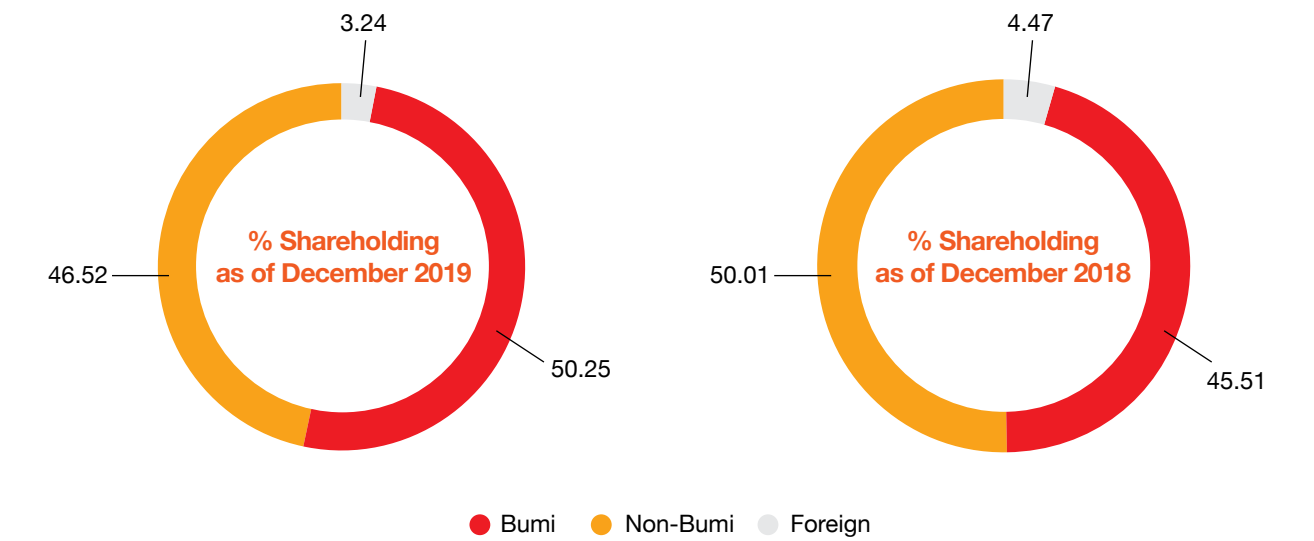
We are committed to delivering satisfactory results backed by strong fundamentals and sound balance sheet in 2019 to be able to reward shareholders more than the Group's dividend payout policy of 35% of net profit.



Piling and foundation works at CP2, Bandar Sunway

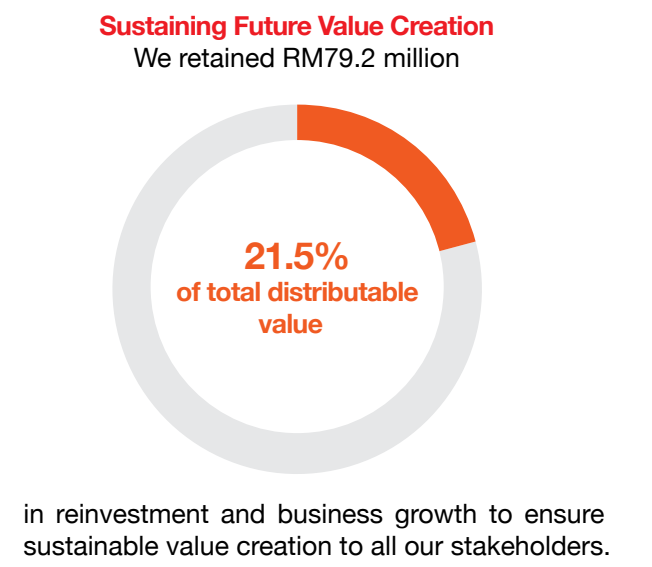
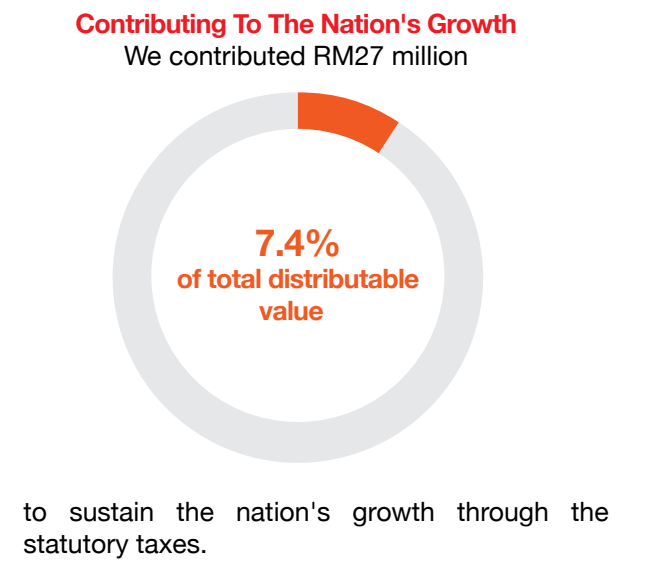
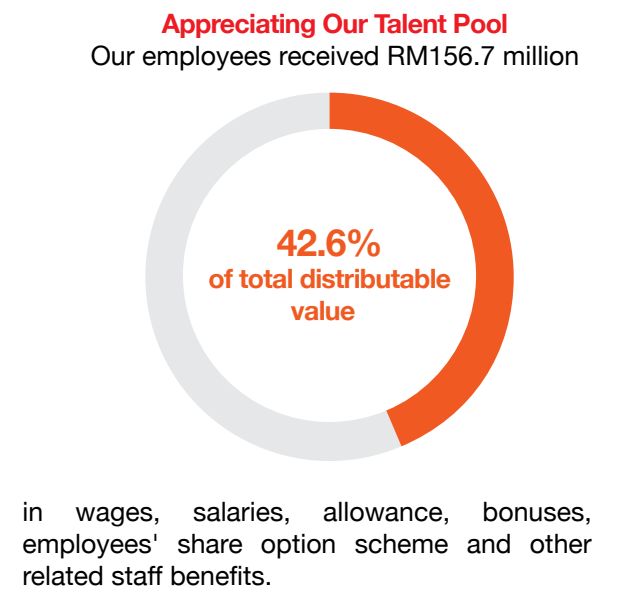
REVIEW OF SHARE PERFORMANCE

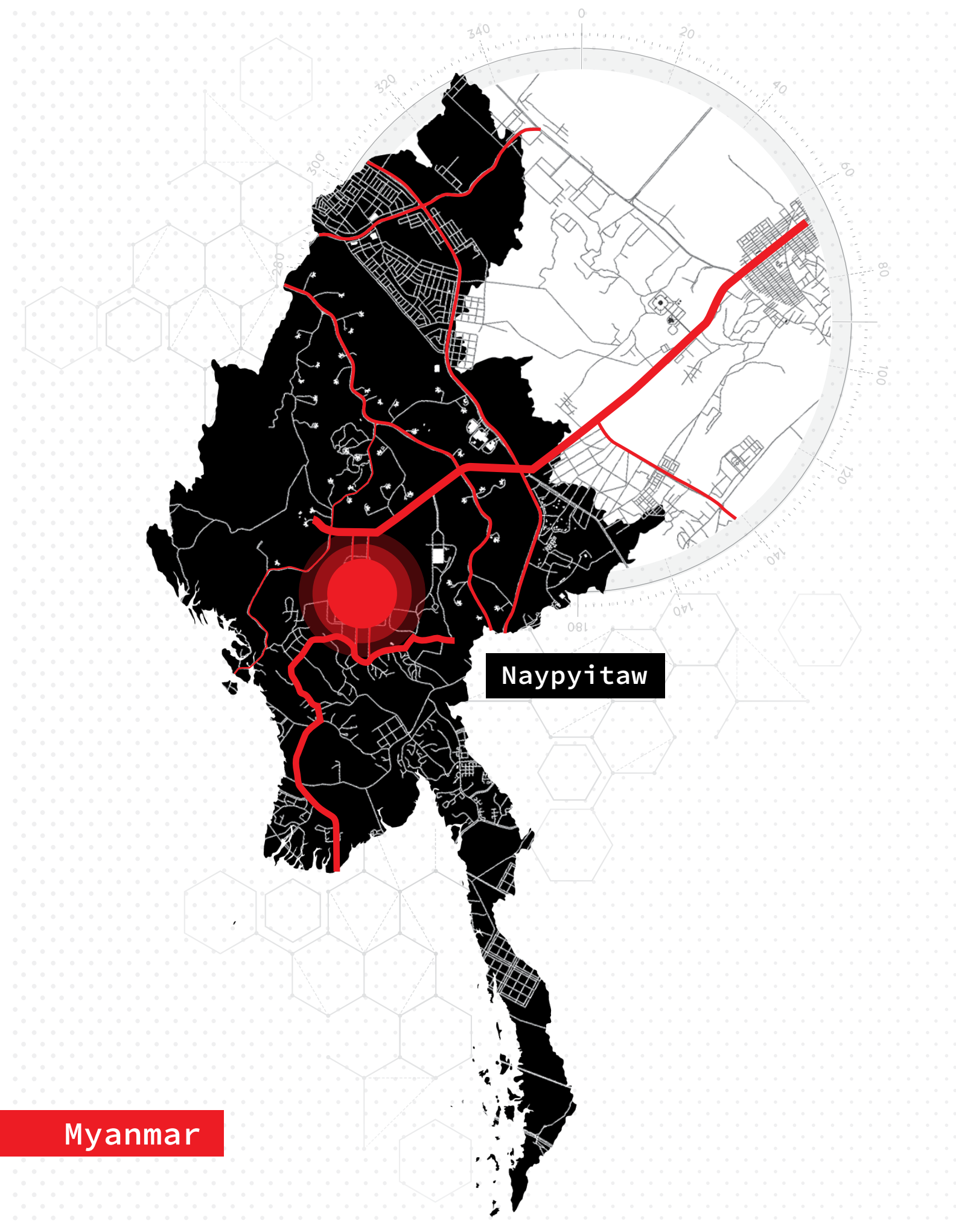
Sunway Construction Group Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad.



VALUE ADDED STATEMENT

Financial Year Ended	2019	2018
	(RM'000)	(RM'000)
VALUE ADDED		(Restated)
Revenue	1,768,727	2,256,835
Purchases of goods and services	(1,392,795)	(1,830,913)
	375,933	425,922
Share of profits of associates	4,316	-
Share of profits of joint ventures	99	731
Adjustment arising from MFRS 9	3,589	(6,226)
Financing Cost	(13,203)	(9,223)
Other Income and Expenses	(3,173)	2,735
TOTAL VALUE ADDED	367,561	413,939
RECONCILIATION:		
Profit for the year	129,324	144,426
Add: Depreciation and amortisation	40,262	43,713
Finance cost	13,203	9,223
Staff costs	156,700	178,273
Taxation	27,066	37,966
Minority Interests	1,006	339
TOTAL VALUE ADDED	367,561	413,939
Value Distributed		
Employees		
Salaries and other staff costs	156,700	178,273
Government		
Corporate Taxation	27,066	37,966
Providers of Capital		
Dividends	90,357	96,918
Finance costs	13,203	9,223
Minority Interest	1,006	339
Reinvestment and growth		
Depreciation and amortisation	40,262	43,713
Income retained by the Group	38,967	47,508
TOTAL DISTRIBUTED	367,561	413,939





SUSTAINABILITY

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CONSTRUCTING A BETTER TOMORROW

At SunCon, we build more than just towering skyscrapers and vast infrastructures; we're building a better world. We care about the well-being of both the community and natural environment that arise amid our projects.

Our vision also includes forging sustainable collaborations with trustworthy international partners like Myanmar.

The inking of a Memorandum of Understanding (MoU) with Capital Construction Limited (CCL), the construction division of Myanmar's major conglomerate, Capital Diamond Star Group (CDSG), has enabled us to cooperate in future developments.

ABOUT THIS SUSTAINABILITY STATEMENT

ABOUT THIS REPORT

102-1, 102-50, 102-52

As a leading construction company, Sunway Construction Group Berhad (“SunCon” or “the Company”), is responsible for creating a positive legacy in the communities where it builds, for responding to the needs of its employees and supply chain, and for reducing our carbon footprint without compromising quality. For this reason, the Company’s sustainability initiatives are aligned with its core values, and are integral to the construction of buildings and infrastructure assets which meet international standards.

This year, we are pleased to report how our robust management approach has improved the Company’s sustainability performance from 1 January 2019 to 31 December 2019.

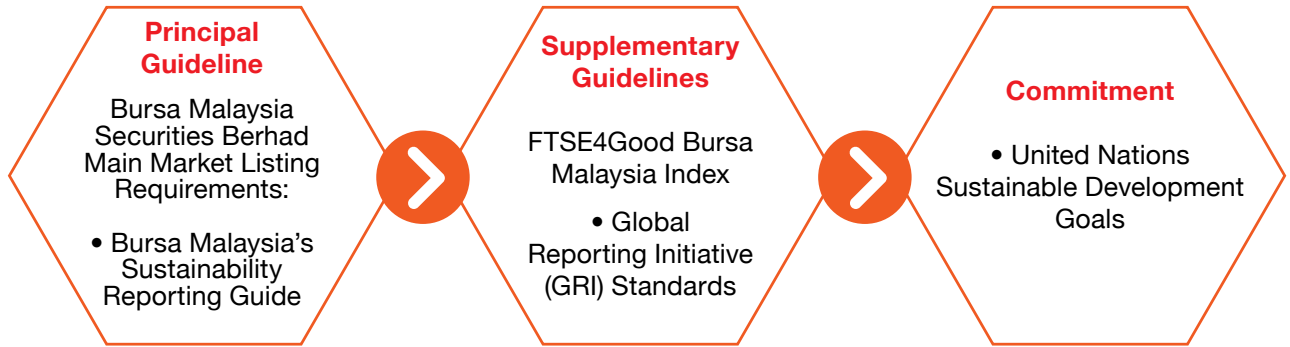
Underscoring our commitment to sustainability, we developed a long-term view of the impacts of our construction operations by focusing on seven selected United Nations Sustainable Development Goals (UNSDG). This effort will enable us to further enhance our contributions to the economy, environment and society.

Looking towards the future, we will continue to provide the world’s best assets, making us the choice of today’s builders.

REPORTING FRAMEWORK

102-54, 102-55

This report has been prepared in accordance with the following guidelines and references to assist us in improving our disclosures and management of material sustainability matters.



Throughout the report, where applicable, references to the GRI standards are specified with indicator numbers under the corresponding subtopics. The GRI content index and relevant references are provided on pages 174 to 175 of this report.

SCOPE OF REPORTING

102-2, 102-46

This report covers the activities and projects of Sunway Construction Group Berhad and its subsidiaries; Sunway Construction Sdn. Bhd., Sunway Geotechnics (M) Sdn. Bhd., Sunway Engineering Sdn. Bhd., Sunway Precast Industries Sdn. Bhd. and Sunway Concrete Products (S) Pte. Ltd.

Below are the list of projects that will be discussed in SunCon’s Sustainability Statement 2019.

Project Name	Description	Location
1. 3C4	Office & Service Residence	Klang Valley
2. 7MD7	Piling Works	Putrajaya
3. BBCC Tunnel (BBCCT)	Piling Works	Klang Valley
4. Sunway Big Box Hotel	Hotel	Johor Bahru
5. Sunway Big Box Retail	Retail Park	Johor Bahru
6. CP2	Retail, University & Office Blocks	Klang Valley
7. Gas District Cooling P1 (GDC P1)	District Cooling Plant	Putrajaya
8. GDC P2	District Cooling Plant	Putrajaya
9. HUKM	Engineering Works	Klang Valley
10. Sunway Serene (KJ P1)	Service Residence	Klang Valley
11. LRT3 GS06	Piling Works	Klang Valley
12. LRT3 GS07&08	Elevated rail from Sri Andalas to Kawasan 17	Klang Valley
13. LRT3 GS10	Piling Works	Klang Valley
14. MRT201	Elevated rail from Persiaran Dagang to Sungai Buloh	Klang Valley
15. Nippon Express	Warehouse	Klang Valley
16. Oxley	Engineering Works	Klang Valley
17. Parcel F	Government Office Buildings	Putrajaya
18. Petronas New Leadership Center (PNLC)	Education Facilities	Klang Valley
19. Sunway GEOLake Residence (RC 1)	Service Residence	Klang Valley
20. SUKE CA1	Piling Works	Klang Valley
21. Sunway Medical Center 4 (SMC 4)	Medical Center	Klang Valley
22. Sunway Medical Center Velocity (SMCV)	Medical Center	Klang Valley
23. Sunway Carnival Mall Extension (SCME)	Shopping Mall	Seberang Perai
24. Sunway Medical Center Seberang Jaya (SMCSJ)	Medical Center	Seberang Perai
25. TNB 2B	Piling Works	Klang Valley
26. TNB 2C	Office Blocks	Klang Valley
27. Sunway Velocity 2 (SV2)	Office & Service Residence	Klang Valley

ABOUT THIS SUSTAINABILITY STATEMENT (CONT'D)

MEMBERSHIP AND ASSOCIATIONS

102-13

We actively participate in several associations besides maintaining affiliations with trade groups to actively engage with various stakeholder groups and industry peers and to be cognisant of best practices. Our membership are listed in the table below:

Name of the Association	SunCon Membership
Master Builders Association Malaysia (MBAM)	Membership since 1988
Construction Industry Development Board (CIDB)	CIDB Grade 7 Contractor since 1988
Singapore Precast Association	SunCon is the only Malaysian organisation affiliated with this association
National Institute of Occupational Safety and Health (NIOSH)	NIOSH membership since 1996
Malaysian Society for Occupational Safety and Health (MSOSH)	MSOSH membership since 2000

FEEDBACK

102-53

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DEFINING OUR COMMITMENT TO SUSTAINABILITY

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The launch of the 2030 SDGs in September 2015 is a call to action by all countries to promote prosperity and end poverty while protecting the environment. As of today, the implementation of the SDGs has become a global consensus between governments, non-governmental organisations and the private sector. In line with Malaysia's pledge to commit to the 17 SDGs, SunCon is committed to not only raising awareness within its business operations, but also channelling this awareness to our stakeholders as well as the community at large.

SunCon and the SDGs

In line with our operations and activities, we have adopted all 17 SDGs in 2017 with the exception of SDG 6: Clean Water and Sanitation and SDG 14: Life Below Water. However, in 2019, we adopted SDG 14 which is in line with our CSR programme towards coral conservation. For this year, the Company has prioritised seven SDGs which are most material to its operations and stakeholders.



OUR FOOTPRINT IN OTHER SDGS

1NO POVERTY

- Contributed funds to Yayasan Anak-Anak Yatim Wardatul Jannah, Kota Damansara for the management of the home and care of the orphans

2ZERO HUNGER

- Provision of liveable home for a family of seven in Kampung Orang Asli Gurney, Batang Kali, Selangor under the Build A Home programme. This is SunCon's 3rd consecutive year participating in this programme which aims to contribute to the improvement of quality of life for the orang asli community
- SunCon contributed to the#sunwayforgoodsocial inclusion programmes which aims to address the 17 UNSDGs. In 2019, #sunwayforgood's programmes reached 221,709 beneficiaries

4QUALITY EDUCATION

- We have built strong collaborative partnerships with public and private universities, as well as polytechnic schools
- Created platform for 42 young graduates to enhance their employability skills
- Provide training for employees to sharpen their skills, knowledge and competency through our robust learning framework
- Provision of study leave for employees to pursue tertiary education
- 4 employees are current pursuing Master in Sustainable Development Management offered by Sunway University under the prestigious Jeffrey Sachs Center on Sustainable Development which would benefits the organisation in its journey to be a sustainable builder

7AFFORDABLE AND CLEAN ENERGY

- We incorporated green energy features into our Green Building Index (GBI) projects such as installation of solar panels
- Installation of solar PV systems for buildings within Bandar Sunway

5GENDER EQUALITY

- We provided equal opportunity for men and women, in which our employees received similar pay despite being in a male-dominated industry
- Representation of women, 13% in the Board of Directors

6CLEAN WATER AND SANITATION

*Due to the nature of our business, SunCon does not have much involvement in this pillar

15LIFE ON LAND

- We incorporate the inclusion of green spaces in our design and build projects to create a green ecosystem within the development

17PARTNERSHIPS FOR THE GOALS

- Our active involvement in Master Builders Association Malaysia (MBAM) demonstrated our dedication to promoting and developing the construction industry in Malaysia
- SunCon's joint venture with Pekat Solar Sdn Bhd formed a subsidiary, Sunway Pekat Solar Sdn Bhd which aims to focus on renewable energy sector, especially enhancing our capabilities on solar energy

10REDUCED INEQUALITIES

- We provided equal opportunity for all races and promoted meritocracy by embracing our Diversity and Inclusion Policy
- In 2019, SunCon's ratio of men to women pay equity are 1.00 : 0.93

14LIFE BELOW WATER

- We participated in a Coral Reef Conservation programme in which we promoted the rehabilitation of coral reef and marine ecosystem

SUSTAINABILITY GOVERNANCE

102-18, 102-19, 102-20, 102-26, 102-32

Sustainability governance plays a leading role in setting the Company's direction. The Board of Directors (BOD), supported by the Sustainability Steering Committee (SSC), oversees the Company's sustainability strategies to ensure sustainable returns while providing key inputs pertaining to the economic, environmental, social and governance (EESG) aspects of the Company's performance. The SSC is supported by the Sustainability Working Committee (SWC) comprising various departments. The SWC is helmed by the general Manager of Operations who in turn supported by the Sustainability Coordinator.

The business of sustainability planning and initiatives falls within SWC's ambit of responsibility which held four meetings in 2019 to put proposals in place to further underscore the company's stance on creating positive value for its stakeholders.



STAKEHOLDER ENGAGEMENT

102-40, 102-43, 102-44

Working in tandem with stakeholder groups strengthens our ability to address sustainability issues. Through active and transparent lines of communication and engagement with our stakeholders, we are able to gauge and prepare for the changing expectations of SunCon’s diverse stakeholder groups.



The table below illustrates our method of engagement with each stakeholder group, frequency of engagement, their expectations and the manner in which we address their expectations.

Stakeholder	Their Expectations	Engagement Method	Frequency Of Engagement	Addressing Their Expectations
Clients	<ul style="list-style-type: none">• Proper project management• Project completion in compliance with standards, high quality and on time delivery• Safety and security of sites• Compliance with Environmental, Safety and Health laws and regulations	Client Satisfaction Survey (CSS)	• Annually	<ul style="list-style-type: none">• Continuous monitoring of Client Satisfaction Survey (CSS) score and quality performance:<ul style="list-style-type: none">› Achieved score of 93.8% for CSS› Achieved average QLASSIC score of 75%› 2 ESH campaigns were conducted at our projects as an engagement platform with clients and workforce
		Quality Assessment System in Construction (QLASSIC)	• Project completion	
		Progress meetings and updates	• Monthly/weekly	
		Progress reports	• Monthly	
		Site walk with Top Management	• Monthly	
		Townhall	• Annually	
		Environmental, Safety and Health (ESH) Campaign	• Annually	

Stakeholder	Their Expectations	Engagement Method	Frequency Of Engagement	Addressing Their Expectations
Authorities & Regulators	<ul style="list-style-type: none">• Compliance with guidelines and regulations	Inspections	• As per the operational requirements	<ul style="list-style-type: none">• Collaboration with authorities and regulators• Engagement sessions with surrounding community of project sites, where we communicate our control measures on environmental concerns, security issues and provide project updates to the residents• Ensure operational activities are conducted in compliance with legal and other requirements
		Training, seminar and workshops	• Ongoing	
		Reports submissions	• Monthly	
		Site visits and audits	• Spot checks/ Ongoing	
		Engagement with Department of Occupational Safety and Health (DOSH), Department of Environment (DOE), Ministry of Health (MOH) and BOMBA	• As and when necessary	
		Spot checks by Malaysian Immigration Department	• Ad-hoc	
		Green Card Certification training with Construction Industry Development Board (CIDB)	• As and when necessary	

STAKEHOLDER ENGAGEMENT (CONT'D)

102-40, 102-43, 102-44

Stakeholder	Their Expectations	Engagement Method	Frequency Of Engagement	Addressing Their Expectations
Shareholders, Investors & Analysts	<ul style="list-style-type: none"> Effective communication and business strategies Timely and transparent reporting Strong corporate governance Prudent Risk Management Market and business performance outlook and strategies 	Statutory Announcements	<ul style="list-style-type: none"> As and when necessary 	<ul style="list-style-type: none"> Provide timely updates of business performance: <ul style="list-style-type: none"> 124 Bursa announcements in 2019 Regular engagement with shareholders, investors and analysts: <ul style="list-style-type: none"> Analyst house that covers SunCon: 14 out of which 7 were buy call 37 one-on-one management meetings Attended 5 IR of conferences organised by bankers (held in Malaysia and Singapore) Participated in Bursa Bull Charge 2019 (Help raise funds to promote financial literacy, entrepreneurship and support underprivileged communities)
		Annual General Meetings	<ul style="list-style-type: none"> Annually or when any changes occur in the Group 	
		Corporate Events	<ul style="list-style-type: none"> Annually 	
		Small group meetings	<ul style="list-style-type: none"> As and when necessary upon request by bankers and analyst 	
		Conferences	<ul style="list-style-type: none"> Ad-hoc 	
		One-on-one management meetings	<ul style="list-style-type: none"> Ad-hoc 	
Employees	<ul style="list-style-type: none"> Career development and progression Knowledge and skills enhancement Fair remuneration Work-life balance Safe, healthy and conducive workplace 	Employee engagement surveys	<ul style="list-style-type: none"> Biennially 	<ul style="list-style-type: none"> Provision of environment friendly, safe and healthy workplace, training and career progression opportunities Open communication with employees Activities conducted by SunCon Social Club in 2019: <ul style="list-style-type: none"> Skytrex Adventure Movieganza Jump Street Overseas trip to -Bandung Merdeka Conservation Dive Tasik Kenyir Short Getaway
		Dialogue and engagement	<ul style="list-style-type: none"> 4 sessions 	
		ESH committee meeting	<ul style="list-style-type: none"> Monthly 	
		Townhall	<ul style="list-style-type: none"> Annually 	
		SunCon Social Club	<ul style="list-style-type: none"> 6 programmes 	
		Festive celebrations	<ul style="list-style-type: none"> Annually 	
		Training programmes	<ul style="list-style-type: none"> As per the training plan 	

Stakeholder	Their Expectations	Engagement Method	Frequency Of Engagement	Addressing Their Expectations
Suppliers & Subcontractors	<ul style="list-style-type: none"> Safe working environment Professional and transparent procurement process Timely payment 	Subcontractors assessment	<ul style="list-style-type: none"> Annually 	<ul style="list-style-type: none"> Provision of transparent supply chain and contract management Continual implementation of the E-bidding system to ensure transparency and paperless transactions Continual implementation of Esker software for payment processes for timely payments Provision of environment friendly, safe and healthy workplace for workforce
		Suppliers assessment	<ul style="list-style-type: none"> Annually 	
		ESH committee meeting	<ul style="list-style-type: none"> Monthly 	
		Regular engagement with suppliers and subcontractors to understand their needs	<ul style="list-style-type: none"> Daily/ Weekly 	
Trade Union & Professional Bodies	<ul style="list-style-type: none"> Sharing of best practice and knowledge to improve the industry as a whole Implementation of policies and requirements by relevant agencies or professional bodies 	Dialogue	<ul style="list-style-type: none"> Ad-hoc 	<ul style="list-style-type: none"> Association with professional bodies SunCon's representation in Masters Builders Association of Malaysia (MBAM): <ul style="list-style-type: none"> Honorary Advisor Vice President Publications, ICT & Data Resource Center Committee Chairman International Affair Committee Deputy Chairman Material Resources & Exhibition Committee Member Education Fund Committee Member Safety & Health Committee Deputy Chairman Foster good relations with industry peers
		Meetings	<ul style="list-style-type: none"> Ad-hoc 	
		Training	<ul style="list-style-type: none"> As and when needs arise 	
		Project site visits	<ul style="list-style-type: none"> Spot-check 	
		Technical committee	<ul style="list-style-type: none"> Ad-hoc 	

STAKEHOLDER ENGAGEMENT (CONT'D)

102-40, 102-43, 102-44

Stakeholder	Their Expectations	Engagement Method	Frequency Of Engagement	Addressing Their Expectations
General Public	<ul style="list-style-type: none">Responsible corporate governanceProject transparency and progress updatesTimely feedback resolutionSafe construction practicesTalent attraction	Complaint management system for MRT and LRT projects	<ul style="list-style-type: none">Throughout the project's construction phaseContinually	<ul style="list-style-type: none">Dialogue with general public via calls, mail drops, and radio announcements on project information and updatesTownhall session before project commences to notify residents about projectInformation box updates every 3 months to update on project progress and any changesSocial media serves as platform to attract potential talents
		Mail drops to provide project updates and information		
		Media communication via radio announcements		
		Resident townhalls		
		Information box at public areas around project site		
		Social media		
Media	<ul style="list-style-type: none">Immediate notification of financial releases and material developmentsTimely and transparent communication	Press release	<ul style="list-style-type: none">Quarterly/ annuallyAs and when necessary	<ul style="list-style-type: none">Direct engagement and timely press releases:<ul style="list-style-type: none">8 press releases in 2019 (including announcement to Bursa)3 exclusive interviews conducted by SunCon in 2019
		Media coverage	<ul style="list-style-type: none">As and when necessary	
Community	<ul style="list-style-type: none">Responsible corporate citizen which gives back to the communityResponsible for the livelihood of the surrounding community throughout the construction phasePublic safety	Sponsorship and donations Community service	<ul style="list-style-type: none">AnnuallyAd-hoc	<ul style="list-style-type: none">Provision of sponsorships and donations:<ul style="list-style-type: none">Donated 10 wheelchairs to Persatuan Kesejahteraan Rakyat Malaysia (PKRM)Sponsored 9 Castle Reefs to conserve marine ecosystemCollaboration with EPIC Homes to build homes for the Orang Asli community. Number of houses built in 2019: 1. Number of houses built to date since 2017: 5
		Community building	<ul style="list-style-type: none">Project-to-project basis	

Stakeholder	Their Expectations	Engagement Method	Frequency Of Engagement	Addressing Their Expectations
Business Partners	<ul style="list-style-type: none">Adherence to corporate governance and national regulationsTransparent Joint Venture (JV) relationshipOpen knowledge sharing between industriesMeeting targets and expectations	Satisfaction survey	<ul style="list-style-type: none">Annually	<ul style="list-style-type: none">Foster collaborative partnerships:<ul style="list-style-type: none">JV with Taisei Corporation to build a new warehouse for Nippon Express MalaysiaJV with HL Building Materials Pte. Ltd. for the development of ICPHSchedule committee meeting with JV partner on a quarterly basis or as and when required
		JV-client meetings	<ul style="list-style-type: none">Monthly for ongoing projects	
Civil Society Organisations (CSO)	<ul style="list-style-type: none">Employment opportunities to local community	Implementing the Skim Latihan 1 Malaysia (SL1M)	<ul style="list-style-type: none">Completed	<ul style="list-style-type: none">Creation of employability skills<ul style="list-style-type: none">42 graduates undergoing training under SL1M programme as trainees for 2019



ESH campaign at Sunway Medical Centre, Seberang Jaya

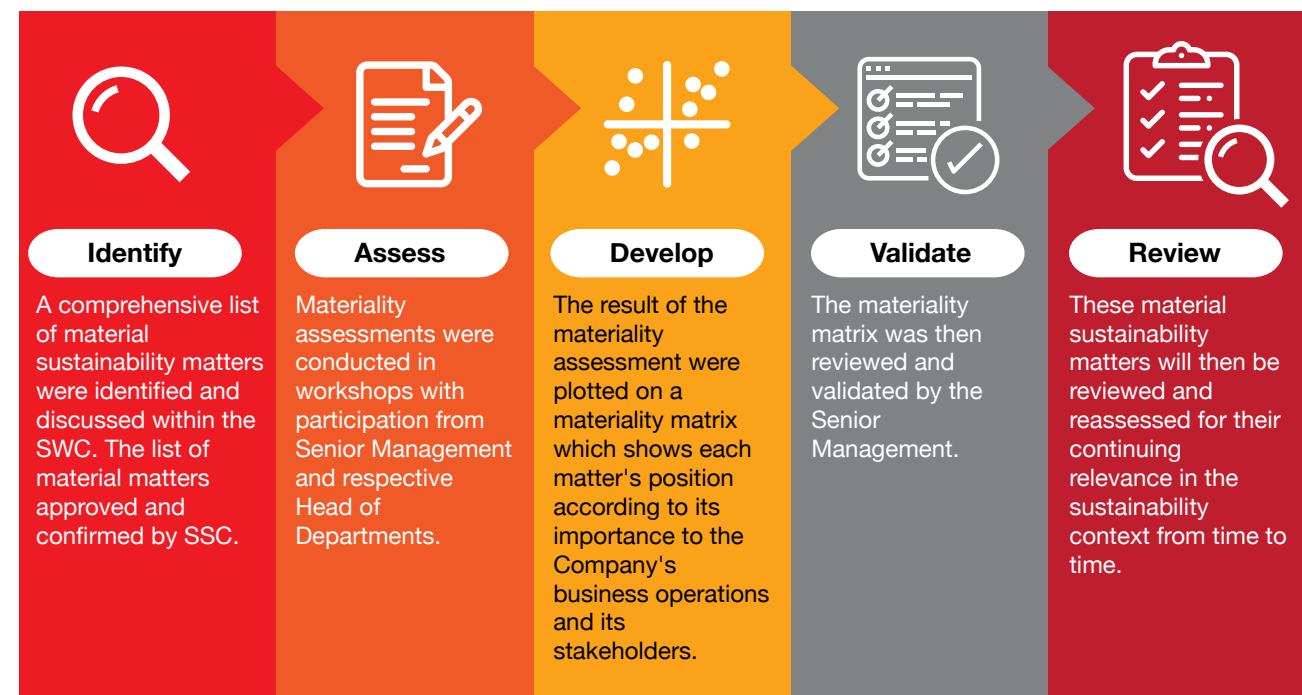
IDENTIFYING OUR MATERIAL MATTERS

This year, the Company reassessed the list of material sustainability matters identified in 2018, taking into consideration each matter’s level of impact, risk, influence on decision making and relevance in 2019.

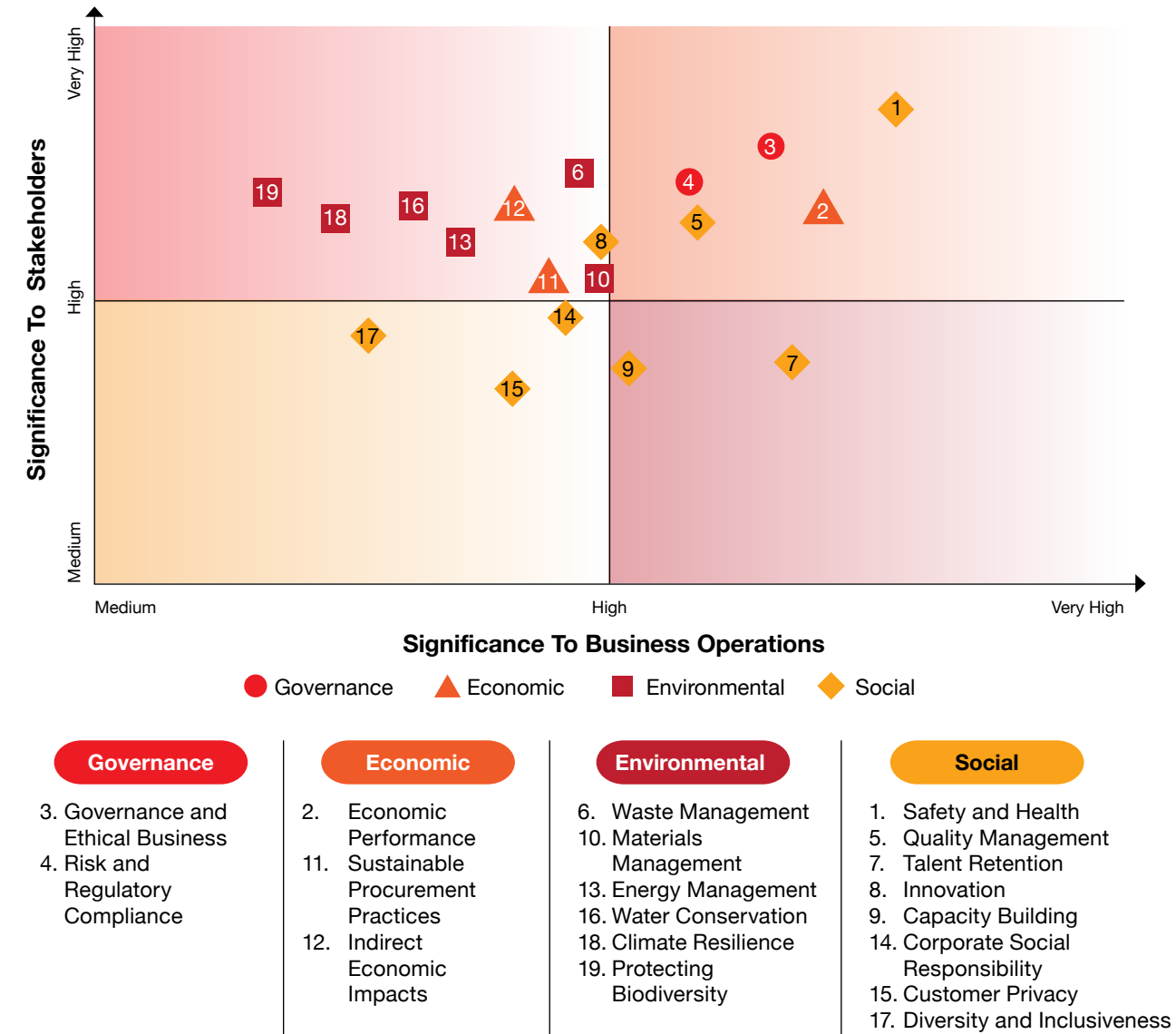
Other key parameters taken into consideration for the reassessment were:

- The material matters of 2018;
- Issues highlighted by the Senior Management;
- GRI Standards;
- FTSE4Good Rating Index requirements; and
- Sustainability matters prioritised by peer Industry.

MATERIALITY REASSESSMENT PROCESS



The assessment ranking of the 19 material sustainability matters identified in 2019 were mapped onto a materiality matrix, where the ‘x’ axis represents each matter’s significance to business operations and the ‘y’ axis, its significance to stakeholders.



REPORTING PILLARS

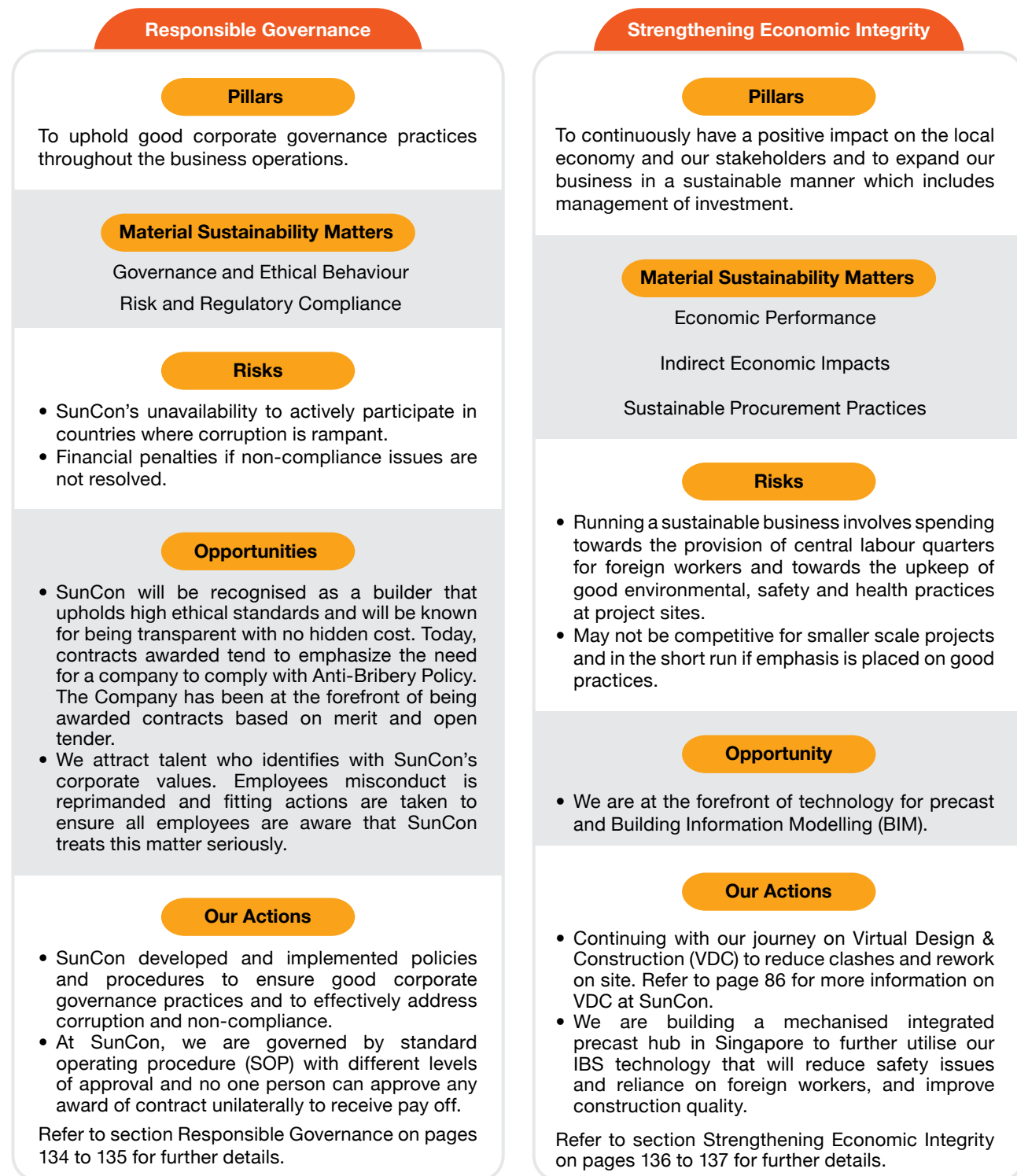
Led by the Sunway Group’s corporate vision, “to be Asia’s model corporation in sustainable development, innovating to enrich lives for a better tomorrow”, we formalised our sustainability pillars in 2018 to define our main thrust in achieving sustainable development while enriching the lives of people in and around our business operations.

In 2019, we recognised the importance of sustainable governance in managing material sustainability matters. Therefore, we have included ‘Responsible Governance’ as an additional pillar which encompasses the matters ‘Governance and Ethical Business’ and ‘Risk and Regulatory Compliance’.

IDENTIFYING OUR MATERIAL MATTERS (CONT'D)

MAPPING MATERIAL SUSTAINABILITY MATTERS

We recognise that in order to be a reliable leader in the civil construction sector and to always create value for society, it is essential for us to identify the opportunities and risks as per governance and EES aspects within our business operations. We have identified the Company's risks and opportunities to underline our commitment to this sphere of activity. As shown below, each of these pillars represent our motivation for sustainable development as well as risks, opportunities and appropriate action we have undertaken to address material matters.



IDENTIFYING OUR MATERIAL MATTERS (CONT'D)

Human Capital Development

Pillars

To create a conducive workplace where our employees can grow professionally and personally.

Material Sustainability Matters

Diversity and Inclusiveness

Talent Retention

Capacity Building

Risks

- Staff turnover
- Succession to key positions
- Illegal foreign workers

Opportunities

- Staff engagement is a continual process at SunCon, where feedback from the employees is directly channeled to the Top Management.
- Structured performance management system allows for better talent management.

Our Actions

- SunCon embraces diversity and inclusivity at all levels and does not condone any form of discrimination at the workplace. We foster an inclusive working environment which is reflected in the Group's core values.
- SunCon believes in providing learning opportunities such as the internship programme so that the youth can broaden their industry exposure before making career decisions.

Refer to section Human Capital Development on pages 165 to 171 for the details of our initiatives.

Building Community Resilience

Pillars

To support the vulnerable sections of the community and engage the public to gather feedback to understand their concerns.

Material Sustainability Matters

Corporate Social Responsibility

Risks

- Disturbance to the surrounding community due to the nature of our activities which may result in negative publicity therefore affecting the company's reputation, branding and project completion.

Opportunity

- Good communication with communities around us would ensure smooth progress throughout the project duration and uplift the company's reputation as the preferred construction company.

Our Actions

We continuously create opportunities for the local communities to better their living conditions and donate towards enrichment programmes which assist in community development.

Refer to section Building Community Resilience at pages 172 to 173 for further details of our initiatives.



LRT3 Package GS07&08, Klang



Sunway Medical Centre 4, Bandar Sunway

SUSTAINABILITY PERFORMANCE

102-7, 102-8, 102-38, 401-1, 405-1, 403-9

	2019	2018	2017
Environment			
Total Water Use (m³)	327,167	387,932	369,300
Electricity Consumption (kWh)	1,170,985	1,058,342	1,037,382
Diesel Consumption (litres)	4,618,973	5,818,880	5,292,948
CO ₂ Emissions from Company-Owned Vehicles and Machinery (CO ₂ e in tonnes)	12,458	15,704	14,285*
CO ₂ Emissions from Purchased Electricity (CO ₂ e in tonnes)	273	282	278
CO ₂ Emissions from Air Travel (CO ₂ e in tonnes)	63	84	45*
Construction Waste Disposal (MT)			
Concrete	32,289**	12,366	36,821
Steel	1,416	1,401	2,510
Timber	-	3,245	1,473
Material Purchased (MT)			
Steel Bar	50,192	37,311	49,518
Cement	4,182	6,317	12,547
Sand	37,325	55,648	102,977
Ready Mixed Concrete	39,503	52,005	51,092
Quarry	140,291	150,001	285,554
Premix	3,971	2,674	153
Workplace			
Employees			
Total Number of Employees	2,152	2,448	2,097
Executives	36%	35%	42%
Non-Executives	24%	24%	35%
Foreign Skilled Labour	40%	41%	23%
Permanent Staff	51%	48%	64%
Non-Permanent Staff	49%	52%	36%
Number of Physically Challenged Employees	3	2	2
Percentage of Women in Management	24%	27%	23%

* Restated
** Increase in disposal quantity due to improved reporting

	2019	2018	2017
Gender – Overall			
Female	14%	14%	16%
Male	86%	86%	84%
Gender (Executive Level Employees EG1-9)			
Female	32%	31%	29%
Male	68%	69%	71%
Gender (Non-Executive Level Employees)			
Female	5%	5%	7%
Male	95%	95%	93%
Age Group – Overall			
< 30	40%	40%	37%
30 - 50	51%	51%	52%
>50	9%	9%	11%
Age Group (Executive Level Employees EG1-9)			
< 30	28%	29%	34%
30 - 50	58%	55%	50%
>50	14%	16%	16%
Age Group (Non-Executive Level Employees)			
< 30	47%	46%	39%
30 - 50	48%	48%	53%
>50	5%	6%	8%
Years in Service			
Less than 1 year	14%	28%	15%
1 - 3 years	33%	25%	28%
3 – 6 years	21%	20%	37%
6 – 10 years	23%	18%	12%
10 – 15 years	5%	5%	5%
15 years and above	4%	4%	3%

SUSTAINABILITY PERFORMANCE (CONT'D)

	2019	2018	2017
Workplace			
Diversity			
Malay	49%	50%	51%
Chinese	35%	33%	34%
Indian	14%	14%	12%
Others	2%	3%	3%
Diversity (Executive Level Employees EG1-9)			
Malay	39%	39%	36%
Chinese	48%	49%	52%
Indian	11%	10%	10%
Others	2%	2%	2%
Diversity (Non-Executive Level Employees)			
Malay	65%	66%	68%
Chinese	14%	13%	12%
Indian	18%	18%	15%
Others	3%	3%	5%
Board Of Directors			
By Gender			
Female	14%	14%	14%
Male	86%	86%	86%
BY AGE			
30 – 50	14%	14%	14%
> 50	86%	86%	86%
BY ETHNICITY			
Malay	14%	14%	14%
Chinese	72%	72%	72%
Indian	14%	14%	14%
Others	0%	0%	0%

	2019	2018	2017
Senior Management (EG10 & Above)			
By Gender			
Female	10%	8%	8%
Male	90%	92%	92%
BY AGE			
< 30	0%	0%	0%
30 - 50	29%	31%	29%
>50	71%	69%	71%
BY ETHNICITY			
Malay	5%	4%	5%
Chinese	86%	83%	86%
Indian	9%	13%	9%
Others	0%	0%	0%
Employee Turnover Rates			
Industry Average	13.8%	9%	15%
Attrition Rates	10.8%	13%	13%
By Gender			
Female	2%	3%	2%
Male	8%	10%	11%
By Age Group			
< 30	4%	7%	6%
30 - 50	5%	5%	6%
>50	1%	1%	1%

SUSTAINABILITY PERFORMANCE (CONT'D)

	2019	2018	2017
Total New Hires			
By Gender			
Female	9%	7%	19%
Male	91%	93%	81%
By Age Group			
< 30	72%	65%	64%
30 - 50	24%	34%	31%
> 50	4%	1%	5%
By Nationality			
Malaysia	43.7%	25.8%	91.1%
Indonesia	52.2%	70.7%	0.5%
Philippines	3.7%	0.3%	0.3%
Bangladesh	0.4%	0.7%	6.1%
Others	0%	2.5%	2.0%

	2019	2018	2017
Comparison of Pay			
Total Men Basic Salary (RM)	68,428,992	73,981,915	75,379,611
Average Annual Men Basic Salary (RM)	68,021	59,471	60,264
Average Number of Men Paid	1,006	1,244	1,251
Total Women Basic Salary (RM)	19,870,680	20,325,544	20,193,860
Average Annual Women Basic Salary (RM)	63,282	61,780	62,423
Average Number of Women Paid	314	329	324
Ratio of Men to Women Pay Equity	1.00:0.93	0.96:1.00	0.97:1.00
Remuneration data disclosure (Annual pay)			
Group MD Annual Total Remuneration to Median Annual Total Remuneration	34.1: 1.0	34.7: 1.0	33.9: 1.0
Mean pay (RM)	109,558	111,986	112,229
Median pay (RM)	82,449	84,732	86,078
Lowest total pay (RM)	18,659	18,546	18,904
Highest total pay* (RM)	1,648,640	1,639,680	1,654,690
Training			
Employee Participation in Training	728	820	963
Average Attendance Per Training Programme	20	20	20
Average Training Budget Per Employee (RM)	730	859	805
Average Man Days of Training Per Employee	3.41	2.83	1.23
Percentage of Employees with a Minimum of 3 Man Days of Training (An Employee Development Target Set by Management)	18%	12%	13%
Occupational Health And Safety			
Worked Man-Hours	16,611,284	20,242,286	18,790,437
Fatal Accidents	1	0	0
Lost Time Injury Accidents	0	2	4
Total Recordable Cases	4	4**	7**
Accident Frequency Rate	0.06	0.10	0.21

* Highest total pay excludes remuneration of Group Managing Director

** Restated

RESPONSIBLE GOVERNANCE

16

PEACE, JUSTICE AND STRONG INSTITUTIONS

Promoting peaceful and inclusive societies by following good governance and adhering to laws and regulations

At SunCon, we abide by all relevant laws, rules and regulations in jurisdictions and countries within which the Company operates. We take various measures including establishment of policies and procedures and risk management to guide the business towards creating value for all stakeholders.

GOVERNANCE & ETHICAL BUSINESS

102-16, 102-17, 205-2

The Company’s corporate governance practices are developed to achieve its goals and realise shareholders and other stakeholders’ value over the long term. Corporate governance underpins multiple areas such as ethical conduct, accountability, transparency and sustainability. In promoting greater internalisation of the corporate governance culture, we adhere to the Malaysian Code on Corporate Governance (“MCCG”). Detailed initiatives on corporate governance are described on page 177 under the Corporate Governance Section of this Annual Report.

Among key control mechanisms to ensure proper corporate governance practices are Diversity and Inclusion Policy, Code of Conduct, and Whistleblowing Policy and Procedures.

Diversity and Inclusion Policy

This policy is strongly driven by the Group’s core values of Integrity, Humility and Excellence.

This policy aims to create a culture that encourage respects and value of each other differences in order to promote collaboration, flexibility, equity and fairness.

Code of Conduct

The Code of Conduct provides guidance on the standard behaviour expected of all directors and employees.

It also addresses Conflict of Interest, No Gift Policy, Anti-Bribery and Corruption and responsibility to protect the environment among others.

Whistleblowing Policy

This policy provides a mechanism for all employees and stakeholders to report concerns, of any suspected wrongdoing, inappropriate behaviour or misconduct relating to fraud, corrupt practices and/or abuse. Whistleblower will not be discriminated or suffer any act of reprisal for reporting in good faith. Concerns can be raised via email or hotline number available in the policy.

To complement our “No Gift” Policy which was established in 2018, we have rolled out our Anti-Bribery and Corruption Policy in January 2020. All policies and procedures are communicated to directors and employees via various platforms such as training sessions, induction programmes and our website. In 2019, we have recorded zero reported cases of unethical or unlawful activity in relation to bribery and corruption matters within the Company. Apart from bribery and corruption matters, a total of nine (9) reported unethical cases were recorded within the company in year 2019. The reported cases were mainly due to falsification of overtime claims and theft of company properties. The Company has investigated and taken appropriate disciplinary actions against the employees on these cases.

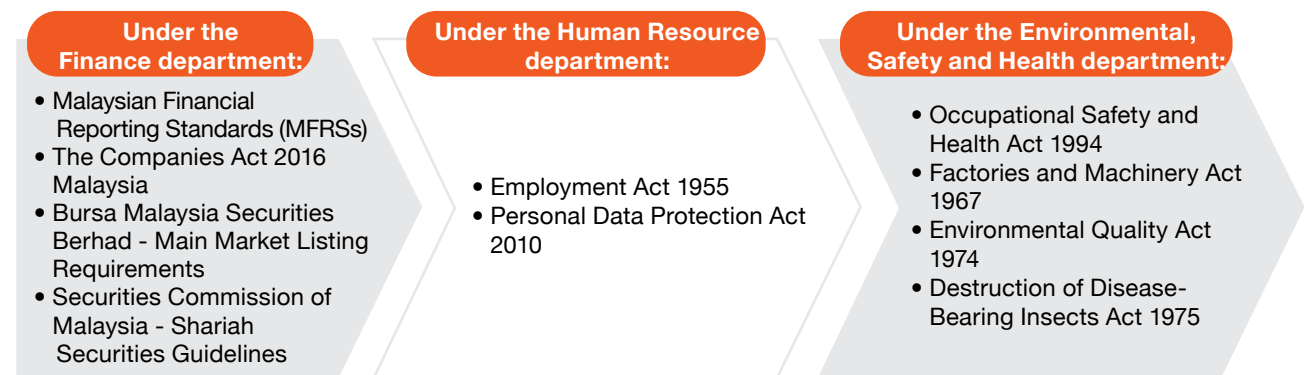
RISK AND REGULATORY COMPLIANCE

102-15, 102-30

At Board level, Risk Management Committee (RMC) has been established as part of the Board Committee which oversees the Company’s risk management framework and policies. The Company conducts risk management meetings on a quarterly basis with key personnel from respective divisions and subsidiaries, which reviews findings of the risk report is undertaken with discussions aimed towards better and more effective solutions. The scope of the review involves the identification and review of all principal risks and management of corresponding controls of risks through activities such as monitoring, measuring, analysing and communication to all business units.

In addition, as SunCon is certified with ISO 9001:2015, 14001:2015 and OHSAS 18001:2007, the standards require actions to address risk and opportunities in operations. Therefore, risk and opportunities registers are established at site level and reviewed on a quarterly basis. These risk registers are summarised and presented at the RMC, as well as discussed during the annual management meeting.

Organisations are increasingly raising the bar on processes and structures needed to identify and enhance regulatory compliance. The adherence to regulatory compliance at SunCon is driven by the following regulations as part of the defined Economic, Environmental, Social and Governance (EESG) risks applicable to the Company’s business operations:



In 2019, SunCon did not receive any fines and compounds due to violation of regulations above, specifically on occupational safety and health and environmental management. However, SunCon paid a fine of RM 5,000 due to vector issues, a matter in which action has been taken to prevent recurrence.



Silt trap for temporary containment of surface runoff to allow sedimentation before discharging

STRENGTHENING ECONOMIC INTEGRITY



ECONOMIC PERFORMANCE

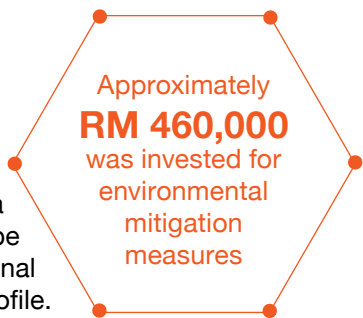
201-2

At SunCon, we are committed to delivering profitability in terms of generating attractive returns for our shareholders while boosting local economic growth. In 2019, we recognise the importance and impact of climate change as such awareness continues to increase among our industry peers and stakeholders. Following the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), we have assessed the climate-related risks and opportunities, besides improving our risk management and strategy.

This has helped in our effort to analyse the effects of climate change that could pose a threat to our sustainable growth. The impact of climate change covers various aspects of opportunities and risks involving the environmental to social facets of company operations.

The impact of these risks can be linked to material financial risk for a company. For the year under review, SunCon has identified potential risks posed by climate change and consequent mitigation measures which has resulted in growth opportunities.

SunCon's construction activities involve a change in the landscape and alters the original landuse and profile. Therefore, we are susceptible to the effects of changes in the microclimate around our construction sites in terms of increased frequency of rainfall events and intensity, as well as an increase in temperatures as a result of the 'urban heat island phenomenon' (where an area becomes significantly warmer than its surrounding rural areas due to human activities). These effects will potentially result in project delays, regulatory non-compliance and higher cost. As such, we have considered mitigation measures to reduce the impact on our operations which includes identifying flood prone areas in the vicinity of our project sites, constructing sufficiently sized detention ponds, ensuring denuded land is vegetated as soon as possible and, monitoring for continuous improvement of abatement measures.



INDIRECT ECONOMIC IMPACTS

203-1, 203-2

SunCon aspires to develop a sustainable future by actively contributing towards improving the socio-economic conditions of communities it operates in. Our business activities focus on training employees and ensuring development of their skills. Our efforts towards building optimal supply chain levels throughout our business operations nationwide support the creation of local businesses besides providing opportunities in the job market.

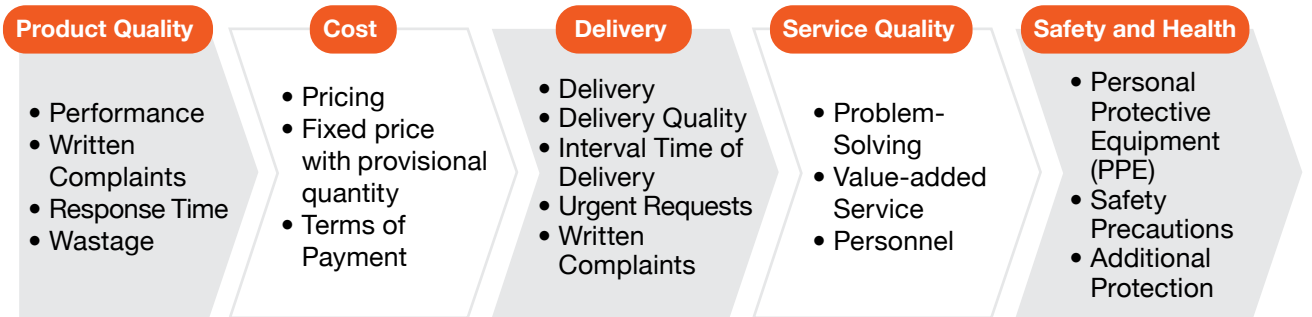
The construction of public infrastructural projects such as MRT and LRT has indirectly helped improve public transportation. As a responsible corporate citizen, we encourage corporate volunteering and sponsorship in social and environmental initiatives as part of our key role in the development of communities.

SUSTAINABLE PROCUREMENT PRACTICES

102-9, 204-1

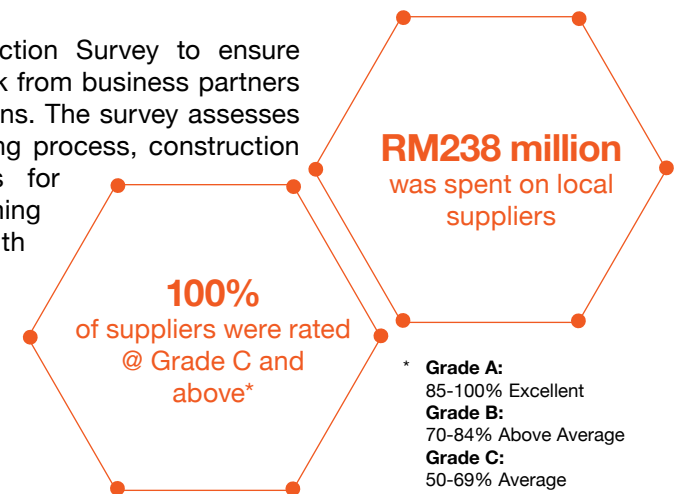
SunCon believes that our transparent partnership with suppliers and subcontractors is the cornerstone of our business success. It is our standard practice for suppliers and subcontractors to be screened and assessed by SunCon's Supply Chain and Contracts Management (SCCM) every year.

We conduct an Annual Suppliers and Business Partners Assessment to ensure our supply chain has the skills, capability and capacity to work safely to deliver a quality product. Prospective suppliers have to meet the following criteria:

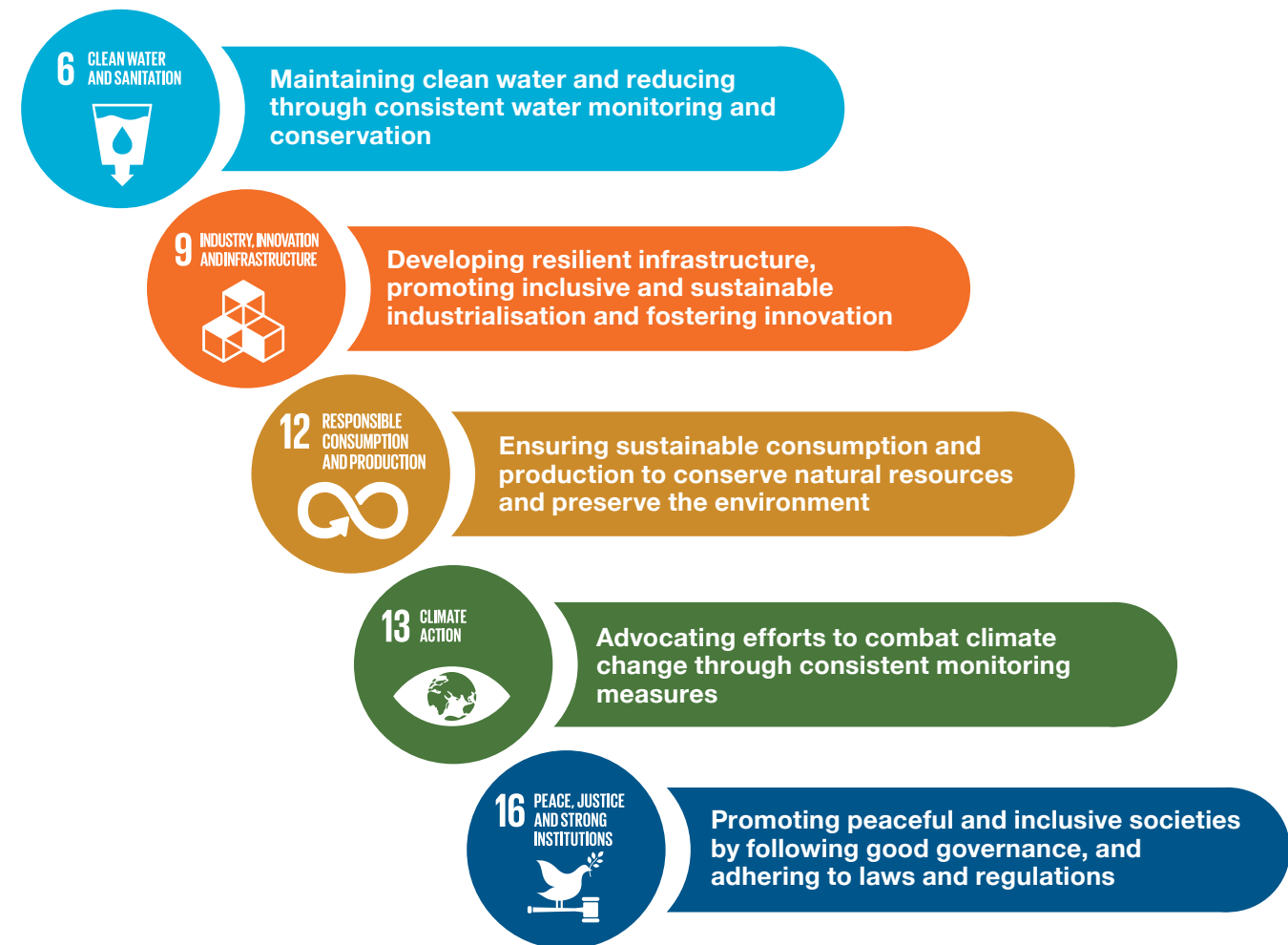


We conduct a biannual Business Partners Satisfaction Survey to ensure cohesiveness is our top priority by gathering feedback from business partners on how to synergize and improve our business relations. The survey assesses our supply chain management based on the tendering process, construction processes, people, payment and potential areas for improvement. The survey indicated that an overwhelming 98% of business partners were likely to work again with SunCon.

In 2019, we engaged 100% local suppliers (444) who were responsible for commodity products, specialist products, total sub-contracts, sub labour and material purchase.



MANAGING OUR ENVIRONMENTAL IMPACTS



The Company acknowledges that construction activities can impact the environment and cause poor water quality, excessive noise, dust pollution and traffic congestion. To reduce and manage such environmental impact, we observe best management practices that enable us to develop urban infrastructure while protecting the environment.

SunCon implements stringent and effective environmental management practices which includes regular inspections, audits and monitoring activities to ensure projects' compliance with relevant environmental laws and regulations.

ENVIRONMENTAL COMPLIANCE

303-2, 305-7, 306-1, 306-3, 307-1

At SunCon, we place great emphasis on operating in a safe and healthy working environment whilst minimising our environmental footprint. Environmental compliance is crucial to maintain our license to operate and avoid unnecessary costs such as financial penalties. We ensure our employees are kept informed of the latest environmental laws and regulations through training.

We are ISO 14001 certified which is an environmental standard that requires stringent policy implementation, environmental aspect and impact assessment, regular monitoring, commitment from Senior Management and setting targets to measure performance.

Air Monitoring

Open burning is strictly prohibited at all SunCon's construction sites. We have air quality monitoring programmes in place to ensure compliance with the emission limits stipulated by the Department of Environment (DOE) and to minimise the impact of our construction activities (land clearing, operation of diesel engines and other dust generating activities) on the ambient air quality.

Total Suspended Particulates (TSP) is a measure of the mass concentration of particulate matter in the air. At SunCon projects, TSP is monitored on a biweekly, monthly or quarterly basis depending on project requirements. The TSP readings across all our project sites showed that the data ranged from 12 to 216 $\mu\text{g}/\text{m}^3$ which is below 260 $\mu\text{g}/\text{m}^3$, the limit set by DOE.

In 2019, SunCon commenced the monitoring of PM_{10} (particulate matter with size less than 10 microns) at two of our project sites in our effort to comply with Malaysia's new Ambient Air Quality Standards. Moving forward, we will ensure that our new project sites adopt the monitoring of PM_{10} as part of our monitoring programme.

PM_{10} Monitoring

Project	Average Baseline ($\mu\text{g}/\text{m}^3$)	2019	
		Min ($\mu\text{g}/\text{m}^3$)	Max ($\mu\text{g}/\text{m}^3$)
TNB 2C	-	10.8	60.2
PNLC	33.0	32.0	58.0

Nitrogen Oxide (NOx) and Sulphur Oxide (SOx) are also parameters monitored as part of our air monitoring programmes. NOx and SOx readings across our monitoring stations are within the limit set by DOE.

Nitrogen Oxide (NOx)

Project	Permissible Limit	Baseline ($\mu\text{g}/\text{m}^3$)	2017		2018		2019	
			Min ($\mu\text{g}/\text{m}^3$)	Max ($\mu\text{g}/\text{m}^3$)	Min ($\mu\text{g}/\text{m}^3$)	Max ($\mu\text{g}/\text{m}^3$)	Min ($\mu\text{g}/\text{m}^3$)	Max ($\mu\text{g}/\text{m}^3$)
MRT201	75 $\mu\text{g}/\text{m}^3$ (24 hours)	<1	<1	12	<1	<1	<1	<1
LRT3 GS07&08		<0.5	-	-	<0.5	<1	<0.5	1

Carbon Monoxide COx

Project	Permissible Limit	Baseline ($\mu\text{g}/\text{m}^3$)	2019	
			Min ($\mu\text{g}/\text{m}^3$)	Max ($\mu\text{g}/\text{m}^3$)
MRT201	10 $\mu\text{g}/\text{m}^3$ (8 hours)	<0.5	1	2.1
LRT3 GS07&08		0.9	0.8	2.4

MANAGING OUR ENVIRONMENTAL IMPACTS (CONT'D)

Noise Monitoring

Noise pollution from construction activities involving the use of heavy machinery, tools and equipment affects the health of the public and construction workers. We are, therefore, instituting measures to control excessive noise exposure including the installation of noise barriers and limiting work activity at night and engage with local communities on efforts to mitigate noise pollution.

Noise monitoring is conducted on a monthly or quarterly basis and in some instances on weekly basis. Based on the readings recorded across our construction sites as listed below, our average noise levels are largely within the general limit and baseline value.

Project	Noise Monitoring (Day) General Limit: 65 dB		Noise Monitoring (Night) General Limit: 55 dB	
	Baseline	Average	Baseline	Average
MRT201	66.2	66.9	62.2	62.1
LRT3 GS07&08	68.3	67.2	63.8	64.5
SMCSJ	62.2	65.1	65.5	60.4
SCME	65.9	67.4	60.9	60.2
RC 1	66.4	60.5	62.8	50.1
Big Box	64.2	57.0	53.2	45.8
Parcel F	60.6	62.3	50.0	53.2
SMC 4	65.2	67.3	58.6	59.7
SMCV	69.0	66.5	62.6	61.4
KJ P1	61.2	59.5	-	-
3C4	-	69.3	-	61.5
GDC P2	-	62.9	-	62.4
SV 2	60.5	66.9	55.2	53.8
SMC 4 Annex	62.1	66.5	60.1	53.4
TNB 2C	50.3	55.2	48.2	52.2
7MD7	61.0	60.3	57.0	54.2
PNLC	60.8	64.9	54.6	57.2

Water Monitoring

303-2, 306-1

Our construction activities generate surface water runoff which is discharged into water bodies within or adjacent to project sites. We conduct monthly monitoring of total suspended solid (“TSS”) at final discharge points to ensure its levels are within DOE limit or Conditions of Approval's compliance limit.

Project	Compliance Limit	Average Baseline	Minimum	Maximum
MRT201	150 mg/L	10.7	2.0	105.0
LRT3 GS07&08	50 mg/L	27.0	14.0	167.0*
SMC 4	100 mg/L	100.0	3.0	90.0
RC 1	100 mg/L	5.0	2.0	14.0
SV 2	150 mg/L	21.0	6.0	19.0
PNLC	150 mg/L	8.0	5.0	432.0*

* High reading arise from one-off event due to upstream activity at LRT3 GS07&08 and monsoon season at PNLC

In the event of high TSS readings detected at any monitoring stations, we take immediate remedial actions to rectify the issue and conduct evaluation on the current management measures to prevent recurrence.

Silt Trap

The silt trap, a temporary ponding area built to collect and store sediment from water runoff, helps to filter water prior discharge into water bodies. The trap requires frequent maintenance to ensure efficient filtration of sediment from water runoff. We monitor the TSS of water discharged from the silt trap on a fortnightly or monthly basis. Although the TSS concentration levels in some of the silt trap discharges from our projects listed below complied with DOE's limit, the samples collected from the MRT201, LRT3 GS07&08, SMCSJ, SCME and KJ P1 projects recorded levels exceeding the compliance limit. The high TSS concentration observed was largely due to heavy rainfall and ineffective design of silt traps. In mitigation, we conducted silt trap maintenance works and redesigned and rebuilt some of the silt traps.

Project	Compliance Limit	Average Baseline	Minimum	Maximum
MRT 201	50 mg/L	50.0	No discharge	114.0
LRT3 GS07&08	50 mg/L	12.7	No discharge	94.0
SMCSJ	100 mg/L	290.0	No discharge	480.0
SCME	100 mg/L	75.0	No discharge	136.0
RC 1	100 mg/L	71.0	5.0	36.0
Big Box	50 mg/L	16.0	No discharge	0
Parcel F	50 mg/L	50.0	No discharge	49.0
KJ P1	100 mg/L	125.0	No discharge	146.0
SV 2	100 mg/L	109.0	No discharge	74.0
SMC 4 Annex	100 mg/L	0	No discharge	59.0
7MD7	50 mg/L	-	2.0	10.0
TNB 2C	100 mg/L	-	<5.0	69.0
PNLC	100 mg/L	-	No discharge	38.0

Chemical Management

306-3

We ensure that occurrences such as chemical spills and leakages do not take place at our project sites as this will potentially lead to surface water, groundwater and soil contamination.

At SunCon, we comply with the legal requirements for chemical classification, labelling, handling and storage, as well as the implementation of best management practices to mitigate pollution across all our project sites. In 2019, we recorded zero incidences of major chemical spillage at our project sites.

CLIMATE RESILIENCE

SunCon recognises the risks posed by climate change on its operations. Our focus for 2019 was to reduce and monitor emissions from our activities that may contribute to greenhouse gas (GHG) including operations at construction projects, transportation of building materials and use of heavy machinery at project sites.

MANAGING OUR ENVIRONMENTAL IMPACTS (CONT'D)

ENERGY MANAGEMENT

302-1, 302-3, 302-4

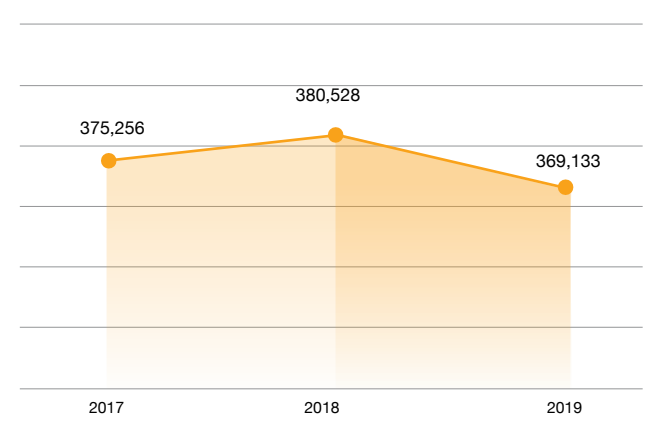
SunCon uses direct and indirect sources of energy such as electricity from the grid and diesel for machineries and vehicles at our construction sites. We monitor energy consumption to ensure efficient use and detect energy wastage in business operations.

We promote efficient use of electricity by posting signage that encourage employees to use electricity wisely. The Company is in the midst of examining the feasibility of installing solar panels at project site cabins. This effort aims to reduce our dependency on fuel, especially generator set (genset) which uses diesel to generate energy. The adoption of renewable energy through the use of solar panels will lead to reduction in carbon footprint.

Electricity Efficiency

In 2019, we have begun to install motion sensor lights at headquarters focusing on areas that have medium-to-low movement of people. Our electricity intensity at headquarters was 154.39 kWh/m² with 3% decrease in energy consumption compared to last year. This decrease is reflected from the installation of motion sensors, reducing consumption.

Electricity Consumption At Headquarters, kWh

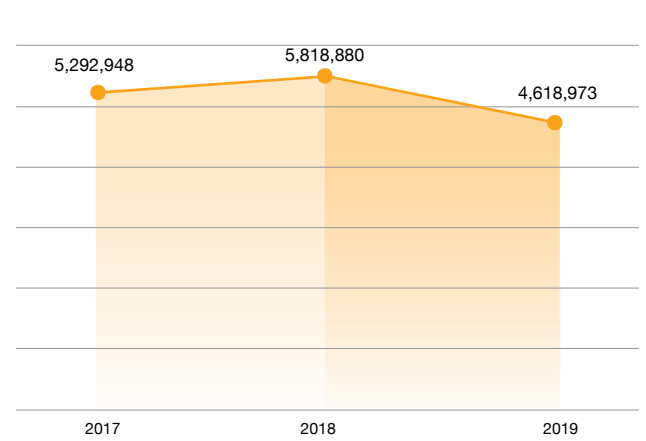


Moving forward, SunCon will embark on monitoring the electricity consumption at project sites.

Diesel Efficiency

At our construction sites, we depend on diesel to generate electricity and for fuel for heavy machinery and vehicles. In 2019, we recorded a 21% reduction in fuel consumption. 2019 marks our first year of reporting fuel intensity, which was 3.53 L/m² across our project sites. Henceforth, we aim to regularly monitor our fuel intensity and after studying our fuel consumption behaviour, we plan to formulate key performance indicators (KPI) to optimise consumption.

Diesel Consumption At Sites, L



Machine Renewal and Revitalising Programme

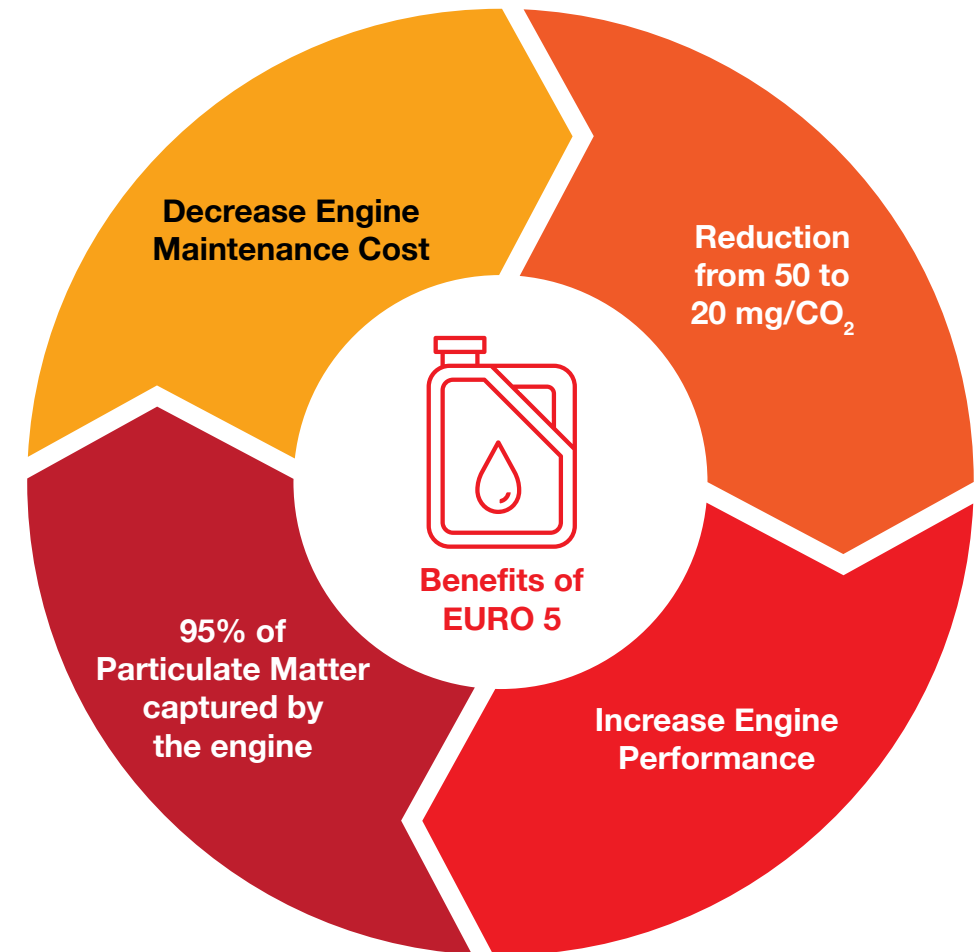
SunCon continues to invest in its Machine Renewal Programme where we periodically replace our machinery with those that are more energy efficient, i.e. with reduced fuel consumption and exhaust emissions. In 2019, the percentage of machineries that were 5 years or less was approximately 45%.

Our Revitalisation Programme which complements the Machine Renewal Programme aims to replace machine parts to prolong the lifespan of the machine. Typically, parts are replaced when they exceed 10,000 hours of operation. This is part of our preventive maintenance programme to avoid major breakdowns that can delay our projects.

Efficient Fuel Initiatives

As per the Company's policy, 35% of 213 company-owned vehicles were powered by Euro 5 diesel which emits lower carbon/CO₂ emissions. The use of Euro 5 diesel not only improve fuel efficiency but also extends the vehicles' engine life.

Euro 5 limits pollutants that are considered harmful to human health such as carbon monoxide (CO), hydrocarbons (HC), nitrogen oxides (NOx) and particulate matter (PM). It further tightens the limit on particulate emission from diesel engines which had hitherto needed the use particulate filters.



Tracking of electricity and diesel consumption is used to estimate carbon emission from Company operations. The carbon emission disclosures are described in the Emissions section.

MANAGING OUR ENVIRONMENTAL IMPACTS (CONT'D)

EMISSIONS

305-1, 305-2, 305-3, 305-5

Our strategy in this aspect is to continue working closely with policy makers, strategic partners and our stakeholders to decarbonise operations.

The GHG Protocol Corporate Standard classifies a company’s direct and indirect emissions into three scopes and SunCon’s GHG emissions have been categorised into these three scopes.

Scope	Category	Indicator Measured	Emissions Sourced
1	Direct Emissions	Company owned vehicles and machineries	Company owned controlled resources
2	Indirect GHG Emissions	Electricity	Purchased energy
3	Other Indirect GHG Emissions	Air Travel	Transport not owned by company

SCOPE 1

Diesel is mainly used by heavy machinery that requires high consumption of fuel such as backhoe, cranes and

vehicles at the site with high consumption of fuel. Although carbon emissions at our operation sites have fallen slightly, this reduction needs to be sustained in all upcoming projects.

We are currently utilising Katsana Fleet Management System solution in all our lorries, which includes lorry cranes, water truck, tipper truck, trailer and low loader. The installation of Global Positioning System (GPS) tracking allows for efficient fleet management and helps us track driver performance, vehicle performance and maintenance cost.

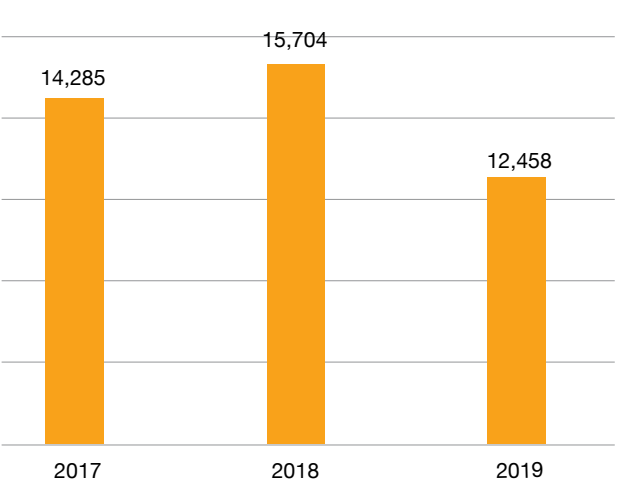
Some of the advantages of the Katsana Fleet management System are:

- Refuelling and fuel siphoning
- Area restriction/ geofence
- Speed limit
- Live GPS tracking
- Operator travel log and route history
- Fleet violation summary
- Create driver profile and behaviour



In 2019, we replaced the use of industrial gas oil (IGO - B7) diesel with automotive gas oil (AGO) resulting in a reduction of CO₂ emissions/km by 50%. We will continue to monitor the advantages of using AGO in terms of reducing CO₂ emissions from our machine fleet.

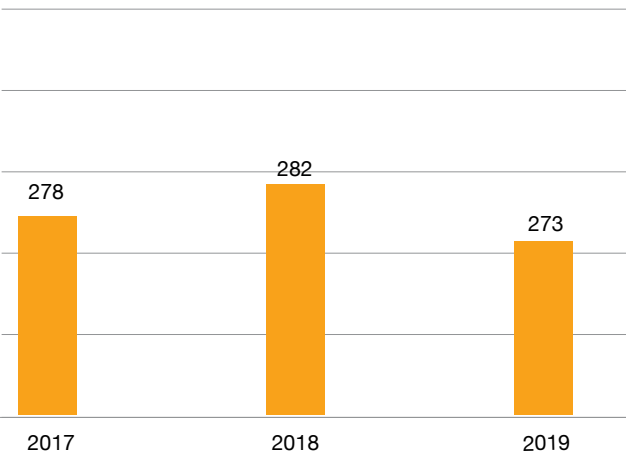
CO₂ Emissions from Company-owned Machineries, Tonnes



SCOPE 2

In 2019, our disclosure for Scope 2 CO₂ emission (i.e. purchased electricity) covers only Sunway headquarters. Based on the results, there was a reduction in Scope 2 CO₂ emission during the reporting period.

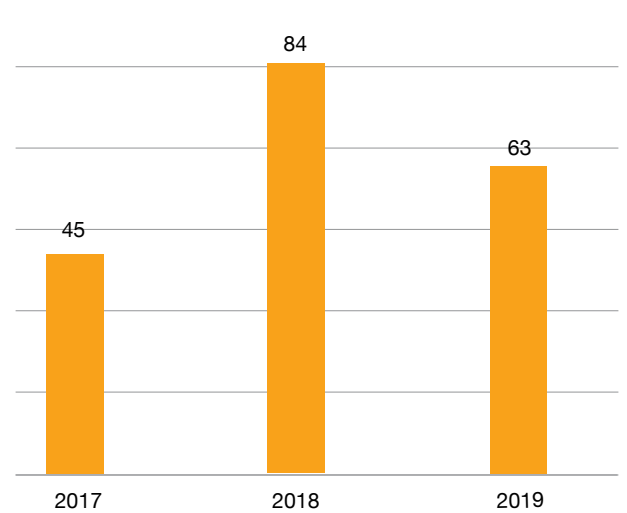
CO₂ Emissions from Purchased Electricity (HQ), Tonnes



SCOPE 3

Air travel for business involves the use of aircraft that are not owned or controlled by SunCon. In 2019, there was a reduction in business-related trips as we organised more video conference and virtual meetings in an effort to reduce carbon emissions.

CO₂ Emissions from Air Travel, Tonnes

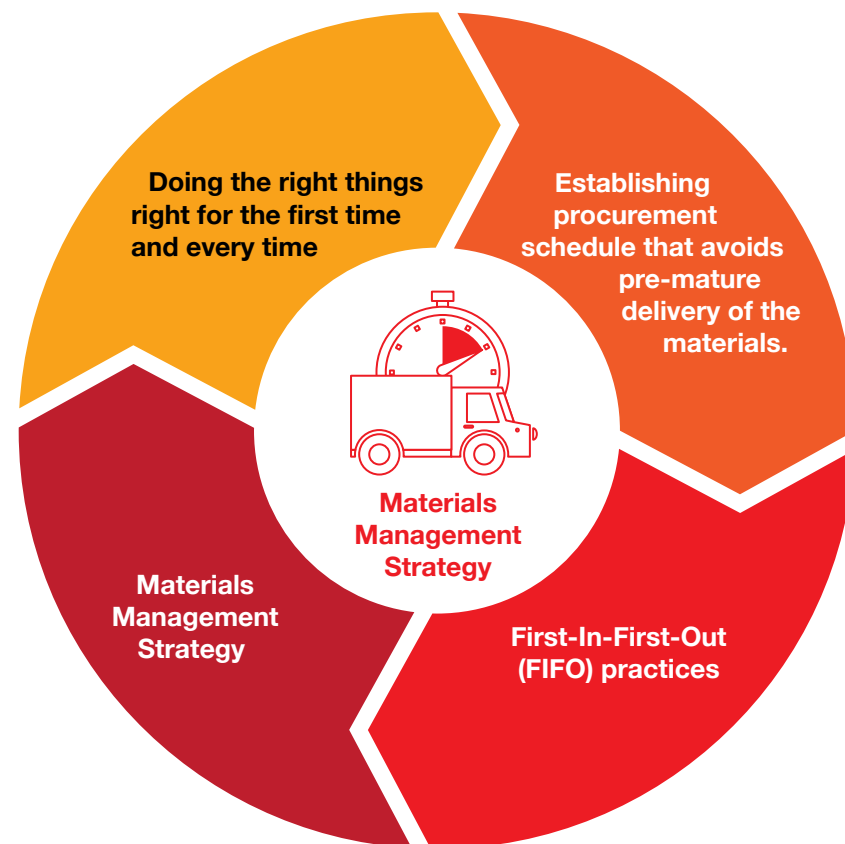


MANAGING OUR ENVIRONMENTAL IMPACTS (CONT'D)

MATERIALS MANAGEMENT

301-1

Sustainable construction material in buildings has greater reusability and reduces dependency on natural resources. It increases industry efficiency as these materials are readily available in the global market. SunCon manages materials by adopting a structured Management Strategy to guide and ensure the sustainable consumption of materials.



In our journey towards green and sustainable construction, we endeavour to use of environment friendly materials, which reduces energy consumption at construction sites, promotes conservation of non-renewable resources and reduces our environmental impacts.

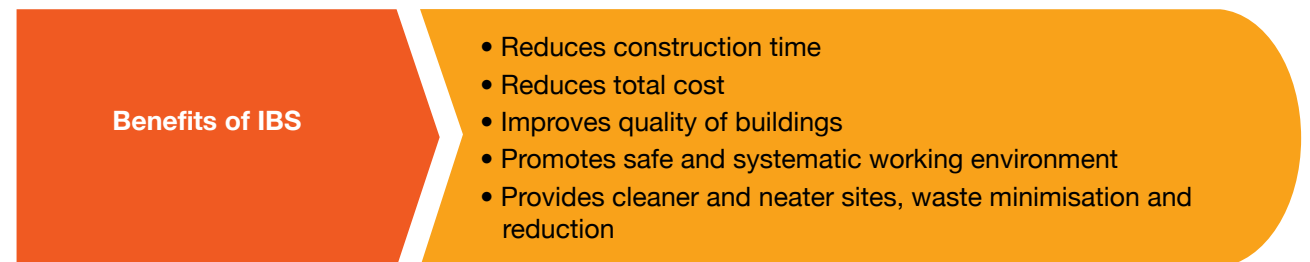
We also monitor the amount of building material used in every project to ensure sustainable sourcing and to maintain building costs. With each project, we encourage innovative construction practices and usage without affecting the quality and durability of building material.

ALC Blocks

ALC blocks represent an excellent type of building material which can resist high temperatures and fire besides being sound resistant. This material is environment friendly as it is easy to shape and reduces the amount of solid waste that will otherwise have been generated, thereby reducing associated carbon dioxide emissions. ALC blocks are lightweight and provide maximum workability, versatility and longevity. These blocks help reduce at least 30% in industrial waste, 50% in greenhouse radiation and over 60% integrated energy on the surface of bricks.

Industrialised Building System (IBS)

The Industrialised Building System (IBS) also known as prefabrication, involves components that are manufactured off-site and requires minimal site work on installation. IBS is a home-grown term to describe the use of automation, mechanisation and prefabrication for making components for the building industry.



SunCon implements the IBS system for non-load bearing walls at KJ P1, RC 1 and SV 2 projects. Benefits of the IBS system include a reduction in time, storage problem, manpower, quality problems, wastage, materials used and housekeeping issues. One of the important aspects of the IBS System is the elimination of working at heights hazard. The percentage of IBS walls in SV 2, KJ P1 and RC 1 are at 70%, 91%, and 100% respectively.

System Formwork

Formwork is the term used for the process of creating a temporary mould into which concrete is poured and formed. Traditional formwork is fabricated using timber but it can also be constructed from steel and glass fibre reinforced plastics.

SunCon uses System formwork with standard prefabricated modular components and a large casting panel. After the modular components are put together, system formwork will suit the required shape of concrete structures. Benefits accrued from using system formwork include a reduction in use of materials, wastage, manpower, time and safety issues. System formwork is also reusable which makes it more economical than conventional formwork.

Low Volatile Organic Compounds Paint as Eco Option

Low Volatile Organic Compounds (VOC) paints are used where possible. This is to avert the release of dangerous substances and fumes from paints and lacquers, paint strippers, cleaning supplies, pesticides, building materials and furnishing, and craft materials including adhesives and permanent markers that emit VOC, which are considered one of the top five risks to human health.

Pavement with Environmental Perks

Our pavement products are sourced from a company which has Singapore's Green Label certification which endorses industrial and consumer products with reduced undesirable effects on the environment.

MANAGING OUR ENVIRONMENTAL IMPACTS (CONT'D)

WASTE MANAGEMENT

306-2, 306-4

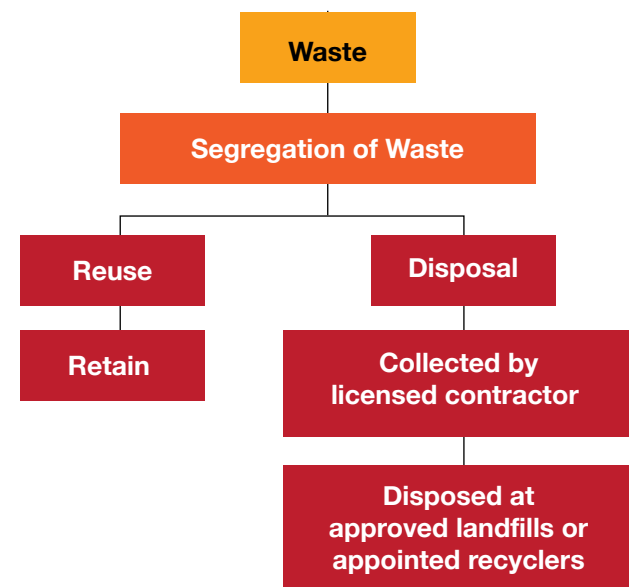
Our business operations involving construction activity and office work unavoidably generate solid waste with environmental impact including the disposal of waste at landfills. The Company takes proactive measures to minimise waste generation leading to lesser environmental impact and cost saving in terms of tipping fees at landfills and transportation for waste disposal.

We generate hazardous and non-hazardous waste. Hazardous waste is waste regulated under the Environmental Quality (Scheduled Wastes) Regulations 2007 and non-hazardous waste comprises domestic waste, construction waste and recyclable waste. The recyclable waste is collected by an appointed contractor and sent for recycling.



Reduction of Waste

At both construction sites and headquarters, we encourage waste minimisation practices such as reuse and recycling. We provide recycling (3R) bins for paper, plastics and aluminium across our operations, headquarters and project sites, especially at workers' rest areas and canteens. Recyclables are segregated and subsequently collected by an appointed contractor.



At construction sites, valuable building material such as steel bars, concrete and timber are segregated for recycling purposes. Steel bars are recycled, concrete becomes crusher runs and timber is reused for signage, landscaping and for erecting welfare facilities such as rest areas and barricades for sanitary facilities. This minimises the extraction of virgin raw materials and reduces the amount of waste sent to landfills.

In alignment with the directive from the Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC), we are progressively ensuring all our project sites are free from single-use plastic.



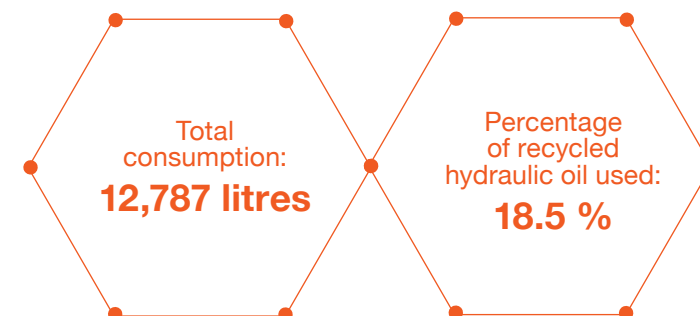
Workers are encouraged to “Bring Your Own Bottle” to minimising single use plastic waste

Recycle and Reuse of Hydraulic Oil

In 2019, we continued to reuse and recycle hydraulic oil from machinery at our construction sites. This has led to minimal soil and water pollution and encouraged the conservation of natural resources. Our idea to recycle hydraulic oil requires hydraulic oil change to take place as per the interval set by the manufacturer in order to prevent the deterioration of the oil. Since this recycling process undergoes thorough filtering processes, there are no additives in the recycled oil and we can only use it for topping up purposes. As for other used oil, we ensure it is disposed as scheduled waste via licensed contractors.

To further extend the reuse of the hydraulic oil, we are considering options such as mixing additives and enhancing our filtration system to increase the frequency of reuse.

Below is the summary of our hydraulic oil consumption:



Construction Waste

The amount of construction waste generated at our projects sites depends on the scale and stage of a project. We ensure our construction practices minimise the amount of waste generated to optimise the use of materials and reduce associated cost for waste disposal. We monitor the amount of waste generated at our project sites in categories such as construction waste, domestic waste, steel bars, concrete and timber.



Designated construction waste disposal bins

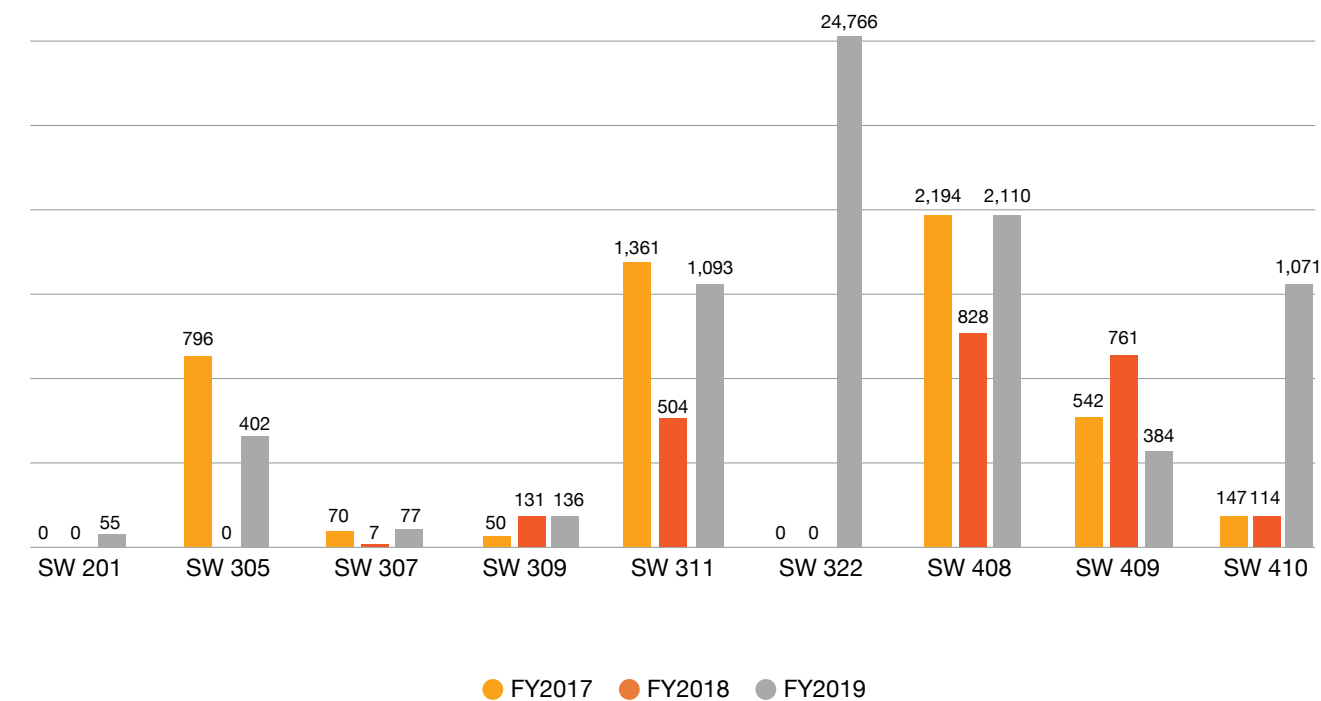
MANAGING OUR ENVIRONMENTAL IMPACTS (CONT'D)

Scheduled Waste

Scheduled waste requires cautious handling due to its hazardous constituents which can have an adverse impact on the environment and public health. Scheduled wastes generated at our project sites are stored, transported and treated according to local laws and regulations.

In 2019, we generated additional type of scheduled waste, SW 201 as a result of demolition works carried out at LRT3 GS07&08 project and SW 322 at GDC P2 project due to replacement of chiller plant. These wastes were managed in accordance to the legal requirement. Generally, the scheduled waste generated in 2019 was higher than waste generated in 2018 due to improved reporting and enhanced awareness from our staff and workers.

Amount Of Scheduled Waste Generated, kg



- SW 201 - Asbestos wastes
- SW 305 - Spent lubricating oil
- SW 307 - Spent mineral oil-water emulsion
- SW 309 - Oil-water mixture
- SW 311 - Waste oil or oily sludge
- SW 322 - Non-halogenated organic solvent
- SW 408 - Contaminated soil, debris or matter
- SW 409 - Disposed containers contaminated with chemicals, pesticides, mineral oil or scheduled wastes
- SW 410 - Rags, plastics or papers contaminated with scheduled wastes

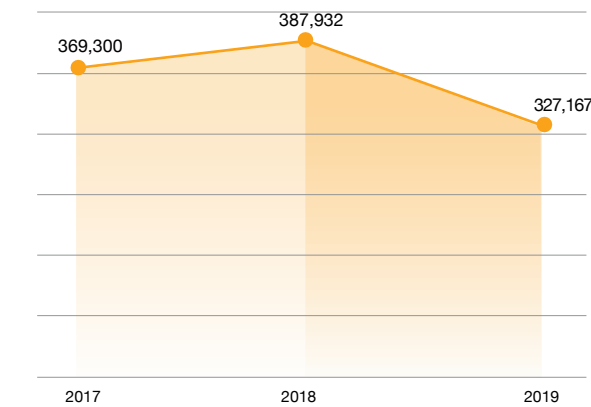
We closely monitor the management of scheduled waste at our project sites and ensure the waste is transported by a licensed contractor to approved treatment facilities prior to disposal.

WATER CONSERVATION

303-1, 303-5

SunCon's operations, especially at construction sites, require the use of piped water and water from natural sources. We do not operate in water stressed areas and our operations at project sites practices efficient use of water. Currently, we are exploring alternative water sources and studying the feasibility of rainwater harvesting at our project sites, whereas for dust suppression and road work cleaning, we reuse water from silt traps.

Water Consumption at Sites, m³



Timber waste is reused for various facilities on site

PROTECTING BIODIVERSITY

103-2

Biodiversity of wildlife, plants and their habitats provide salient ecosystem services which create a natural environment conducive for the coexistence of man and nature. Development can take place, while possibly having a major negative impact on biodiversity, and can also lead to enhancing of property value if done with care. It has been observed that property values increase with the provision of green spaces in developed areas.

SunCon does not operate in areas of high conservation value or biodiversity critical sites. The Company acknowledges the importance of protecting the natural environment in areas where our construction sites are located. If require, we conduct biodiversity assessments to identify sensitive or high value flora and fauna species and and if the biodiversity value is high, we are required to obtain relevant approval especially on biodiversity management prior to the commencement of construction activity. We continuously monitor the impact of business operations on the environment, during the development stages.



EMBEDDING SAFETY, INNOVATION AND QUALITY IN CONSTRUCTION

To create a safe and healthy working environment for all employees and safeguard public safety whilst maintaining quality construction.



SAFETY AND HEALTH

403-1, 403-8

At SunCon, we value safety, health and welfare of our employees, general public and communities at areas where we operate by promoting a culture where safety and health is a vital element of our operations. The tenets of our Quality, Environment, Safety and Health (QESH) Policy serve as the guiding principles to ensure the hazards and risks that arise from our construction works are minimised to as low as reasonably possible, continually safeguarding those who work with us and around us. With strategic and measurable ESH objectives and targets in place, we strive to develop, incorporate and maintain good workplace safety and security, health and environment friendly practices in tandem with our corporate core values, vision and mission.

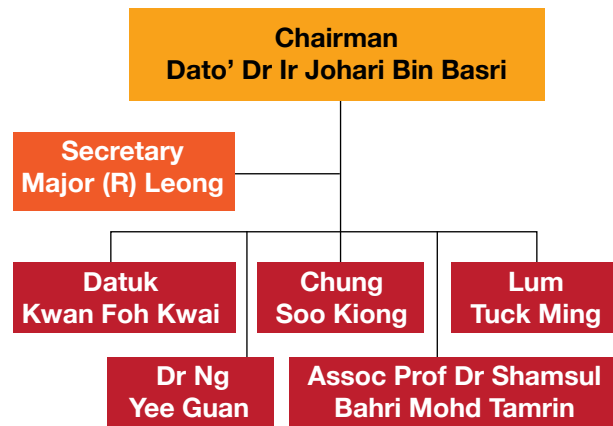
- QESH Policy

It is the policy of SunCon Group of Companies to meet and satisfy the quality, environmental, safety and health requirements of its clients through the following:
- To ensure that all staff are effective, efficient and consistent in the performance of their duties and responsibilities by providing requisite leadership, training, support and motivation.
 - To optimise total costs by doing things right the first time and every time.
 - To strive towards a ZERO life loss at all project work sites.
 - To continually improve and innovate to achieve the highest standards of work quality and service excellence.
 - To comply with applicable, environmental, safety and health laws, legal and other requirements.
 - To prevent environmental pollution, managing construction waste and conserving resources through environmental aspects and impacts evaluation, implementing operational controls and training.
 - To prevent accidents, near misses and health hazards through systematic hazard identification, risk assessments, determining controls and training.

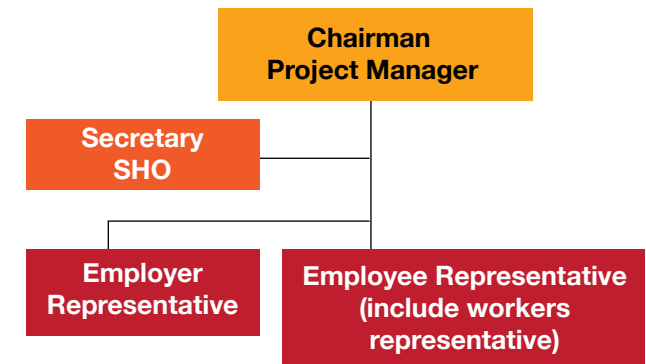
Our Commitment to Good ESH Governance
For reporting this year, we have consolidated material matters: “Public Safety” and “Occupational Safety and Health” into a material matter: “Safety and Health” to ensure exhaustive disclosure on safety and health. This material matter has been one of our top priorities for the past 3 years. To demonstrate our commitment to championing safety and health in our business operations, the stewardship of this material matter is driven by our BOD itself.

High Level Environmental, Safety and Health Council (HLEC)
In 2019, the HLEC continues to lead the development and implementation of ESH approaches and policies aimed at improving the quality of SunCon’s ESH performance. Led by Dato’ Ir Johari Bin Basri, our Senior Independent Non-Executive Director of SunCon Group, who assumes the role as the Council’s chairman, joined by Mr. Chung Soo Kiong, Managing Director of SCG, Datuk Kwan Foh Kwai, Advisor of SCG and subject experts from the industry; the Council regularly visited work sites and had three meetings in the year under review. The HLEC discusses issues such as emerging challenges in ESH legal requirements and implementation within the construction industry and across the company, corrective and preventive actions arising from accidents and incidents, strategic directions and approaches for continual improvement in ESH matters.

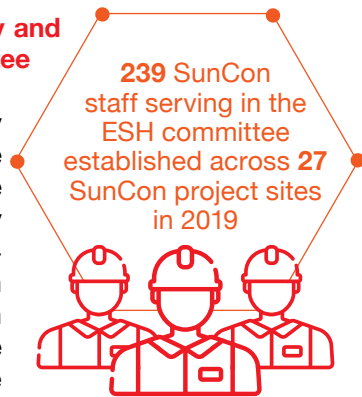
HLEC Structure



Environmental, Safety and Health (ESH) Committee
403-4
SunCon continually adheres to the requirements of the Occupational Safety and Health Act 1994 (OSHA 1994) which requires the formation of an ESH committee should there be more than 40 people employed at the workplace and appointment of Safety and Health Officer (SHO) for projects with a contract sum of more than RM 20 million. As such, there is an ESH committee at every SunCon project site with the Project Manager assuming the position of the chairman of the Committee while the SHO assumes the position of Secretary in the Committee.



The members of ESH committee consist of employer and employee representatives from both SunCon and our subcontractors in accordance to requirements stipulated in OSHA 1994, where every member is appointed officially. The ESH committee meets on a monthly basis with discussion centred on the environmental, safety and health issues faced at workplaces, as well as development and implementation of short and long-term action plans to address ESH findings arise from workplace inspections and audits.



EMBEDDING SAFETY, INNOVATION AND QUALITY IN CONSTRUCTION (CONT'D)

Our Strategy to Environmental, Safety and Health Stewardship

403-2

At SunCon, Environmental, Safety and Health is Our Passion, Our Pride. In essence, we are committed not only to provide an environment friendly, safe and healthy workplace, but also to promote the well-being of communities around us, in compliance with applicable ESH regulations and directives. Our steadfastness in ensuring highest ESH standards in our business operations is reflected through a structured hazard identification, prevention and mitigation process, which requires strict adherence by staff and subcontractors' workers while conducting works at our project sites. Our management approach is through the integration of strategy at all stages of design, delivery and management of operations.

- 1.Compliance to ESH statutory requirements
 - Occupational Safety and Health Act (OSHA) 1994
 - Factories and Machinery Act (FMA) 1967
 - Environmental Quality Act (EQA) 1974
 - CIDB Act 520
 - All related regulations and guidelines

- 2.Safe Work Method Statement which incorporates work method statement, resources management, Hazard Identification, Risk Assessment and Risk Control (HIRARC) and Environmental Aspects and Impacts assessments

- 3.Implementation of Permit to Work System
 - Working at heights
 - Lifting
 - Confined Space
 - Excavation
 - Hot Work
 - Night Work
 - Traffic Diversion
 - Blasting
 - Concreting

- 4.Provision of safe system of work through implementation of best management practices incorporated in SunCon Minimum Requirements (SCMRs)

- 5.Compulsory Induction prior to work on-site. Pre-Task-Talk / Special Toolbox Briefing to all personnel involved in construction activity prior to work commencement

- 6.Continual learning through awareness and on-the-job training especially on high risk activities such as working at height, lifting, and excavation, among others.

- 7.Compulsory Personal Protective Equipment (PPE), but not limited to:
 - Safety helmet with chin strap
 - Full body harness
 - Reflective vest
 - Safety footwear
 - Hearing protection and ear plugs
 - Eye and face protection
 - Hand protection
 - Dust mask



Edge protection to prevent person falling from height



Morning toolbox at TNB HQ Campus project

Safety and Health Accident and Incident Management

We work closely with our employees and contractors to deliver the best quality in class buildings and approaches to safety and health. Our aim is to maintain zero life loss at workplaces and ensure more robust controls are in place to reduce risk as low as reasonably practicable. As such, we ensure that every accident and incident that occurs are investigated thoroughly to identify its root causes to help us in mapping prevention strategy and improvements. Our internal guidelines on handling accidents and incidents at our workplaces are in accordance to the requirements stipulated in:

- Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease (NADOPOD) Regulation 2004
- OHSAS 18001:2007 Clause 4.5.3
- ISO 14001:2015 Clause 10.2

Report findings and lessons learned are communicated and disseminated to all levels through our daily toolbox meetings at work sites, safety alerts, ESH committee meetings and sharing sessions on site.

The incident and accident statistics throughout our ongoing projects from 2017 to 2019, and our safety performance in 2019 against SunCon targets is shown in the Sustainability Performance table. Our statistics consider accidents transpired and the man-hours generated by staff, direct workers and subcontractors' workforce from all our project sites in 2019.

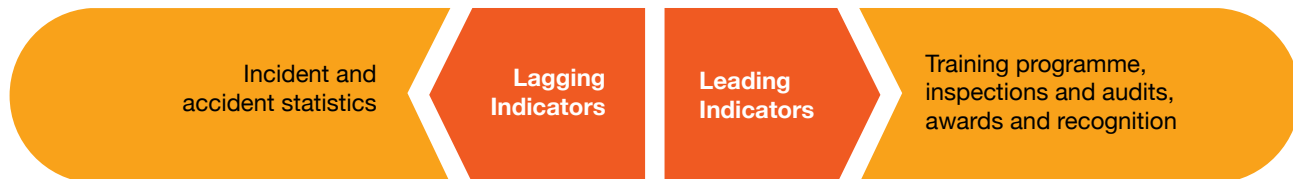
EMBEDDING SAFETY, INNOVATION AND QUALITY IN CONSTRUCTION (CONT'D)

MEASURING SAFETY AND HEALTH PERFORMANCE

403-2, 403-5

“Quality, Environment, Safety and Health, Our Culture, Our Shared Commitment”

In 2019, we have streamlined our corporate safety and health key performance indicators (KPI) with the intention to provide insights for better targeted plans and actions so as to uphold our objective “To achieve ZERO life lost at all project sites”.



Lagging Indicators:

• Incident and Accident Statistics

SunCon defines Lost Time Injury (LTI) accident as undesirable occurrence resulting in injury, preventing any person from performing his normal occupation for 4 calendar days or more as guided by the OSH (NADOPD) Regulations 2004. In 2019, our Accident Frequency Rate (AFR) or also known as Lost Time Injury Rate (LTIR) reduced to 0.06 from 0.10 in 2018. Despite the positive improvement, one subcontractor worker lost his life in 2019. The fatal accident was subjected to a thorough investigation and reviewed by our Top Management and further reviewed by SunCon High Level ESH Council and the Board of Directors to ensure lessons learnt are promulgated across the Company.

Leading Indicators:

• U-See-U-Act Program (UCUA)

Launched and implemented since July 2019, the UCUA program aims to create a platform for staff and workers to report any unsafe act, unsafe conditions and environmental concerns observed on site. At its core, UCUA serves as an instrument to inculcate and drive sustainable ESH culture by sharing the responsibility and accountability in creating a safe workplace for stakeholders on site.



Achievement in 2019:

1,042 findings were recorded and resolved within agreed time frame.



Site walk and inspection at Petronas New Leadership Centre project



Mr Cho Chun Fai, Project Manager, Parcel F was awarded MBAM Safety and Health Award for Site Personnel during the MBAM Annual Safety and Health Conference 2019. The award is presented to a person who has shown high commitment to the implementation of Safety and Health at construction site(s)

• Best ESH Management Practices

To demonstrate that we walk the talk, we strive to creating and implementing best ESH management practices. These practices were designed in accordance to legal requirements and outcome from the Hazard Identification, Risk Assessment and Risk Control (HIRARC) process and are embedded into the SunCon Minimum Requirement (SCMR). The essence of SCMR is to document these practices for ease of standardisation across all our project sites and are reviewed periodically to ensure they remain relevant in the face of advancement in construction methodologies.



Achievement in 2019:

5 SCMRs were launched and updated

• Inspection And Audits

In 2019, we continued our journey in Sunway Safety Merit System (SSMS) which acts as a tool to measure project ESH performance on a monthly basis. Inspections are carried out by internal inspectors across all active project sites through a set of inspection criteria where the scores and inspection findings are routinely tracked and analysed. These findings are reported to respective head of division on monthly basis, while the summary is presented in the annual Management Review Meeting (MRM).



Achievement in 2019:

Average OSH inspection score 83.2%
Environmental score 84.4%

SunCon is certified to OHSAS 18001:2007 since 1999 which covers operation of all SunCon project sites and has been reassessed by external auditors periodically

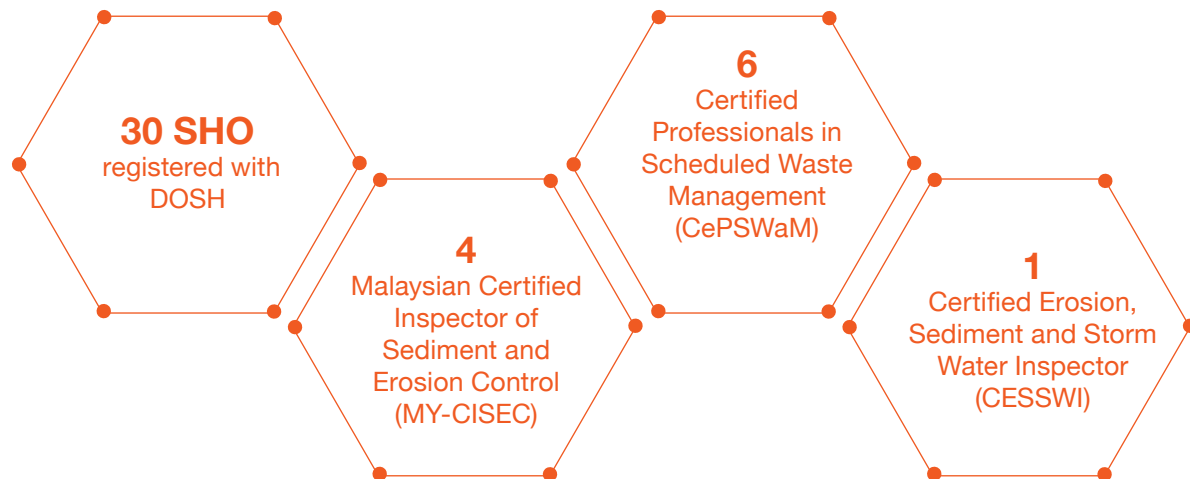
EMBEDDING SAFETY, INNOVATION AND QUALITY IN CONSTRUCTION (CONT'D)

• Training & Awareness Programme

In 2019, we have streamlined our ESH training programme under the SunCon Learning Framework (SLF) which is developed from a comprehensive Training Needs Analysis (TNA) conducted throughout the company. Under this framework, SunCon staff are required to attend 3 compulsory training programmes: Construction (Environmental), Occupational Safety and Health Training (COST), Scaffold Awareness Training (SAT) and Lifting Supervisor training, besides the compulsory Induction training prior to working on site. The training modules are crafted to close the gaps that arise from our accidents and incidents trends, as well as the inspection and audit findings. In addition, targeted training are also conducted for our workers and subcontractors specific to the nature of their job scope through both formal and informal training. Formal training is a classroom training which includes awareness and competency training (such as signalman, rigger, Authorised Entrant and Standby Person (AESP) for confined space works) whilst informal training is usually conducted on site such as on-the-job training and Pre-Task Talk.


Achievement in 2019:
 Staff trained – COST 116 | SAT 42 | Lifting Supervisor 92

For more information on other ESH training, refer to page 171 for SunCon Capacity Building.



• Awards and Recognition

The Malaysian Society for Occupational Safety and Health (MSOSH) gives due recognition to organisations which have achieved commendable safety and health records and shown improvement in occupational safety and health processes. Participation in MSOSH provides an opportunity for our project sites to be inspected by subject experts, giving us a third lens into the ESH performance of our workplaces.

Achievement in 2019: At the MSOSH OSH Awards 2018 ceremony, several SunCon projects received Gold Class I, Gold Class II and Silver Awards.



ADDRESSING HEALTH AND PUBLIC SAFETY

We acknowledge that risks created from our construction activities are not only affecting the internal workforce, but also members of the public who are near or adjacent to our property boundary or to any public areas where our activities are being carried out.

• Traffic Management Plan

Besides the Project Environmental, Safety and Health Plan as well as our Safe Work Method Statements, Traffic Management Plans were established based on legal requirements and technical guidelines in relation to road safety to ensure hazards and risks arising from road diversions and road closures are identified, controlled and reduced to a level of as low as reasonably practicable. The implementation of Traffic Management Plan is monitored by a trained and competent Traffic Management Officer.

• Lifting Plan

As some of our activities involve lifting of materials in close proximity to the communities around us or to public road users, a comprehensive and approved Lifting Plan is mandatory prior to work commencement at our project sites. This is to ensure the works are conducted in a safe manner without jeopardising the safety of others. We recognise that public safety is as important as workplace safety and continually strive to maintain our records of ZERO accidents involving public.

Criteria for Lifting Plans

- Detailed calculations of lifting activity
- Competency of lifting crew (operator, signalman, rigger)
- Availability of competent lifting supervisor
- Safe Work Method Statement (including sketch of lifting zone)
- Crane specification (load charts, working radius and etc.)
- Crane's Certificate of Fitness
- Lifting gears certificates
- Traffic Management Plan (if required)

• Complaint Management System (CMS)

Complaint Management System (CMS) has been established for MRT201 and LRT3 GS07&08 projects which serves as a platform for public road users to lodge feedback on issues encountered along the project alignment or any inconveniences caused by our construction activities. All feedback received are managed effectively by the project team members, which include engaging stakeholders to find a practical and satisfactory solution for both parties. The CMS is monitored by our Project Delivery Partner (PDP), where the response time and time frame for complete rectification KPIs are set for all Work Package Contractor (WPC). In 2019, SunCon received 284 feedback from MRT201 and LRT3 GS07&08 project respectively, and all feedback was managed and rectified within the stipulated time frame.

In cases where our projects are not included in the CMS, regular engagement sessions with representatives from communities around us are conducted to manage their needs and expectations as part of our grievance management processes.

• Health and Welfare of Our Workers

At present, the construction industry remains highly dependable on foreign workers and it is therefore important for us to ensure our foreign workers are free from carrying any communicable diseases. We, at SunCon strictly adhere to the requirements of Immigration Act 1959/63 where all foreign workers shall be screened for Malaria, AIDS/HIV and Tuberculosis before being allowed to work at the project sites. In addition, SunCon strives to comply to Factories and Machinery (Safety, Health and Welfare) Regulations 1970 to put in place welfare provisions such as appropriate Personal Protective Equipment (PPE), first aid room, workers rest areas, temporary sanitary facilities, canteen and labour quarters, among others. Our foreign workers are screened for the following diseases which is tested by Foreign Workers Medical Examination Monitoring Agency (FOMEMA).

Fomema Tests:

- | | |
|---------------|--|
| • Cancer | • Sexually Transmitted Diseases (Syphilis) |
| • Hepatitis B | • Leprosy |
| • Malaria | • Epilepsy |
| • HIV/AIDS | |

EMBEDDING SAFETY, INNOVATION AND QUALITY IN CONSTRUCTION (CONT'D)

• Zero Larvae, Zero Dengue

We continue to promote our “Zero Larvae, Zero Dengue” programme at our workplaces through the implementation of a structured Four-Pronged Anti-Dengue strategy. This strategy was materialised in 2016 and has been continually driving our anti dengue programmes on site, not only to protect our workers, but also the community around us. Despite our effort to totally eradicate dengue at our workplaces, we received 2 notices from the State Health Department in 2019. Since then, we have enhanced current strategies to prevent recurrence of such events.

Four-Pronged Anti-Dengue Strategy

1. Search and Destroy
2. Larvaciding and Fogging
3. Gotong-Royong
4. Anti-dengue awareness and communications

We continue to actively participate in the Communication for Behavioural Impact (COMBI) programme championed by the State Health Department for our workplaces across the country. In fact, our anti-dengue strategies are in line with the COMBI guidelines and have received commendable feedback from the State Health Officers.

INNOVATION

Minimising Construction Waste with Technology

SunCon has invested RM 31 million in cutting-edge Virtual Design & Construction (VDC) technology since 2010 which has enabled us to have better coordination throughout the entire construction stages.

Every step of the VDC process saves time, reduces mistakes, eliminates rework, enhances constructability and improves efficiency in project controls. VDC provides quantifiable savings and benefits to construction workflow resulting in positive impact on sustainability throughout the construction lifecycle.

Upon project close-out, a wealth of operational information can be handed over to the building owner to improve their ability to operate the building at its maximum potential. In this respect, VDC supports the entire philosophy behind sustainable construction and extends beyond design and construction into long-term maintenance and operation of the completed facility.

SunCon has established a VDC roadmap that provides guidance to us in embracing innovation into our construction workflow. We have implemented e-invoicing and e-bidding which has eliminated the use of paper in work processes.

Green Construction and Buildings

As part of our commitment to stakeholders, acquiring the Green Building Index (GBI), Leadership in Energy and Environmental Design (LEED) and GreenRE certifications are the best selling points for our clients. These certifications in a way will lead to a number of benefits for SunCon and allow us and our valued stakeholders to achieve operational sustainability.

In accordance with GBI, LEED and GreenRE certification and accreditations, we continually train and accredit our managers and staff in green design, construction and operations. Our trained professionals are equipped to effectively engage and promote more sustainable living and explore other opportunities. This also ensures that we provide elite solutions and services to clients.

Below are our completed and on-going Green Building projects.

Completed Projects	Details
ISKL	GBI NRNC Platinum
Sunway Pinnacle	GBI NRNC Certified & Green Mark Gold
KLCC Package 2	GBI NRNC Gold and LEED Platinum
PZ10, Everly Hotel & Office	GBI NRNC Certified
Sunway Pyramid Phase 3	GBI NRNC Certified & Green Mark Gold
Parcel F	GBI NRNC Gold (Pending)
Ongoing Projects	
PNLC	GBI NRNC Platinum
TNB	GBI NRNC Platinum
LRT3 GS07&08	GBI NRNC Silver

Solar Capabilities

As a sustainable builder and to further expand our capabilities, we have embarked on the renewable energy sector through establishment of a new subsidiary, Sunway Pekat Solar Sdn Bhd, to provide solar photovoltaic (PV) solutions for large scale solar farms. We have teamed up with Pekat Solar Sdn Bhd, a pioneer in Malaysia's renewable energy field, to develop and implement innovative solar PV solutions to help address the nation's growing need for renewable energy sources. This is in line with the Malaysian Government's plan to increase the use of renewable energy in Malaysia as an initiative to reduce CO₂ emissions by building more large-scale grid-connected solar PV power plants. This venture also complements our integrated construction services business and is a step towards our commitment of achieving carbon reduction and sustainability.

QUALITY MANAGEMENT

416-1

At SunCon, we are committed to deliver to the highest quality by increasing client satisfaction, mitigate risk in project delivery and our supply chain, improve market value and reputation, and improve employee wellbeing and engagement. By doing this we help maintain a sustainable business. In this era of increasing urbanisation and competitive industry, we strive to be the best of the best through continuous improvement and excellent management.

Management Systems

Our Quality, Environmental, Safety and Health Management System has been set up and certified in accordance with requirements by international standards of Environmental Management System Requirements (ISO 14001:2015), Occupational Health and Safety Management System Requirements (OHSAS 18001:2007) and Quality Management System Requirements (ISO 9001:2015).

Client / Consultants Satisfaction Survey (CSS)

Guided by our QESH Policy, we ensure the highest standard of quality by conducting an annual online Client/Consultant Satisfaction Survey (CSS) online.

CSS assessed areas:

- Quality of work

• Planning

• Job knowledge

• Timely completion

• Responsiveness
- Resources

• ESH

• Communication

• Sub-contractor performance

• Overall performance

Subsidiary	Scope	Standards
Sunway Construction Sdn Bhd	Provision of design management and construction services for building and civil engineering works	ISO 9001:2015 ISO 14001:2015 OHSAS 18001:2007
Sunway Geotechnics Sdn Bhd	Provision of design management and construction services for geotechnical engineering works	ISO 9001:2015 ISO 14001:2015 OHSAS 18001:2007
Sunway Engineering Sdn Bhd	Provision of design management and construction services for mechanical, electrical and information technology engineering works	ISO 9001:2015 ISO 14001:2015 OHSAS 18001:2007
Sunway Concrete Products Pte Ltd	Design, production and supply of precast components	ISO 9001:2015 ISO 14001:2015 OHSAS 18001:2007
Sunway Concrete Products Sdn Bhd	Design, production and supply of precast components	ISO 9001:2015

Quality Assessment System in Construction (QLASSIC)

QLASSIC is carried out by the Construction Industry Development Board (CIDB) based on the Construction Industry Standards (CIS 7) to measure the quality level achieved in a completed project, specifically in products workmanship.

2019 QLASSIC Scores

Project	Score
Emerald Residence	79%
Parcel F	77%
SMCV	69%

EMBEDDING SAFETY, INNOVATION AND QUALITY IN CONSTRUCTION (CONT'D)

TOTAL QUALITY MANAGEMENT

The company launched the Total Quality Management (TQM) in 2010 to be a leading regional construction and engineering group. We strive to use TQM not only to meet clients' expectations but exceed them and deliver exceptional quality.



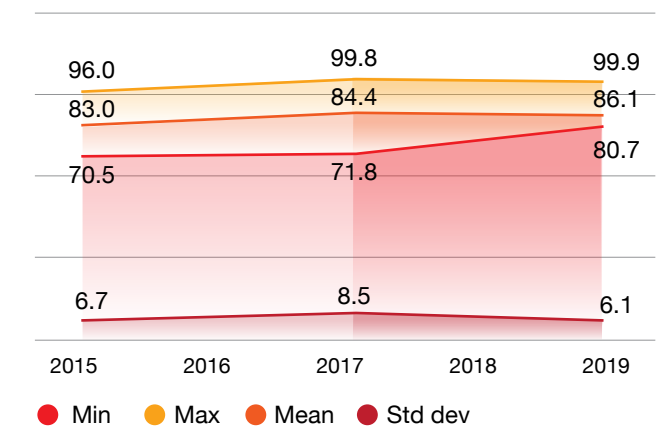
Sunway Quality Merit System

SunCon introduced the Sunway Quality Merit System (SQMS) to ensure systematic measurement of project quality level. SQMS is based on QLASSIC requirements which are known for assessment of product workmanship and also based on ISO 9001 standards known for inspection effectiveness and document records. The system aims to evaluate the quality of product workmanship and management of records on a monthly basis at all our projects to cover the following criteria.



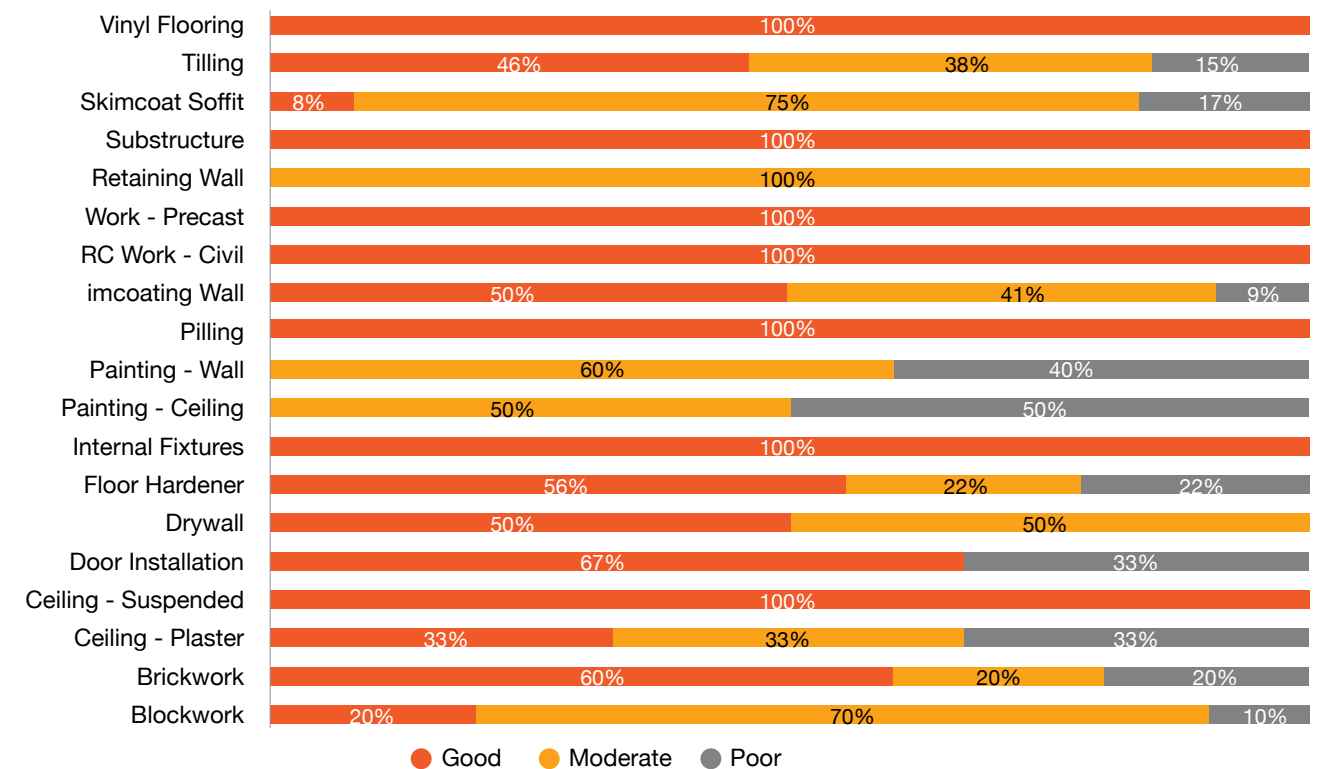
The graph below shows our achievement scores from 2017 to 2019. We note that for this year, our SQMS score improved by 1.7.

Yearly Comparison of SQMS Score



In terms of SunCon's workmanship, we are pleased to disclose that our ratings for blockwork, skimcoat soffit, plastering/skimcoating wall, RC work for Civil and Building divisions have seen an improvement over last year's ratings.

WORKMANSHIP RATING 2019



EMBEDDING SAFETY, INNOVATION AND QUALITY IN CONSTRUCTION (CONT'D)

OPTIMISING OUR WORKMANSIP WHILE PROMOTING SUSTAINABLE FEATURES IN DEVELOPMENT

PARCEL F

SunCon with its 38 years of experience is the builder of the future.

Owing to our expertise in construction, and absolute strength of capability and capacity in innovation especially green building, we strive to enhance building performance in line with the megatrends in the construction industry.



Received Platinum Awards from Putrajaya Holdings (PJH) for outstanding achievement of 8 million man-hours without lost time injury



Recipient of the prestigious Master Builders Association Malaysia (MBAM) Safety and Health Award for Site Personnel for three consecutive years (2017 to 2019)

Designed to integrate occupants, public and surrounding environment, the project was fitted with safety features, green spaces and allocation of connections from indoor to outdoor. Parcel F is a Building Information Modelling (BIM) enabled project where related tools (3D, 4D, 5D, 6D and 7D) were adopted through all project phases, from design and planning, scheduling, estimating, sustainability and facility management. BIM has helped to improve the accuracy, management and integration of multiple project information. The BIM model is further integrated with Facilities Management (FM) solutions, ARCHIBUS, a well-developed FM platform which allows space management, asset management, building operation and maintenance with KPI management, complaints management and condition assessment.

Parcel F, a GBI Gold project, is designed for sustainable water management and energy by incorporating features such as:

- ACMV condensate water recovery which complements rainwater harvesting and grey water recovery for toilet flushing and landscape irrigation system reduces dependency on main water supply

- Solar photovoltaic (PV) system with capacity of 40 kWp and heat recovery wheel reduces electricity consumption
- Daylight sensor and water leak detection system to reduce electricity and water wastage
- Energy Management System to monitor building energy usage including electrical system, air conditioning and mechanical ventilation and water detection system



Night view @ Parcel F, Putrajaya

HUMAN CAPITAL DEVELOPMENT



DIVERSITY AND INCLUSIVENESS

Although the construction industry is a male-dominated sector, we at SunCon do not discriminate on gender, age and ethnicity. Instead, we strive to foster an inclusive work environment for employees where they feel safe and engaged with the management. As stated in our Code of Conduct, we recruit candidates who are best suited for the job.

Diversity and inclusion are about creating a conducive working environment besides combining intellectual prowess for us to flourish as a Company. We also aspire towards a work environment that reflects and values all. Hence, in line with the recommendations of the Malaysian Code on Corporate Governance 2016, we are conscious of women representation in the SunCon's Board of Directors ("Board"). We believe that the diversity in Board composition not only gives added value but also infusion of new ideas and fresh perspectives.

Despite the absence of a policy designed to address gender inequality, the company practices are designed to ensure equal opportunity in terms of training, benefits, remuneration, recognition and career advancement.

Employee gender breakdown strength averages 85% men over the three years listed in the Sustainability Performance table despite efforts to hire based on merit.



Diversity & Inclusion @ SunCon

HUMAN CAPITAL DEVELOPMENT

TALENT RETENTION

202-1, 401-1, 405-2

SunCon is committed to the practice of “equal pay for equal work done” regardless of employees’ gender, age and ethnicity in line with the SDG 8 goal target of achieving full and productive employment for women and men with equal pay for work of equal value. For this year, we adhere to the National Minimum Wage required salary, which is RM 1,100 effective on 1 January 2019. The salary ratio of men to women pay in 2019 was 1:0.93.

To continually improve the manner of doing business, we conduct a biennial Employee Engagement Survey aimed at gathering employees’ feedback on work experience which includes leadership, workload and career development. Through this process, we are able to identify causes behind employee dissatisfaction and areas that need improvement. In 2019, the survey involved 1,258 employees whose feedback will help us strive to ensure improved employees engagement.

The employee turnover rate in 2019 was 8% for men and 2% for women. This reflects the higher proportion of men employed by the Company. On the other hand, the turnover rate by age shows that employees below 30 and between the ages of 30 and 50 have a greater propensity to leave.

Employee New Hires

In 2019, we hired a total of 270 employees (inclusive of Foreign Workers), of which 91% were men. To ensure all employees understand the Company’s policies, all new employees are informed of SunCon’s policies, procedures and the Code of Conduct during orientation. Subsequently, all employees are then required to pass a series of e-policy online quizzes, which include Sunway e-Policy, Sunway Conflict of Interest Declaration Policy, and Sunway Code of Conduct and Business Ethics. Our staff handbook entails details regarding benefits, allowances and platforms for employee feedback including the grievance mechanism and the sexual harassment policy, both of which the Company takes very seriously. At SunCon, we strictly ensure and have successfully achieved a zero incident of discrimination in 2019.

Employee Benefits

401-2, 401-3

The well-being of our employees is essential to us as they are the driving force behind our Company. We note that when employees feel engaged and valued, they are motivated to succeed and perform better to ultimately contribute to better business performance.

We provide various forms of leave for employees from annual leave, emergency leave, examination or study leave, medical and hospitalisation leave to maternity and paternity leave. In terms of flexibility and to ensure a personal and professional life balance, SunCon offers paternity leave of three days and maternity leave of 60 days to employees.

In 2019, 18 women cumulatively took 1,080 days of maternity leave and of the number, only 2 employees resigned within a year after maternity leave. Where paternity leave was concerned, 73 men took a total 212 days of paternity leave. Of the number, only 2 employees resigned within a year after paternity leave but for non-family related reason.

Sunway’s Employee Assistance Programme (EAP) is a platform where employees can freely discuss challenges that affect their mental health and emotional well-being in a safe and non-judgemental setting. Underpinned by our commitment to SDG 3: Good Health and Well-Being, we strive to provide a nurturing environment where employees are able to exhibit good morale and increase their motivation to contribute better to the Company.

We offer a special staff discount rate at Sunway Group of hotels and properties developed by the Group as well as discount on entrance fee to Sunway Lagoon Theme Park.

In our effort to empower women, we provide facilities for nursing mothers and special parking privileges for pregnant mothers. Extended unpaid maternity leave is also given as an option to mothers. We introduced flexible working hours for working mothers who can start work early and finish earlier in the day.

10 working mothers are using the Flexi Work Arrangement

Foreign Worker Management

The construction industry is labour intensive with the number of foreign workers growing to approximately 40% of our total workforce in 2019. It has been our priority to ensure conducive working and living conditions for all workers including those from abroad. In our foreign workers’ centralised labour quarters (CLQs), we provide proper and safe workers’ accommodation and amenities that include toilets, showers, a cafeteria, a sundry shop, a futsal and table tennis court, cooking bays, washing bays, prayer rooms, 24-hour security and CCTV surveillances and an on-site clinic. We have a total of 5 CLQs in 2019, in which 4 are situated in the Central Region and 1 is situated in the Southern Region.



Training for and with workers

Region	CLQ	Location
Central	CLQ Dengkil	Putrajaya
	CLQ MRT	Sungai Buloh
	CLQ LRT	Klang
	CLQ Subang	Subang
Southern	Cobra Camp	Nusajaya

SunCon has been collaborating closely with CIDB’s development of MS 2593:2015 in improving workers’ wellbeing. Local authorities have been satisfied with the cleanliness and functionality of our facilities with regular inspection of CLQs throughout the year. The SunCon Code of Conduct emphasises a culture of respect, diversity and equal opportunity besides safeguarding the wellbeing and human rights of the workforce.

In relation to wages and compensation, we ensure strict compliance with the Workers’ Compensation (Foreign Workers Compensation Scheme) (Insurance) Order 1996 and/or the Social Security Insurance and/or employer’s Liability Insurance and/or any other insurance with statutory limits as requested by Malaysian law as stated clearly in our Environmental and Social Requirements for SunCon’s Direct Workers, Suppliers, Contractors and Subcontractors. Our respect for human rights is consistent with relevant national laws and the United Nations Guiding Principles on Business and Human Rights in all places that we operate in.

SunCon's Commitment to Human Rights

- Pay at least the minimum wage.
- Do not use child labour.
- Provide associates with a safe and healthy workplace.
- Do not use forced, prison, indentured, bonded or involuntary labour.
- Suppliers and contractors must not allow their workers to work excessive hours.
- Prompt action required by our grievance procedure.
- Prohibit discrimination in hiring and employment practices including gender, race, religion, age, disabilities and nationalities.
- Prohibit physical abuse and harassment of associates and threats of either.

In accordance to our strict adherence to Malaysia’s Employment Act 1955, which is in line with the labour principles of the International Labour Organisation, we ensure that child labour and forced or compulsory labour is strictly prohibited in our operations.

Onboarding Foreign Workers

In 2019, we recruited 141 workers from Indonesia with basic construction skills. They augmented existing 673 foreign workers who had been with us for more than a year.

Length of Tenure	Number of Workers
More than 10 years*	9
6 to 9 years	107
2 to 5 years	158
1 year	399

Upon arrival of foreign workers in Malaysia, they are given an advance allowance of RM500 as daily meal allowances for the first month besides safety and legal briefings by our Safety and HR team. Subsequently, they will go for a medical check-up organised by FOMEMA for certification that they are fit to work. They will also be required to enrol in the CIDB Safety Induction Construction Workers (SICW) Course to obtain CIDB Green Card that permits them to work at construction sites. In addition, they will be registered for accreditation by CIDB to further develop their technical skills. This is to ensure that our manual labour workforce is skilled and productive to increase efficiency at our construction projects. In 2019, approximately 71% of our foreign workers had been accredited to remain competent in the workforce. They are protected under 3 types of insurance schemes (CIDB Insurance, Foreign Workers Hospital & Surgical Insurance and Foreign Workers Compensation Scheme). For outpatient medical expenses, foreign workers can claim up to RM1,500 per year from the project site.

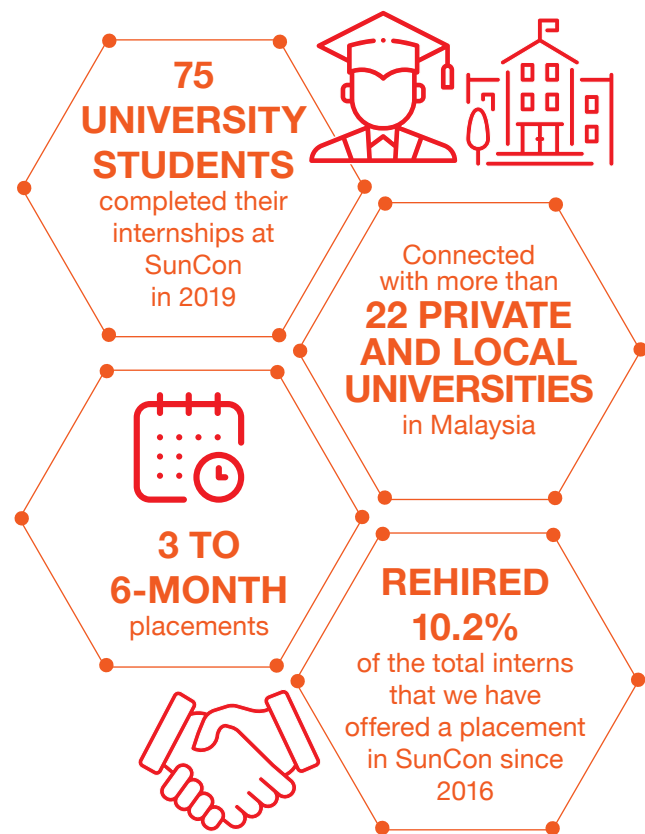
*Note: These workers had a renewal of their visa duration via a Governmental Programme that allowed for their stay above 10 years.

HUMAN CAPITAL DEVELOPMENT (CONT'D)

Our workers are paid according to skill levels with hourly overtime rates calculated on their basic wage.

Skill Category	Basic Pay
General Workers	RM1,300 per month / RM50 per day
Semi-skilled Workers	RM1,508 per month / RM58 per day
Skilled Workers	RM1,690 per month / RM65 per day

Hiring of Interns
We are aware of the need for additional opportunities for the local talent pool to enhance their skills. We provide a platform for them to undergo internships at the Company. This has provided them with an opportunity to experience the work environment in the construction sector. In 2019, we continued to maintain strong collaborative partnerships with various public and private universities and polytechnic schools to provide meaningful work-based learning and internship programmes at our project sites.



Our Collaborations with Public and Private Universities

Local Universities	Private Universities
Universiti Tun Hussein Onn, Malaysia	Heriot Watt University
CONSIST College	INTI International College
International University of Malaya Wales	INTI International University
KLIA Professional & Management College	Swinburne University of Technology
Politeknik Sultan Azlan Shah	UCSI University
Politeknik Ungku Omar, Perak	University of Cambridge
Tunku Abdul Rahman University College	University of Nottingham
Universiti Islam Antarabangsa, Malaysia	University of Reading
Universiti Sains, Malaysia	University of Southampton
Universiti Teknologi MARA (UiTM)	Memorial Universities of Newfoundland
Universiti Tunku Abdul Rahman	
University of Malaya	

MD Engagement Sessions
In 2019, 46 employees were given the opportunity through 4 sessions to get ‘up close and personal’ with our Managing Director, Mr Chung Soo Kiong. These sessions served as a platform for an engaging conversation between the MD and our employees in terms of, among others, motivation, the manner to address challenges and career growth. They further enhanced senior management-employee understanding to strengthen the Company towards sustainable growth.

Long Service Recognition
In appreciation of our long serving employees, the following received awards in 2019 based on their total number of years of service in SunCon.

Years of Service	Number of Award Recipients
10 years of service	83
20 years of service	11
30 years of service	3

SunCon Social Club (SSC) Activities
In order to encourage team building and facilitate cross-departmental communication, the SSC organised a range of events throughout the year. Some of the employee engagement programmes that took place in 2019 are listed in the table below.

Name of Programme	Date	Description
Skytrex Adventure	27 January 2019	SSC organised a fun-filled adventurous day for participants to challenge themselves and to overcome their fears as they complete a series of different obstacles.
Movieganza, Sunway Pyramid	12 April 2019	SSC organised a movie night for the employees to unwind and declutter themselves after dealing with a long working day.

Name of Programme	Date	Description
Trip To Bandung, Indonesia	26 – 29 July 2019	SSC organised a four-days, three-nights retreat for employees to build engagement and relationships among themselves while having fun away from work.
Jump Street	3 August 2019	SSC organised a team-building activity for extreme sports lovers to promote a healthy lifestyle as they conquer a series of thrilling and exciting activities.

These activities build employee self-confidence and problem-solving skills and serve as bonding sessions among employees. Such activities have enabled employees to rekindle their creativity and teamwork besides getting to know each other better. The Sunway Sports Club (Kelab Sukan Sunway) house located at Menara Sunway is fully equipped with recreational facilities such as a gymnasium, sauna, squash court, snooker, karaoke, Astro, table tennis and carom.



A day’s outing at Skytrex Adventure

HUMAN CAPITAL DEVELOPMENT (CONT'D)

CAPACITY BUILDING

404-1, 404-2

Given that skills and capabilities of workers are paramount in the construction industry, we continued to invest in our employees' training needs in 2019. We identified, analysed and evaluated the training that our employees needed to advance in their careers.

In 2019, 3.41 man-days were dedicated to training for 728 employees who participated in these formal classroom training sessions. Through these sessions, we strive to upskill employees and extend capabilities.

The training programmes that we provide to employees cover key aspects of leadership, workers training, Environment, Safety & Health, Quality, Machinery, Construction and Contracts Management. A total of 121 employees completed the UNSDG Portal Training in 2019. In 2019, we spent a total of RM 541,547.55 on training with RM 730 being the average amount spent on training per employee. The key programmes that were conducted in 2019 are listed in the table below.

Key Formal Classroom Training Programme

LEADERSHIP TRAINING	FINANCIAL TRAINING
SCOPE Orientation Programme	Finance for Non-Finance (Managers)
Microsoft Excel - Pivot Table	PROJECT MANAGEMENT
Microsoft Excel – Intermediate & Advanced Class	Negotiation Skills for Procurement
CAL : Harvard Way of Developing a Talent	FOREIGN WORKER TRAINING
CAL : Adaptive Leadership Leading Agile Workforce	Mandatory CIDB Green Card Training
Business English Programme (16 Sessions)	QUALITY TRAINING
Managing Poor Performance of Confirmed Employees & Probationers	QLASSIC Assessor Training
Managing Leave & Absenteeism at Workplace	ISO 9001:2015 Management System Awareness Training
First Time Manager (2 Days Session)	DESIGN AND TECHNICAL TRAINING
	C3D System Training
Managing Misconduct at Workplace & Domestic Inquiry	Revit Multifamiliarisation Modelling Training (MEP/Archi/Structural)
	Design Management Training - Design Coordinator
7 Habits of Highly Effective People	Autodesk Workshop Sharing Session
	BIM Masterclass Series P2

In 2019, a total of RM541,547.55 was spent on training with RM730.00 being the average amount spent on training per employee

ESH TRAINING	
External Training	Internal Training
Certified Environmental Professional in Scheduled Waste Management (CePSWaM)	Scaffold Awareness Training (SAT)
Certified Erosion, Sediment & Stormwater Inspector Course (CESSWI)	Construction Occupational Safety Training (COST)
Certified Inspector Sediment and Erosion Control (CISEC)	Hazard Identification Risk Assessment & Determining Control (HIRADC)
Scaffold Training (Basic / Intermediate / Advance)	Accident Investigation & Report Writing Workshop
Signalman, Slinging & Rigging Competency	
ISO 14001 & ISO 45001 Awareness	
Internal Auditor	
Lifting Supervisor Competency Training	
Basic Office Ergonomics Awareness Training	
Occupational First Aid & CPR Training	
Train the Trainer (TTT-1)	



Scaffold Awareness Training (SAT) for employees



Construction Occupational Safety and Health Training (COST) for employees

BUILDING COMMUNITY RESILIENCE



CORPORATE SOCIAL RESPONSIBILITY

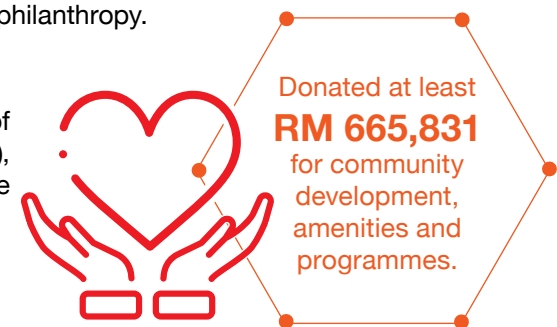
413-1, 413-2

Being at the fore of the construction sector brings both the responsibility and opportunity for constantly developing and implementing the highest standards of social wellbeing in the communities where we operate.

Construction projects are drivers for change in local communities. They create positive economic impacts by providing opportunities for employment and skill enhancement of the local workforce and generating new contracts that lead to business growth. Our project teams frequently engage with local communities and we strengthened our involvement in 2019 with our volunteerism and philanthropy.

Community Support

We contributed to various charitable causes including donation of wheelchairs to Persatuan Kesejahteraan Rakyat Malaysia (PKRM), our annual “Build-A-Home” project and sponsoring 9 man-made reefs for marine ecosystem rehabilitation.



“Merdeka Conservation Dive”

In conjunction with the 62nd National Independence Day, 20 SunCon-ians celebrated the significant day by participating in the 3-days-2-nights “MERDEKA CONSERVATION DIVE” that was held at Pulau Redang, Terengganu. The main objective of this event is to preserve and conserve the ecosystems in the ocean, which is important in protecting the Earth.

Non-divers visited the Marine Turtle Research Station to experience the conservation and hatching of turtles which are in danger of extinctions.



Community Engagement Programmes

Our efforts towards building community resilience include community programmes that address various social issues and concerns by supporting the vulnerable sections of society, strengthening access to education, fund-raising, conducting environmental programmes as well as creating health and safety awareness. Details of our community engagement programmes are elaborated upon under the SunCon in Calendar section on pages 27 - 31.



The castle reefs support the growth of corals, which provides shelter and habitats for many marine organisms.

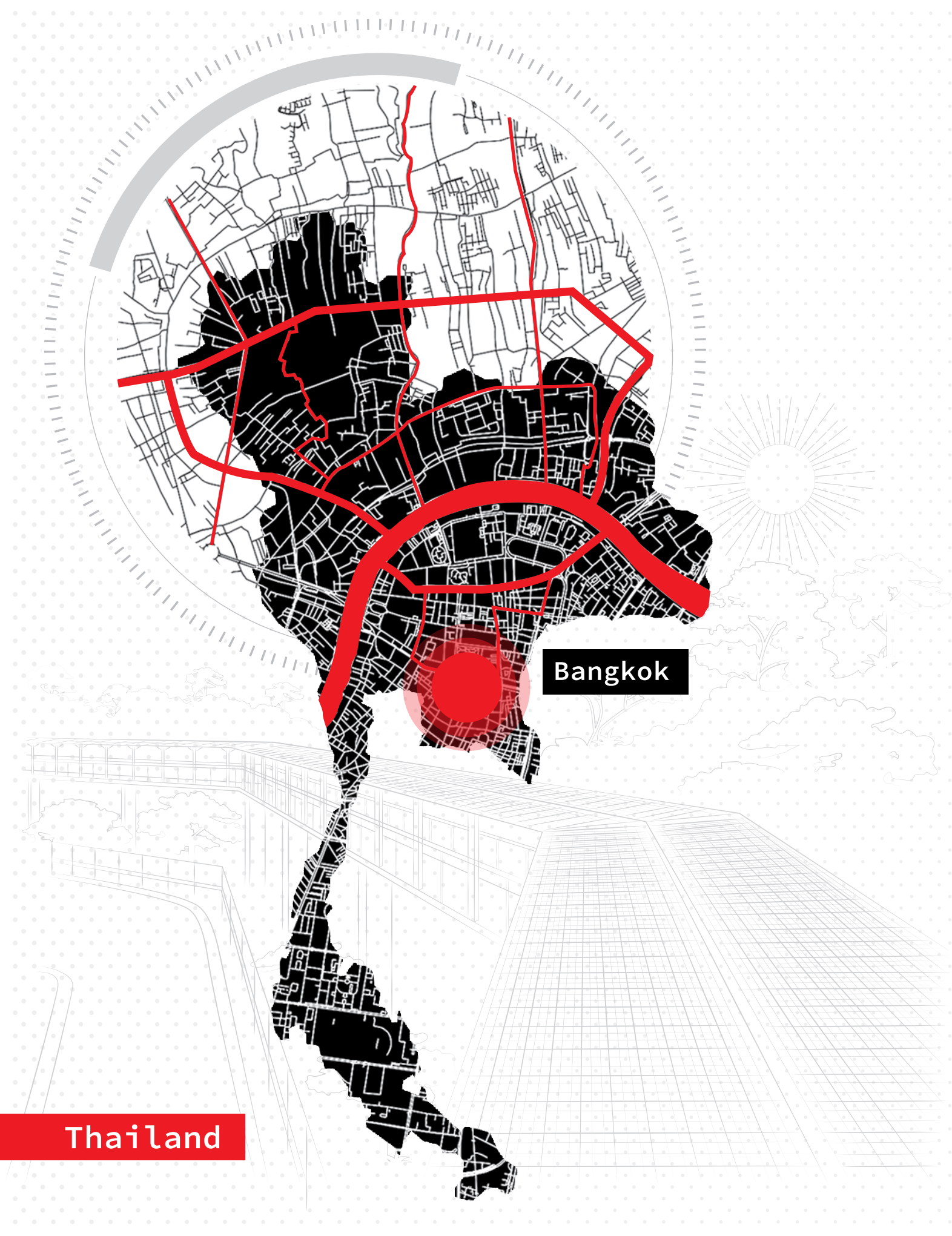


CONCLUSION

The Company constantly endeavours to exceed current achievements and enhance sustainability initiatives to achieve greater milestones in all EES aspects whilst strengthening the economy, protecting the environment and embracing human and community development.

GRI CONTENT INDEX

GRI Standard		Section	GRI Standard		Section	GRI Standard		Section	GRI Standard		Section
ORGANISATIONAL PROFILE			STAKEHOLDER ENGAGEMENT			RESPONSIBLE GOVERNANCE			ENSURING SAFE AND QUALITY CONSTRUCTION		
102-1	Name of the organisation	About This Report	102-40	List of stakeholder groups	Stakeholder Engagement	205-2	Communication and training about anti-corruption policies and procedures	Governance and Ethical Business	403-1	Occupational Health and Safety management system	Safety and Health
102-2	Activities, brands, products and services	Scope of reporting				STRENGTHENING ECONOMIC INTEGRITY			403-2	Hazard identification, risk assessment, and incident investigation (HIRARC)	
102-7	Scale of the organisation	Sustainability Performance	102-42	Identifying and selecting stakeholders	Stakeholder Engagement	201-2	Financial implications and other risks and opportunities due to climate change	Economic Performance	403-4	Worker participation, consultation and communication on occupational health and safety	
102-8	Information on employees and other workers		102-43	Approach to Stakeholder Engagement	Stakeholder Engagement	203-1	Infrastructure investment and services supported	Indirect Economic Impacts			
102-13	Membership of associations	Membership and Associations	102-44	Key topics and concerns raised	Stakeholder Engagement, Customer Satisfaction	203-2	Significant indirect economic impacts	Indirect Economic Impacts	403-5	Worker training on occupational health and safety	
102-46	Defining report content and topic boundaries	Scope of Reporting	102-47	List of material topics	Material Sustainability Matters	102-9	Supply Chain	Sustainable Procurement Practices	403-8	Workers covered by an occupational health and safety management system	
102-50	Reporting period	About This Report	MANAGEMENT APPROACH			204-1	Proportion of spending on local suppliers		403-9	Work related injuries	Sustainability Performance
102-52	Reporting cycle	About This Report	103-1	Explanation of the material topic and its Boundary	Material Sustainability Matters	MANAGING OUR ENVIRONMENTAL IMPACTS			103-2	The management approach and its component	Innovation
102-53	Contact point for questions regarding the report	Feedback	103-2	The management approach and its components	Mapping material sustainability matters & SDGs, Sustainability Performance, Corporate Governance, Governance & Ethical Business, Risk and Regulatory Compliance, Economic Performance, Indirect Economic Impacts, Sustainable Procurement Practices, Environmental Compliance, Climate Resilience, Energy Management, Emissions, Materials Management, Waste Management, Water Conservation, Protecting Biodiversity, Safety and Health, Public Safety, Innovation, Quality Management, Diversity and Inclusiveness, Talent Retention, Foreign Worker Management, Hiring of Interns, Capacity Building, Corporate Social Responsibility	303-2	Management of water discharge-related impacts	Environmental Compliance	416-1	Customer health and safety	Quality Management
102-54	Claims of reporting in accordance with the GRI standards	Reporting Framework				305-7	Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	Environmental Compliance	HUMAN CAPITAL DEVELOPMENT		
102-55	GRI Content Index	Reporting Framework GRI Content Index				306-1	Water discharge by quality and destination		405-1	Diversity of governance bodies and employees	Sustainability Performance
STRATEGY						306-3	Significant spills		405-2	Ratio of basic salary and remuneration of women to men	Sustainability Performance Talent Retention
102-15	Key impacts, risks, and opportunities	Overall Approach to Sustainability, Mapping Material Sustainability Matters, Risk and Regulatory Compliance				307-1	Non-compliance with environmental laws and regulations		202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Talent Retention
ETHICS AND INTEGRITY						302-1	Energy consumption within the organisation	Energy Management			
102-16	Values, principles, standards, and norms of behaviour	Governance and Ethical Business				302-3	Energy intensity		401-1	New employee hires and employee turnover	Sustainability Performance Talent Retention
102-17	Mechanisms for advice and concerns about ethics	Governance and Ethical Business				302-4	Reduction of energy consumption		401-2	Benefits provided to full time employees that are not provided to temporary or part-time employees	
GOVERNANCE						305-1	Direct (Scope 1) GHG emissions	Emissions			
102-18	Governance structure	Sustainability Governance				305-2	Energy indirect (Scope 2) GHG emissions		401-2	Benefits provided to full time employees that are not provided to temporary or part-time employees	Employee Benefits
102-19	Delegating authority	Sustainability Governance				305-3	Other indirect (Scope 3) GHG emissions				
102-20	Executive-level responsibility for economic, environmental, and social topics	Sustainability Governance				305-5	Reduction of GHG emissions		401-3	Parental leave	
102-26	Role of highest governance body in setting purpose, values and strategy	Sustainability Governance				301-1	Materials	Materials Management	404-1	Average hours of training per year per employee	Capacity Building
102-30	Effectiveness of risk management processes	Risk and Regulatory Compliance				306-2	Waste by type and disposal method	Waste Management	404-2	Programs for upgrading employee skills and transition assistance programme	
102-32	Highest governance body's role in sustainability reporting	Sustainability Governance				306-4	Transport of hazardous waste		BUILDING COMMUNITY RESILIENCE		
102-38	Annual Total Compensation Ratio	Sustainability Performance				303-1	Interactions with water as a shared resource	Water Conservation	413-1	Operations with local community engagement, impact assessments, and development programs	Corporate Social Responsibility
						303-5	Water consumption	Water Conservation			
						103-2	The management approach and its components	Climate Resilience Protecting Biodiversity			



GOVERNANCE WITH INTEGRITY

178	The Governance Framework
179	Corporate Governance Overview Statement
195	Audit Committee Report
205	Statement on Risk Management and Internal Control
211	Additional Compliance Information
213	Investor Relations

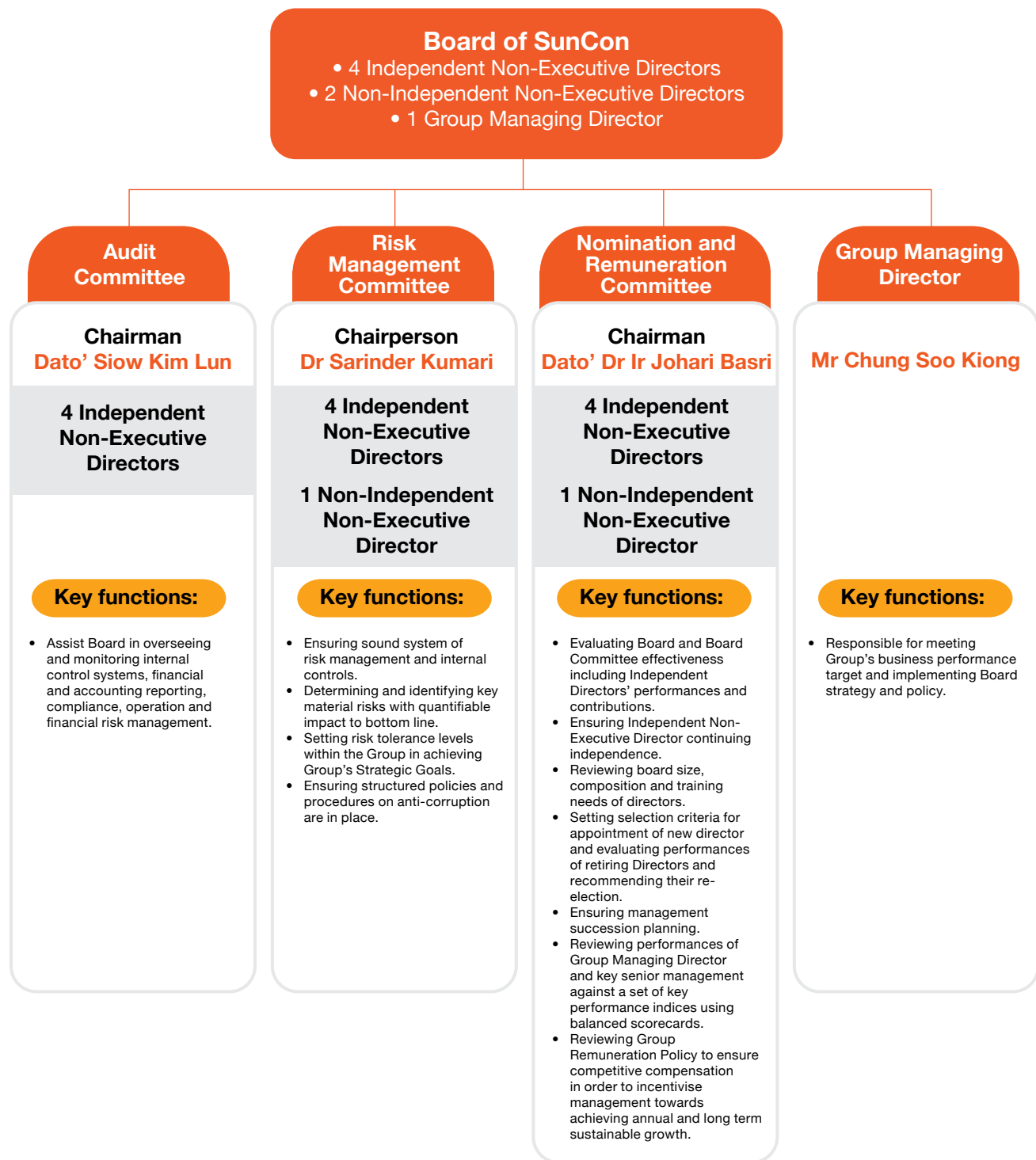
OPERATING WITH INTEGRITY

Operating with integrity has always been SunCon's priority. This business philosophy has been applied in all our projects and business ventures – including SunCon's renewable energy technology.

Our sustainability efforts continue with exploratory works to construct renewable energy facilities in different destinations. We are able to offer renewable energy solutions to fast-developing countries and markets such as Thailand and beyond.

THE GOVERNANCE FRAMEWORK OF SUNWAY CONSTRUCTION GROUP BERHAD

The Board operates within the following governance framework in order to systematically fulfil its roles and responsibilities under the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all relevant laws and regulations. Relevant Board Committees are empowered by the Board to assist the Board in providing oversight over specific aspects of the governance process.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Sunway Construction Group Berhad (“Company”) is committed to good corporate governance principles and standards in all that it does. Our governance framework is built on the foundation of our core values of integrity, humility and excellence. Our vision is to be the leading regional construction and engineering group. Our mission is to innovate to deliver value underpinning our relentless efforts to drive positive and sustainable change in the way we work and operate to create values for all our stakeholders. The Board also places emphasis on ensuring responsible and sustainable business practices in achieving highest standards in quality, environmental, safety and health.

In addition, the Company and its group of subsidiaries (“Group”) is committed to achieving the United Nations 17 Sustainable Development Goals (“SDG”), by aligning its business strategies to meet the needs of its communities in line with the SDG agenda. The Group’s commitment to strong Economic, Environment and Social practices is embedded throughout the organization – from its policies and social impact initiatives to day-to-day operations so that it delivers enduring growth for thriving communities. The ultimate objective is to achieve good financial performance in order to fuel long term sustainable growth and thereby, enhancing shareholders’ value and contributing to the community it operates and nation building.

This Corporate Governance Overview Statement (“CG Overview”) provides shareholders and investors with an overview of the corporate governance practices of the Group under the leadership of the Board during the financial year 2019. This CG Overview was prepared based on the 3 key Corporate Governance Principles as set out in the Malaysian Code on Corporate Governance (“CG Code”), which are:

- Board Leadership and Effectiveness;
- Effective Audit and Risk Management; and
- Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

Our corporate governance practices mostly comply with the CG Code. This statement is to be read together with the Corporate Governance Report FY2019 (“CG Report”) of the Company which is available on the Company’s website at <https://www.sunwayconstruction.com.my>.

The CG Report provides an insight on the Company’s corporate governance framework and practices in compliance with the principles and practices set out in the CG Code and the Main Market Listing Requirement (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) for FY2019. Any deviations from the CG Code are explained in the CG Report in our website.

Our key focus areas and future priorities in further enhancing our corporate governance practices are as follows:

- Enhance audit and internal control**
 In light of the continuous effort in strengthening the credibility of internal audit function, the Group is planning to engage an external professional consultant to conduct a Quality Assessment Review (“QAR”) on the internal audit function. The Internal Audit Department (“IAD”) had successfully completed its QAR in 2015 and planned to conduct another assessment in 2020. This external assessment is to validate the Group’s internal audit activities whether they conform to the relevant internal audit standards as well as to identify key areas of improvement in the internal audit function.
- Anti-bribery and corruption**
 Acknowledging the need to raise awareness and inculcate a zero corruption culture throughout the Group, an Anti-Corruption Task Force has been set up to formalise the Anti-Bribery and Corruption Policy as well as to implement the anti-corruption and bribery programmes (“ABC Programmes”). This ABC Programmes involve continuous education for our employees, suppliers, subcontractors and business partners. In addition to the ABC Programmes, monitoring potential corruption risk will be included in the annual risk assessment of the Group.

- Addressing climate change**
 As part of the Board’s risk management as well as in ensuring environmental sustainability, the Board will place more emphasis on combating climate change by embarking on several green and renewable energy initiatives.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Board aims to create value for the shareholders and ensure long term sustainability of the Group. The Board's main responsibility is to develop appropriate strategy, business model and risk tolerance to achieve its long term objectives. It also seeks to align the interests of the Board and Management with that of shareholders as well as to balance the interests of all other stakeholders.

The Board's responsibilities is to focus on the following areas:

- Sets the strategic plans, direction and performance objectives of the Group;
- Sets the principles of business ethics and core values for the entire Group;
- Deliberate and approve Annual Business Plan, capex and investment proposals presented by Management;
- Oversees the business affairs of the Group;
- Monitoring the responsibilities delegated to the Board Committees to ensure effective governance oversight, compliance and accountability systems and control of all Group's activities;
- Approves policies and guidelines;
- Appoints Managing Director / Chief Executive Officer;
- Oversees the long term succession planning for Senior Management;
- Development of competitive compensation plan linked to productivity and performance; and
- Considers sustainability issues (including environmental, safety and social impact factors) as part of its overall corporate strategy.

Key matters reserved for the Board's approval include the following:

- The Group's annual business plan and budget;
- Full year and quarterly financial results;
- Dividend policy and dividend declaration;
- Conflict of interest issues relating to substantial shareholders, directors or management;
- Material acquisitions and disposals of undertakings not in the ordinary course of business;
- Material investments in capital projects;

- Material bid/tenders for construction projects;
- Overseas ventures;
- Material corporate or financial exercise/restructuring;
- Management approval authority limits;
- Donation above RM100,000;
- Board succession plan;
- Succession plans for Senior Management including compensation plan;
- The Group's risk appetite and risk tolerance; and
- Corporate governance issues and related policies.

In discharging its roles and responsibilities, the Board is guided by its Board Charter which outlines the duties and responsibilities of the Board and the delegated day-to-day management of the Group to the Group Managing Director ("Group MD"). This formal structure of delegation is further cascaded by the Group MD to the management team. The Group MD and management team remain accountable to the Board for the authority that is delegated and for the performance of the Group. The Board Charter will be reviewed annually by the Board. The last review of the Board Charter was done on 19 August 2019.

Chairman and the Group Managing Director

There is a clear segregation of roles and responsibilities between the Chairman and the Group MD in order to ensure a balance of power and authority as defined in the Board Charter.

The Chairman of the Board is an Independent Non-Executive Director and is separate from the office of the Group MD. The Chairman is responsible for the proper functioning of the Board to ensure its effectiveness in its governance process. The Chairman provides leadership to the Board and guidance to the Group. He chairs the board meetings and sets the meeting agenda in consultation with the Directors and Group MD. He promotes active engagement and open dialogue among the Directors as well as between the Board and the Group MD.

The Group MD is subject to the control of the Board. He is responsible for implementing the Group's strategies and policies, as well as for managing the Group's businesses and the day to day operations.

Access to Management & Independent Professional Advice

All Directors have direct access to the advice and services of the Company Secretaries. The Company Secretaries attend all Board meetings and are accountable directly to the Board, through the Chairman of the Board, on all matters to do with the proper functioning of the Board, including compliance with the Company's Constitution, Companies Act 2016, Listing Requirements of Bursa Securities, the Securities Commission Guidelines, etc. The Company Secretaries are associate members of the Malaysian Institute of Chartered Secretaries and Administrators. The appointment and removal of the Company Secretaries are subject to approval of the Board. All Directors, whether as a full Board or in their individual capacity, have the authority to obtain independent professional advice, when necessary, at the Company's expense.

All Independent Non-Executive Directors have access to the Group MD and senior management should there be any explanations or clarifications needed on any aspects of the Group's operations or management issue.

Conflicts of interest

Directors must avoid situations in which their own personal or business interests directly or indirectly conflict, or appear to conflict, with the interest of the Company. Where a director has a conflict of interest, in respect to any matter, he or she will be required to immediately disclose his or her interest at a meeting of the Directors or send a written notice to the Company containing details of his or her interest and the conflict, and recuse himself/herself from participating in any discussion and decision on the matter. Such declaration of interest will be recorded in the minutes of meeting.

In respect to mandated recurrent related party transactions, the Board was satisfied that all such transactions were independently scrutinized by the Audit Committee to ensure that they complied with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the terms of the shareholders' mandate.

The Independent Non-Executive Directors regularly engage in discussion with senior management, risk management team, External Auditors and other relevant parties to ensure that the concerns and issues raised in regard to the business operations of the Group are properly addressed on a proactive basis.

Sustainability Practices

The Board places emphasis on sustainability practices, covering environmental and social factors, as part of its responsibilities. Details of the sustainability programmes and initiatives are as set out in the Sustainability Statement in page 108 of this Annual Report.

Code of Conduct and Business Ethics & Whistleblowing Policy

The Board has a formalized code of conduct and business ethics ("Code") which provides an ethical framework to guide actions and behaviors of all Directors and its employees while at work.

The Company also has in place a Whistleblowing Policy and Procedures. The objective of this policy and procedure is to provide a mechanism for all level of employees and stakeholders of the Group to report concerns about any suspected wrongdoing, inappropriate behavior or misconduct relating to fraud, corrupt practices and/or abuse on a timely basis for management action.

Any employee or member of the public who has knowledge or is aware of any improper conduct within the Group is encouraged to disclose through the following reporting channels:

Whistleblowing hotlines

T (603) 5639 8025

F (603) 5639 8027

E whistleblowing@sunway.com.my

Further details of the Code and Whistleblowing Policy and Procedures are set out in the CG Report. The Code, Whistleblowing Policy and Procedures, as well as the CG Report are available at the Company's website at www.sunwayconstruction.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

II. BOARD COMPOSITION

There are seven (7) members (including one (1) female board member) in the Board, comprising one Executive Director, two (2) Non-Independent Non-Executive Directors, one (1) Senior Independent Non-Executive Director and three (3) Independent Non-Executive Directors. The profiles of the Directors are set out from pages 52 to 59.

The appropriate size and composition of the Board are annually reviewed by the Nomination and Remuneration Committee ("NRC"). The NRC will ensure that the size of the Board is conducive for effective discussion and decision making. The NRC will endeavour to maintain a board composition with a broad range of knowledge, skills, experiences and deep industry expertise.

The Board is committed to building a diverse, inclusive and collaborative culture. All Board appointments are made based on merit, in the context of skills, experience, independence and relevant knowledge which are essential to the future sustainability of the Company. In terms of gender diversity, the Board has at least one female representation on the Board.

Senior Independent Director

The Board appoints a Senior Independent Director who coordinates the activities of the Independent Non-Executive Directors in circumstances where it would be inappropriate for the Chairman to serve in such capacity. He also assists the Chairman and the Board to assure effective corporate governance in managing affairs of the Board and the Company. He will also be available to shareholders if they have concerns relating to matters that contact through the Chairman, Group MD or Chief Financial Officer ("CFO") has failed to resolve, or where such contact is inappropriate.

Board Committees

The Board also delegates certain responsibilities to the Board Committees, all of which operate within their defined Terms of Reference ("TOR"). Notwithstanding that, the Board remains responsible for its fiduciary duties.

The Board has set up the following committees to assist in discharging its duties and responsibilities:

- (i) Audit Committee;
- (ii) Nomination and Remuneration Committee; and
- (iii) Risk Management Committee.

Each of the Board Committee operates within clearly defined written TOR as approved by the Board. The TORs of the Board Committees are available for reference at the Company's website at <https://www.sunwayconstruction.com.my/investor-relations/> under the heading of Corporate Governance.

The TORs are continuously reviewed and updated to ensure their relevance to the Company's operations as well as for compliance with relevant legislation, regulations and governance standards.

The Board Committees deliberate issues on a broad and in-depth basis before putting up any recommendation to the Board for decision. Notwithstanding the existence of the Board Committees and the relevant authorities granted to a Committee under its TOR, ultimate responsibility for the affairs of the Company and decision-making lies with the Board. The Board keeps itself abreast of the significant matters and resolutions deliberated by each Board Committee through the reports by the Chairman of the relevant Board Committees and the tabling of the Minutes of the Board Committee meetings at the subsequent Board meeting.

(a) Audit Committee ("AC")

The details are disclosed under Principle B: Effective Audit and Risk Management.

(b) Nomination and Remuneration Committee ("NRC")

The NRC comprises exclusively Independent Non-Executive Directors. The Chairman of this Committee for the financial year 2019 was Dato' Dr Ir Johari. The other members of the Committee were Dato' Ir Goh Chye Koon, Dato' Siow Kim Lun, Dr Sarinder Kumari A/P Oam Parkash ("Dr Sarinder Kumari") and Dato' Chew Chee Kin.

The NRC is responsible for reviewing the composition, size, diversity and balance of the Board. It ensures that the Board comprises Directors with appropriate skills, knowledge, expertise and experience as well as having a proper balance between Executive Director and Independent Non-Executive Directors.

It regularly reviews the criteria to be used in the Board recruitment process. In the case of candidates proposed for appointment as Independent Non-Executive Directors, the NRC would assess the candidate's independence in accordance with Paragraph 1.01 and Practice Note 13 of the Listing Requirements of Bursa Securities as well as his/her time commitment and potential contribution.

It also undertakes and facilitates the annual assessment of the Board and Board Committees. In addition, it is responsible for the succession planning of the Board and senior management.

The duties and responsibilities of the NRC are set out in the TOR of the NRC which is available at the Company's website at www.sunwayconstruction.com.my.

During the financial year, four (4) meetings were held to deliberate on the following matters:

(i) At the meeting held on 25 February 2019, the NRC deliberated on the following matters:

- The Committee deliberated and reviewed the competencies of each Director using the Board Skills Matrix. This served as a guide for identifying new Directors with the necessary complementary skills.
- The Committee also analysed the results of the evaluation on the effectiveness of the Board and Board Committees.
- It also undertook a comprehensive assessment of individual Independent Non-Executive Directors' performance and contribution. All the Board members had also conducted Director's peer review for the financial year 2018. Based on the annual assessment, the NRC was satisfied

with the effectiveness of the Board in discharging its roles and fiduciary duties. All the Directors had performed and fulfilled their duties and responsibilities in accordance with the Companies Act 2016 and Listing Requirements. As for the Board Committees, the Board was satisfied with their effectiveness in discharging their roles and responsibilities as stated in their respective TOR.

- The Committee evaluated the existing size, structure and composition of the Board and Board Committees. The composition of the Board and Board Committees had fulfilled the requirements of the Listing Requirements i.e. having majority Independent Non-Executive Directors in the Board and Board Committees.
- The Committee would continue its search for the right woman candidate to meet the 30% woman director representation in the Board.
- The Independent Directors had individually confirmed their continued independence in accordance with the Listing Requirements of Bursa Securities and that they would continue to act for the best interest of all stakeholders.
- The Committee was pleased that all the Directors had attended their respective training requirements in 2018. The Committee encouraged the Board members to attend specific training programmes in order to keep themselves abreast with the rapidly changing economic, business, technological and regulatory environment as well as financial reporting standards.
- The Committee assessed the performance of Dato' Ir Goh Chye Koon and Dato' Siow Kim Lun, who were both subject to retirement by rotation pursuant to Clause 106(1) of the Company's Constitution. The retiring Directors had offered themselves for re-election at the 5th Annual General Meeting ("AGM") of the Company held on 19 June 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Based on the peer review assessment of the retiring Directors, the NRC subsequently recommended them to the Board and shareholders for re-election. The resolutions to re-elect the said Directors were subsequently approved by the shareholders at the said 5th AGM.

- The Committee assessed the performance of the then Managing Director (“MD”) (who has now been redesignated as Group MD of the Company), the then Deputy Managing Director (“Deputy MD”) of Sunway Construction Sdn Bhd (“SCSB”) (who has now been redesignated as Managing Director of SCSB) and CFO based on their scorecard for financial year 2018.

Based on their respective performance scorecard and performance rating, the Committee reviewed the proposed bonuses, and recommended the same to the Board for approval.

- The Committee further reviewed the expanded role of the then Deputy MD of SCSB, the main subsidiary of the Company. The Deputy MD would be responsible for managing the core operations of SCSB as well as performing cross-functional leadership within the subsidiary companies of SCSB.

- (ii) At the meeting held on 20 March 2019, the NRC met to discuss the following matters:

- The Committee reviewed and endorsed the NRC Statement which formed part of the Company’s Annual Report 2018.
- The Committee deliberated and approved the proposed refinements to the performance scorecard framework of the then MD of the Company and the then Deputy MD of SCSB.
- The Committee further reviewed the appropriateness of the proposed adjustment to the remuneration package of the then Deputy MD of SCSB in view of his enlarged role and responsibility. The Committee subsequently recommended the same to the Board for approval.

- (iii) On 19 August 2019, the NRC deliberated on the following agenda:

- The Committee discussed with the Management on the remuneration structure of the Group.
- The Committee reviewed its TOR to ensure that it was in line with the CG Code and Listing Requirements.
- The Committee approved the methodology and the survey format on the evaluation of the effectiveness of the Board, Board Committees, Directors’ Peers Review and the assessment of the Independent Non-Executive Directors.
- The Committee assessed the mid-year performance of the then MD of the Company, the then Deputy MD of SCSB and the CFO of the Company. Their scorecards and achievements were presented to the NRC for deliberation. Encapsulated in the scorecard were 5 main assessment elements, i.e. Cost (Financial), Time (Operations), Quality (Operations), Safety (Operations), and Strategic Initiatives (Strategic), and People Development & Engagement.

- (iv) At the meeting held on 19 November 2019, the NRC deliberated on the following matters:

- The Committee was briefed by the then MD on the management succession plan and the intended organisation structure. The potential successors to key management positions in the organization were identified and tabled for deliberation. The NRC received assurances that candidates identified for the senior management positions were of sufficient calibre. A leadership programme was in place to track their readiness in order to provide orderly succession.

The Group Human Resource Department has a systematic program (i.e. Excel in My Career and Leadership (ExCeL) @ Sunway) to identify the next echelon of future leaders. A 2-day program was conducted whereby the identified candidates were given various

case studies, role play, stimulations, etc to assess their leadership capabilities. The program enabled a more personalised, purposeful and focused career development journey to assist the candidates to realise their leadership potential.

The Committee also conducted an annual talent review with the Head of HR. The review encompassed comprehensive succession planning for all key management positions across the business functions. The identified successors for top management would be presented to the Committee for review and endorsement on an annual basis. Currently, all senior management have one or more potential successors in one or more of these stages i.e. ready now, ready soon or ready later.

- The Committee assessed the performance of the then MD, the then Deputy MD of SCSB and CFO based on the past 9 months’ performance results in order to determine the quantum of their interim bonuses. The Committee subsequently recommended to the Board for approval the payment of interim bonuses to the MD, Deputy MD of SCSB and CFO.

The Board, through the NRC, assesses the independence of each Independent Directors annually based on a set of criteria as specified in Listing Requirements. Further, all the Independent Directors are required to give their confirmation on their independence pursuant to the Listing Requirements vide the annual Independent Directors’ Self-Assessment Checklist.

The Board has a policy whereby an Independent Non-Executive Director who has reached the threshold of 9 years’ tenure will be re-designated as Non-Independent Non-Executive Director, unless he or she has obtained shareholders’ approval to be retained in the Board as Independent Non-Executive Director. If the Board continues to retain the Independent Director after the twelfth year, annual shareholders’ approval must be sought through a two-tier voting process. This is to facilitate the Board renewal and hence, enhancing the effectiveness of the Board.

During the financial year under review, none of the Independent Non-Executive Directors had reached the 9-years tenure.

The Board, through the NRC undertakes an annual assessment of the Board as a whole, Board Committees and each individual Directors’ performance by way of self and peer evaluation. This includes a review of the desirable mix of competencies, qualification, knowledge, skills, expertise and personal characteristics of Directors and any gaps that exist in the optimum mix of skills required for the Board.

The evaluation process was assessed internally and facilitated by the Company Secretaries. As part of the process, questionnaires were sent to the Directors, and the results were aggregated and reported to the NRC. All assessments carried out by the NRC were properly documented, summarised and reported to the Board. The results of the survey and recommendations of the NRC were considered by the Board and follow up action is taken where necessary with a view to enhancing the effectiveness of the Board in the discharge of its duties and responsibilities.

The Board was satisfied with the current evaluation methodology as each director was able to provide candid, frank opinion and recommendation to improve the overall governance process of the Company. As such, the Board has decided to continue with the existing practice of Board assessment and will only consider engaging independent experts for its future annual evaluation, if it is necessary.

Generally, the Directors were satisfied with the effectiveness of the Board as a whole. The Director’s peer review indicated that all the Directors were of the view that each of them had performed their respective roles and functions effectively and responsibly. Each member was satisfied with each other’s contribution in sharing their insights and were involved in active participation in Board and Board Committees’ discussions. All the Board Committees were assessed to be effective in discharging their roles and responsibilities as per the approved TORs.

As at the date of this report, the Board has yet to fulfil the requirement of 30% gender diversity. The Board is cognisant of this requirement and will endeavour to search for suitable and qualified women director to join the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. All Directors have given their full commitment to the Board Meetings by attending all the Board and Board Committees' meetings held during 2019. Their meeting attendance at Board and Board committees' meetings is evidenced by the attendance record set out in the table below.

Directors	Board Meeting	AC Meeting	NRC Meeting	RMC Meeting
Independent Non-Executive Directors				
Dato' Ir Goh Chye Koon	7/7	6/6	4/4	5/5
Dato' Siow Kim Lun	7/7	6/6	4/4	5/5
Dato' Dr Ir Johari	7/7	6/6	4/4	5/5
Dr Sarinder Kumari	7/7	6/6	4/4	5/5
Non-Independent Non-Executive Directors				
Dato' Chew Chee Kin	7/7	N/A	4/4	N/A
Evan Cheah Yean Shin	7/7	N/A	N/A	5/5
Group Managing Director				
Chung Soo Kiong	7/7	N/A	N/A	N/A

In order to ensure the Directors have sufficient time to fulfil their roles and responsibilities effectively, the Board has agreed that one of the criteria for potential new directors is that they must not hold more than five (5) directorships in public listed companies. This enables them to discharge their duties effectively by ensuring that their commitment, resources and time are more focused. It is incorporated in the Company's Board Charter that a Director is required to seek prior consent from the Chairman of the Board before he or she accepts any new directorship outside the Group. The Company Secretary will monitor the number of directorships and the changes, if any, of each Director and report to the Board during the Board meetings.

(c) Risk Management Committee ("RMC")

The RMC has oversight on the Company's risk management framework and policies. The RMC comprises exclusively Non-Executive Directors. The RMC was headed by Dr Sarinder Kumari, with Dato' Ir Goh Chye Koon, Dato' Siow Kim Lun, Dato' Dr Ir Johari and Evan Cheah Yean Shin as members.

The Company's overall risk management process is the responsibility of the Board conducted through the RMC. The RMC supports the Board and management in setting the tone from the top so as to embed and maintain appropriate risk culture. It guides the development of and recommends for Board approval the risk appetite for various types of risk and exercises oversight on how this is operationalised into individual risk appetite limits.

The RMC, with the assistance of the Risk Management Working Group:

- (i) evaluates and determines the nature and extent of the risks the Board is ready to endorse in pursuit of the Company's strategic objectives;
- (ii) ensures an appropriate and effective risk management framework is established and maintained;
- (iii) monitors the design and implementation of the risk management framework; and
- (iv) oversees management of risk identification, reporting and mitigation efforts. The risk management review is reported to the RMC on a quarterly basis for review and discussion.

During the financial year 2019, five (5) meetings were held to deliberate on the following matters:

- (i) Reviewed and deliberated the quarterly risk reports which consist of identified principal risks at operational levels, the corresponding rating for each risk as well as the control and mitigation action plans taken.
- (ii) Reviewed and endorsed the Statement on Risk Management and Internal Control to be included in the Company's Annual Report 2018.

- (iii) Reviewed the RMC's TOR to ensure that it is updated with the regulatory and CG Code requirements.
- (iv) Reviewed with Management a worksite accident which occurred during the year. Detailed preventive actions plan and mitigation procedures were discussed to prevent such accident in the future.
- (v) Approved the meeting schedule for 2020.

In 2019, the RMC discussed the findings and the impact of the following potential risks:

- (i) Delay in project delivery resulting in liquidated ascertained damages (LAD) and reputational risk;
- (ii) Staff & skilled personnel turnover;
- (iii) Cost overrun;
- (iv) Return on investment of machineries/assets & idling of machines;
- (v) Reliability on subcontractors;
- (vi) Workers' accreditation from Construction Industry Development Board;
- (vii) Legal Worker; and
- (viii) Scarcity of construction projects in the market.

For more details of the Risk Management Framework and Internal Controls system of the Company, please refer to the Statement on Risk Management and Internal Control on page 205.



Sunway Pyramid Shopping Centre equipped with solar photovoltaic panels

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Director Development & Training

In view of the increasingly demanding, complex and multi-dimensional role of a director, the Board recognises the importance of continual training and professional development for its Directors so as to be able to serve effectively on, and contribute positively to, the Board.

During the financial year ended 31 December 2019, all members of the Board attended various development/ training programmes, conferences, seminars and courses organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in law, regulations and the business environment. The Company Secretaries maintain a training record to track the Directors' attendance at training and professional development courses.

Training Programmes, Seminars and Workshops attended by Directors

Name of Directors	Course Title / Organiser	Date
Dato' Ir Goh Chye Koon	Independent Directors' Programme: The Essence of Independence (The Iclif Leadership and Governance Centre)	27 June 2019
	Fundamentals of Corporate Directorship: Financial Language in the Boardroom (Institute of Corporate Directors Malaysia)	15 & 16 July 2019
	Sunway Leaders Conference 2019 (Sunway Group)	20 September 2019
	International Directors Summit 2019 (Institute of Corporate Directors Malaysia)	14 & 15 October 2019
Dato' Siow Kim Lun	BCSD Malaysia Breakfast Talk #3: Sustainability & Business (Business Council for Sustainable Development Malaysia)	21 March 2019
	Bursa Malaysia Thought Leadership Series - Leadership Greatness in Turbulent Times: Building Corporate Longevity (Institute of Corporate Directors Malaysia)	26 June 2019
	Thematic Sustainability Workshop: Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (Bursa Malaysia)	9 July 2019
	Sunway Leaders Conference 2019 (Sunway Group)	20 September 2019
	Bursa Malaysia Thought Leadership Series -Sustainability Inspired Innovations: Enablers of the 21st Century (Institute of Corporate Directors Malaysia)	23 September 2019
	International Directors Summit 2019 (Institute of Corporate Directors Malaysia)	14 & 15 October 2019
	Executive Talk on Integrity and Governance (Institut Integriti Malaysia)	7 November 2019
	Audit Oversight Board - Conversation with Audit Committees (Securities Commission Malaysia)	8 November 2019

Name of Directors	Course Title / Organiser	Date
Dato' Dr Ir Johari	Independent Directors' Programme: The Essence of Independence (The Iclif Leadership and Governance Centre)	27 June 2019
	Sunway Leaders Conference 2019 (Sunway Group)	20 September 2019
Dr Sarinder Kumari A/P Oam Parkash	The Board of Directors of the 21st Century: When Disruption Meets Tradition (Institute of Corporate Directors Malaysia)	27 June 2019
	Sunway Leaders Conference 2019 (Sunway Group)	20 September 2019
	Bursa Malaysia Thought Leadership Series - Sustainability Inspired Innovations: Enablers of the 21st Century (Institute of Corporate Directors Malaysia)	23 September 2019
	International Directors Summit 2019 (Institute of Corporate Directors Malaysia)	14 & 15 October 2019
Dato' Chew Chee Kin	Sunway Leaders Conference 2019 (Sunway Group)	20 September 2019
Evan Cheah Yean Shin	Sunway Leaders Conference 2019 (Sunway Group)	20 September 2019
Chung Soo Kiong	Managing Asia: Sustainable Entrepreneurship Conference (CNBC Asia Pacific & Sunway Group)	21 March 2019
	IMECHE Leadership Conference 2019 (The Institution of Mechanical Engineers Malaysia)	17 August 2019
	Sunway Leaders Conference 2019 (Sunway Group)	20 September 2019
	US-China Trade War: Its impact on business and consumers in Asean (Malaysian Investor Relations Association)	9 October 2019

III. REMUNERATION

The Group recognizes that in order to attract and retain Directors is to have a fair and comprehensive remuneration package that commensurate with their experience, skills and responsibilities as well as benchmarking against industry's standards. In view of this, the remuneration package for Group MD and directors' fees for Non-Executive Directors were determined by benchmarking against remuneration packages of relevant position with similar industry and business size. It is structured on the basis of linking rewards to corporate and individual performance. The performance and remuneration

package of the Group MD is subject to evaluation of the NRC.

For Independent Non-Executive Directors including the Chairman, the level of remuneration reflects their knowledge, experience and level of responsibilities. In addition, the remuneration is benchmarked against industry's peers of similar size as well as complexity of the Group's businesses. The remuneration of Independent Non-Executive Directors consists of fixed annual directors' fees and meeting allowances for each Board or Board Committee meeting attended.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Board as a whole determines the fees for the Non-Executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration. The fees and allowances payable to the Non-Executive Directors are subject to the prior approval of shareholders at the AGM of the Company.

The Board Chairman is entitled to directors' fee of RM180,000 per year while the rest of the Non-Executive Directors are entitled to directors' fees of RM100,000 per individual per year. The meeting allowance is set at RM500 per individual per meeting.

In addition to the directors' fees, the Chairman and members of the AC are entitled to AC's fees in respect of their governance and oversight responsibilities over financial reporting, internal control system, risk management system, internal and external audit function.

The amount of AC's fees is benchmarked against public listed companies of similar size and industry. The AC's fees are subject to shareholders' approval. The fees will be reviewed as and when the need arises. The AC's fees are payable annually together with the payment of the directors' fees.

Currently, the AC's fees are set at RM6,000 for the Chairman per annum and RM3,000 for each member per annum.

The details of the Directors' remuneration for the financial year 2019 are disclosed in the CG Report, which is available in the Company's website at www.sunwayconstruction.com.my.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

The AC was led by Dato' Siow Kim Lun, who was not the Chairman of the Board. The members of the AC were Dato' Ir Goh Chye Koon, Dato' Dr Ir Johari and Dr Sarinder Kumari. All of them were Independent Non-Executive Directors. This meets the requirements of paragraph 15.09(1)(a) and (b) of the Listing Requirements. The AC Chairman was approved and recognised by the Bursa Securities as a person qualified for the purpose of paragraph 15.09(1)(c)(iii) of the Listing Requirements whereby he has relevant expertise in accounting and financial management domain.

The Company has a policy requiring a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC.

The AC has explicit authority to investigate any matter within its TOR. Management provides their fullest co-operation in providing information and resources, and in implementing or carrying out all requests made by the AC. The AC has direct access to the internal and external auditors and full discretion to invite any executive officer to attend its meetings. Similarly, both the internal and external auditors have unrestricted access to the AC.

In financial year 2019, the AC met the internal and external auditors separately twice, on 25 February 2019 and 20 March 2019 without the presence of the Management. The AC discussed on the reasonableness of the financial reporting process, the system of internal controls, management co-operation in the audit process and significant comments and recommendations by both the internal and external auditors

In assessing the suitability of the External Auditors, the AC is guided by the Policy on Selection of External Auditors. It also monitors the provision of non-audit services by the External Auditors to ensure that the non-audit services fees do not exceed 50% of the total audit fees payable to them.

During the year, the AC assessed suitability of re-appointment of BDO PLT as External Auditor for financial year 2018. The assessment was based on the audit quality, suitability, effectiveness and independence of the External Auditors. The annual assessment of the performance of the External Auditors encompassed areas such as objectivity and independence, competency, quality of services, communication and interaction, audit planning, delivery, fees and adequacy of resources. The AC has also considered the non-audit services provided by the External Auditors during the financial year.

The outcome of the assessment was tabled to the AC on 20 March 2019. There were no major concerns highlighted in the External Auditors Assessment Report. The AC was generally satisfied with the performance of the External Auditors for financial year ended 31 December 2018. Therefore, the AC had recommended for shareholders' approval at the 5th AGM of the Company held on 19 June 2019, the proposed re-appointment of BDO as External Auditors for financial year 2019.

The AC has also considered the non-audit services provided by the External Auditors during the financial year.

The External Auditors has a policy of rotating their engaging partner in charge of the audited financial statements of the Company and the Group once every seven (7) years to maintain their independence from the Group. Nevertheless, the current audit engagement partner has held the position for only five (5) years. The Board also has an option of rotating an audit firm at its own discretion.

In addition, the External Auditors will be invited to attend the Company's AGM/Extraordinary General Meeting(s) and will be available to answer any questions from the shareholders on the conduct of the statutory audit and the contents of the audited financial statements as well as any corporate exercise undertaken by the Group where the External Auditors are involved.

The Board, through its NRC, reviews annually the performance of the AC. The evaluation covered key aspects such as the members' financial literacy levels, ability to pose probing questions, competencies in grasping complex issues and skills as well as knowledge to discharge their duties and responsibilities under its TOR. Based on the assessment for FY2019, the Board was satisfied with the performance and effectiveness of the AC.

The detailed report of the AC is set out in the Audit Committee Report section on page 195 of this Annual Report.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board remains committed towards maintaining a sound risk management and internal control systems and policies to safeguard the shareholders interest. The Company maintains an adequate and effective system of risk management and internal controls addressing material financial, operational, regulatory, compliance and information technology risks to safeguard the stakeholders' interests of the Company.

The Board supported by the AC and the RMC, recognises that the risk management and internal control systems established can provide only reasonable assurance that the Group will not be significantly affected by any event that can be reasonably foreseen or anticipated. There are no systems of risk management and internal controls that can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

The Board through the AC and RMC, has overall responsibility for the governance of risk and oversees the Management in the design, implementation and monitoring of the risk management and internal controls systems. The RMC oversees the adequacy and effectiveness of the risk management framework, systems and policies of the Company. The AC is tasked with the responsibility of evaluating the reliability, adequacy and effectiveness of the Group's risk management and internal control systems, including whether there is prompt and accurate recording of transactions and proper safeguarding of assets. The IAD which is in-charge of the internal audit function, assists the AC in reviewing, evaluating and monitoring the effectiveness of the Group's governance, risk management and internal control processes.

The RMC is assisted by the Risk Management Working Group ("RMWG") at the operational level. The RMWG identifies, mitigate and monitors the critical risks highlighted by each Business Divisions. The Board through the RMC, has received assurances from the Group MD and the CFO that the risk management framework and internal controls system of the Company are operating adequately and effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Regular assessments on the adequacy and integrity of the internal controls and monitoring of compliance with policies and procedures are also carried out through internal audit exercises. The risk-based internal audit plan that includes internal audit coverage and scope of work were presented to the AC for its consideration and approval annually. Internal audit reports encompassing the audit findings together with recommendations thereon are presented to the AC on a quarterly basis. The internal auditors and Management are tasked to ensure management action plans are carried out effectively and regular follow-up audits are performed to monitor the continued compliance.

Details of the Risk Management Framework and internal controls system of the Company are as set out in the Statement on Risk Management and Internal Control section on page 205 of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of maintaining transparency and accountability to the shareholders of the Company, and promoting regular, effective and fair communication with shareholders and all stakeholders. The Company is committed to continuously disclose and disseminate comprehensive and timely information to its shareholders as well as to the general investing public in its effort to strengthen its relationship with the shareholders.

Timely disclosure of material information is critical towards building and maintaining corporate credibility and investor confidence. The Board recognises the importance of accurate and timely public disclosures of corporate information in order for the shareholders to exercise their ownership rights on an informed basis.

The Company has in place a Corporate Disclosure Policy which serves as a guide to enhance awareness among the employees of corporate disclosure requirements. The policy outlines the Company's approach toward the determination and dissemination of material information, the circumstances under which the confidentiality of information will be maintained, response to market rumours and adverse or inaccurate publicity and restrictions on insider trading.

The Company also has put in place an internal policy on confidentiality to ensure that confidential information is handled properly by Directors, employees and relevant parties to avoid leakages and improper use of such information. The Board is mindful that information which is expected to be material must be announced immediately.

The communication channels used in the Company's engagement with its stakeholders include:

- The Company's website;
- Establishment of an investor relations division;
- Announcements via Bursa LINK;
- Annual reports;
- General meetings;
- Investors, analysts and media briefings;
- Domestic and overseas roadshows and investors conference; and
- Investor Relations Mobile Application

The Company maintains a corporate website, <https://www.sunwayconstruction.com.my> to disseminate information and enhance its investor relations. All disclosures, material information and announcements made to Bursa Securities via Bursa LINK are published on the website shortly after the same is released by the news wire service or the relevant authorities. Supplemental, non-material information will be posted on the website as soon as practicable after it is available. There is an Investor Relations section on the website which provides the Company's investor relations efforts as well as all relevant information about the Company, such as financial information, announcements released to Bursa Securities, general meetings materials, investor presentations, corporate governance matters, distribution information, press releases to the media and investor centre. The information is easily accessible by the public. Annual reports and circulars to shareholders are also made available at this website for review.

In addition, the Company also announces the targeted date for release of the financial results of the Company two (2) weeks in advance prior to each Board meeting in order to keep the shareholders or investing public aware of the timing of the release of the financial results.

The Board recognises the need for due diligence in maintaining, updating and clearly identifying the accuracy, veracity and relevance of information on the website. All timely disclosure and material information will be clearly date-identified. The management has ongoing responsibility for ensuring that information in the Company's website is up to date.

While the Company endeavours to provide as much information as possible to the shareholders and stakeholders of the Company, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. The Company has also in place an insider trading policy to safeguard confidentiality of the material and price-sensitive information of the Company.

The Company has in place an Investor Relations team supporting the Group MD and the CFO to facilitate effective communication with shareholders, potential investors, analysts, fund managers and the media. In addition, the email address, name and contact number of the Investor Relationships Officer is listed in the Company's website to enable the public to forward queries relating to the Company.

The Company also disseminates Quarterly Report and Corporate Presentation to all research analysts and investors via email communication as soon as the information is released to Bursa Securities. The Company also provides research analysts and investors continuous updates on the latest order book secured and outstanding order book. During the financial year 2019, the Company had participated in various investor conference and road shows in Malaysia and Singapore.

II. CONDUCT OF GENERAL MEETINGS

The Board encourages shareholders' participation in general meetings. The AGM of the Company provides a principal forum for shareholders to share their views. It also provides open dialogue opportunity and interaction between the Board and the shareholders. The participation of shareholders, both individuals and institutional at general meetings on clarifications of pertinent and relevant information is encouraged.

In 2019, the Company served notice of its 5th AGM more than 28 days before the meeting, well in advance of the 21-day requirements under the Companies Act 2016 and the Listing Requirements of Bursa Securities. The additional time given to the shareholders had allowed them to have sufficient time to scrutinise the Annual Report 2018 and to make necessary arrangements to attend the meeting. The Company also distributed together with the notice of 5th AGM, an Administrative Guide, which furnished useful information regarding the conduct of the 5th AGM, such as details of the meeting, shareholders' entitlement to attend the meeting, their right to appoint proxy. Shareholders who are not able to attend the meeting are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his or her stead at all the general meetings.

Before commencement of the 5th AGM, the Group MD gave a detailed presentation of the Company and of the Group's financial performance for financial year ended 31 December 2018.

The Chairman provided ample time for the Questions and Answers sessions during the AGM. All the Directors together with the Group MD, CFO, management team and External Auditors were present to respond to all questions asked by shareholders. All suggestions and comments given by the shareholders were also noted by management for consideration.

In addition, written questions raised by the Minority Shareholder Watch Group were presented to the shareholders at the general meetings together with the Group's response.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

All resolutions set out in the notices of the 5th AGM were voted by poll, and an independent scrutineer was appointed to validate the votes cast at each of the meetings. This was in line with paragraph 8.29A of the Listing Requirements. The Company had appointed its Share Registrar, Sunway Management Sdn Bhd as Polling Administrator to conduct the polling process, and BDO Consulting Sdn Bhd as Independent Scrutineer to validate the poll results of 5th AGM of the Company.

In order to promote greater transparency and to allow for a more efficient and accurate voting system, the Company has leveraged on technology to facilitate electronic poll voting with real-time polling results updated live for all shareholders' viewing. The Company has conducted electronic polling at its 5th AGM. This allows all the shareholders and proxies present at the meetings to vote on "one unit, one vote" basis. The poll results were instantaneously displayed on-screen which could be seen by everyone in the meeting room, confirmed by the Chairman and subsequently announced to Bursa Securities in a timely manner after the meetings.

The Minutes of the 5th AGM was also made available on the Company's website at <https://www.sunwayconstruction.com.my> for the information of the public.

NEW INITIATIVES

During the financial year 2019 and up to the date of this Annual Report, the Board has established an Anti-Bribery and Corruption Task Force ("Task Force") to implement policies and procedures for the anti-bribery and corruption compliance programme and to strengthen our internal processes and practices on anti-corruption. The members of the Task Force comprise senior personnel from various divisions, i.e. Operations, Contracts, Human Resources, Finance, Legal and Internal Audit. This initiative is in response to the corporate liability provision of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 which will take effect on 1 June 2020 and based on the Guidelines on Adequate Procedures issued by the Prime Minister's Office on 4 December 2018.

The Task Force has established a comprehensive anti-bribery and corruption programme and it is expected to be fully implemented within the Group by 1 June 2020. The activities set out in the programme includes the following:

- (a) Establishment of an Anti-Bribery and Corruption Policy ("ABC Policy")** - The first draft of the ABC Policy was presented to the Board for deliberation on 7 January 2020. The policy outlined our anti-bribery and corruption strategies and action plans in preventing, detecting and managing bribery and corruption issues. The Board had provided valuable comments and suggestions on the ABC Policy. The subsequent revisions to the ABC Policy was tabled to and approved by the Board on 20 February 2020. The ABC Policy is made available for viewing at the Company's website.
- b) Corruption Risk Assessment** - Corruption risk has been included in the annual risk assessment of the Group. Risk assessment will be conducted to identify and analyse the internal and external corruption risks in order to establish appropriate processes, systems and controls to mitigate the specific corruption risks the business is exposed to, if any.
- c) Training and Communication** - Adequate training and communication of the ABC policy and related guidelines such as gifts, entertainment and hospitality expenses and donation and sponsorship policies and procedures will be carried out involving all directors, employees and associates.

In addition, the Company had also on 7 January 2020 established an Anti-Money Laundering Policy ("AML Policy") to be observed within the Group. The purpose of the AML is to provide guidance to all the Group's employees on how to strengthen anti-money laundering measures. It reiterates the Company's commitment to full compliance to the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001. This AML Policy complements and should be read in conjunction with the Company's Code of Conduct and Business Ethics and the Whistle-Blower Policy. All the abovementioned policies and code can be found in the Company's website.

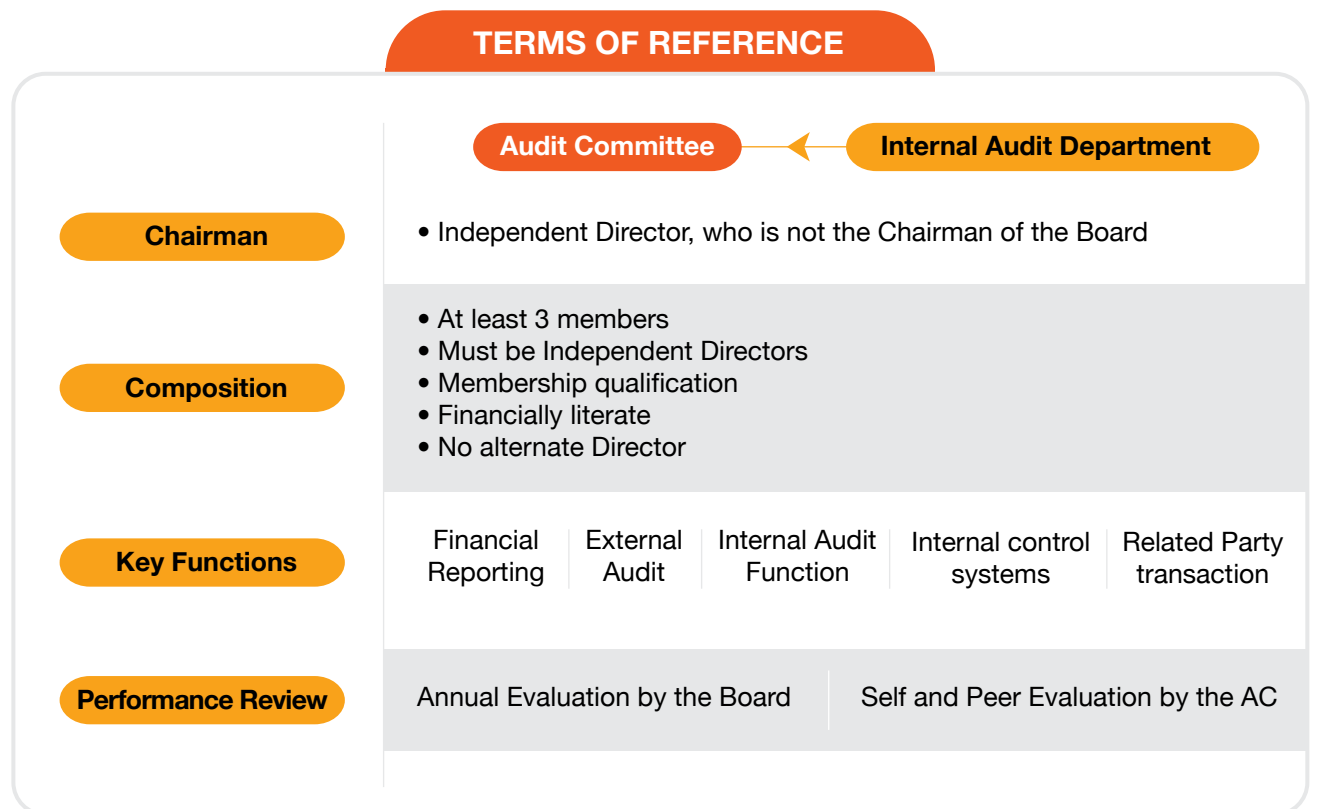
This Corporate Governance Overview Statement was approved by the Board of Directors on 6 April 2020.



Dato' Ir Goh Chye Koon
Independent Non-Executive Chairman

AUDIT COMMITTEE REPORT

The Board of Directors ("Board") of Sunway Construction Group Berhad ("Company") is pleased to present the Audit Committee Report which provides insights into the manner in which the Audit Committee ("AC") has discharged its oversight functions during the financial year ended 31 December 2019.



COMPOSITION

The AC comprises four (4) members, all of them are Independent Non-Executive Directors. The current composition of the AC is as follows:

1. Dato' Siow Kim Lun – Chairman
(Independent Non-Executive Director)
2. Dato' Goh Chye Koon
(Chairman of the Board / Independent Non-Executive Director)
3. Dato' Dr Ir Johari Bin Basri
(Senior Independent Non-Executive Director)
4. Dr Sarinder Kumari A/P Oam Parkash
(Independent Non-Executive Director)

AUDIT COMMITTEE REPORT (CONT'D)

The composition of the AC complied with the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the principles and practices set out in the Malaysian Code on Corporate Governance (“CG Code”):

Requirements	Commentary
Paragraphs 15.09(1) (a) & (b) of Listing Requirements	<ul style="list-style-type: none"> The AC comprises four (4) members, all of them are Independent Non-Executive Directors. This has fulfilled the requirements of at least three (3) members in the AC and majority of them should be Independent Non-Executive Directors.
Paragraph 15.09(1) (c) of Listing Requirements	<ul style="list-style-type: none"> Dato’ Siow Kim Lun, the Chairman of the AC, has been approved and recognized by the Bursa Securities as a person qualified for the purpose of paragraph 15.09(1)(c)(iii) of the Listing Requirements.
Practice 8.1 of CG Code	<ul style="list-style-type: none"> Dato’ Siow Kim Lun, the Chairman of the AC, is not the Chairman of the Board.
Practice 8.2 of CG Code	<ul style="list-style-type: none"> Since the incorporation of the Company, none of the members of the Board were former key audit partners.
Practice 8.3 of CG Code	<ul style="list-style-type: none"> The AC has in place policies and procedures to assess the suitability, objectivity and independence of the external auditor.
Practice 8.5 of CG Code	<ul style="list-style-type: none"> All members are financially literate and are able to understand matters under the purview of the AC including the financial reporting process. They have attended various training programmes, conferences, seminars and courses organised

TERMS OF REFERENCE

The scope of responsibilities of the AC is outlined in its Terms of Reference (“TOR”) which are set out in the Company’s website: www.sunwayconstruction.com.my.

MEETINGS AND ATTENDANCE

A total of five (5) AC meetings were held during the financial year under review. The members of the AC and their attendance record are as follows:

Name of Committee Members	Membership	Number of Meetings Attended	Percentage of Attendance
Dato’ Siow Kim Lun	Chairman	5/5	100%
Dato’ Ir Goh Chye Koon	Member	5/5	100%
Dato’ Dr Ir Johari Bin Basri	Member	5/5	100%
Dr Sarinder Kumari A/P Oam Parkash	Member	5/5	100%

The following parties were invited to attend the AC meetings:

Invitees	Frequency of attendance	Purpose
Managing Director* (“MD”), Chief Finance Officer (“CFO”) and Deputy Managing Director^ of main subsidiary, Sunway Construction Sdn Bhd (“SCSB”)	All meetings	To provide clarification on risks, internal controls and audit issues relating to the Company and its subsidiaries’ (“Group”) finance and business operations.
Head of Internal Audit Department (“IAD”) and team members	All meetings	To present the internal audit reports, annual audit plan and respective investigation reports, if any.
External Auditors	3 meetings	To present to the AC the audit plan, the audit findings, the independent auditors’ report as well as any other matters in respect of the Group as they considered were important for the AC’s attention.
Senior Management Officers	As and when necessary	To brief the AC on specific issues involving their respective areas of responsibility arising from the internal audit reports or any matters of interest.

Notes:

* The MD had been redesignated as Group Managing Director of the Company with effect from 7 January 2020.

^ The Deputy Managing Director of SCSB had been redesignated as Managing Director of SCSB with effect from 1 January 2020.

The minutes of each AC meeting were recorded and tabled to the AC for adoption at subsequent AC meetings and thereafter all minutes of AC meetings were presented to the Board for discussion and notation. The Chairman of the AC reported the AC’s recommendations to the Board for its consideration and implementation as well as highlighted the significant matters and resolutions deliberated by the AC to the Board at its immediate subsequent meeting.

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2019, the AC carried out the following activities in the discharge of its functions and duties as per its TOR:

1. Financial Reporting

(a) Quarterly Financial Results

At the quarterly meetings of the AC held on 25 February 2019, 16 May 2019, 19 August 2019 and 19 November 2019, the AC reviewed and discussed with Management the respective quarterly management accounts and quarterly financial results, taking into consideration that the necessary process and controls were in place in the preparation of the financial reports.

At each of the meetings, the CFO presented the financial reports and confirmed to the AC, the following matters:

AUDIT COMMITTEE REPORT (CONT'D)

- (i) The accounting policies and methods of computation adopted by the Group were consistent with those adopted in the previous audited financial statements except for the adoption of new or amended accounting standards that were effective for the financial year 2019;
- (ii) There were no significant and unusual issues other than those reported in the financial statements;
- (iii) The Company and the Group continued to operate as going concern; and
- (iv) The accounting standards, regulatory and other legal requirements had been complied with in preparation of the financial statements.

The AC reviewed the financial results and focused its attention on the accuracy of the reported financial figures and explanations to material variances or movements during the relevant quarters. The AC was satisfied that the unaudited quarterly financial results had been prepared in accordance with the Listing Requirements and the relevant approved accounting standards so as to give a true and fair view of the financial position of the Group and of its financial performance and cash flows for each quarter. The AC's recommendations of the quarterly financial results were presented to the Board for approval at each subsequent Board meetings for release to Bursa Securities.

(b) Audited Financial Statements

On 20 March 2019, the AC, together with the External Auditors and Management, reviewed and deliberated on the annual audited financial statements for the financial year ended 31 December 2018 ("FYE2018") prior to submission to the Board for consideration and approval.

The AC discussed the significant audit findings, key audit matters raised by the External Auditors and the adoption of new accounting standards as well as the disclosure required in the Independent Auditors' Report of the Company's audited financial statements for FYE2018.

At the aforesaid meeting, the Management and External Auditors confirmed that the draft audited financial statements for FYE2018 was prepared in accordance with the relevant accounting standards and statutory requirements. Thereafter, the AC recommended the same for approval by the Board and subsequent tabling at the 5th Annual General Meeting of the Company held on 19 June 2019.

(c) Accounting Standards and Other Relevant Regulatory Requirements

The AC also reviewed and took note of the changes and amendments to the regulations, accounting standards and other regulatory requirements tabled by the External Auditors and the CFO that could have financial impact on the Group and the Company.

On 25 February 2019, the External Auditors briefed the AC on the impact of the implementation of new accounting standards i.e. MFRS 9: Financial Instruments and MFRS 15: Revenue from Contract with Customers, on the audited financial statements of the Company for FYE2018. In the same meeting, the CFO also briefed the AC on the requirements of MFRS 16: Leases and its implication to the Group's financial reporting, of which the new accounting standard had taken effect on 1 January 2019.

On 16 May 2019, the CFO further briefed the AC on the whether there was any financial impact (in terms of amount) arising from the implementation of the MFRS 16: Leases. The AC was assured that the financial impact was very minimal.

2. External Audit

- (a) The AC met with the External Auditors, Messrs BDO PLT on the following dates:
 - The AC on 25 February 2019, reviewed and deliberated with the Management and the External Auditors, the Audit Report by the External Auditors in respect of their audit for the financial year ended 31 December 2018.

In the meeting, the External Auditors confirmed their professional independence in relation to the audit engagement for the financial year ended 31 December 2018. The External Auditors also reported their audit status versus the audit plan. The AC was briefed by the External Auditors on the findings on areas of significant auditor attention, key audit matters, impact on financials from the adoption of new accounting standards, improvement recommended for internal control, etc. which they had identified during the course of their audit and the justifications provided by the Management.

The External Auditors had subsequently confirmed that they were not aware of any non-compliance of laws and regulations, as well as any material litigations and claims against the Group other than those brought forward from prior financial years.

The AC and Management had also confirmed that they were not aware of any non-compliance of laws and regulations or any significant fraud related matters.

- The AC on 20 March 2019, discussed with the External Auditors, the final draft of the audited financial statements for FYE2018 and the deviation between the unaudited fourth quarter results for the period ended 31 December 2018 and the draft audited financial statements for FYE2018. It was highlighted that the deviation of 0.1% was deemed immaterial.

The External Auditors was of the opinion that the Company's Annual Financial Statements FYE2018 provided a true and fair view of the financial position of the Company and of its Group in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016.

Based on its annual audit, the External Auditors reported the following key audit matter and its audit response in its Independent Auditors' Report for the financial year 2018:

• Revenue Recognition for Construction Contracts

The revenue and profit recognition on construction contracts required Management to exercise significant judgements in estimating the progress towards complete satisfaction of performance obligations and determining whether there was any potential exposure to the liquidated ascertained damages (LAD). The progress towards complete satisfaction of performance obligations was measured using the output method, which was based on the estimated contract works completed to-date over the estimated total contract sum.

In estimating the progress towards complete satisfaction of performance obligations, the Group considered the completeness and accuracy of its estimated total contract sum, including contract variations, claims and contingencies.

- On 19 November 2019, the AC reviewed and discussed with the External Auditors and Management, the Audit Planning for financial year 31 December 2019 which outlined the External Auditors' engagement and reporting responsibilities, audit approach, materiality and performance materiality, areas of significant audit attention, engagement team as well as audit reporting and deliverables.
- (b) The AC had private sessions with the External Auditors to discuss any issues as well as reservations arising from their audit without the presence of Management and the Executive Board Members on 25 February 2019 and 20 March 2019. No major concerns were highlighted and the External Auditors had also confirmed that they had received full cooperation from the Management and had unrestricted access to all the Company's records.

AUDIT COMMITTEE REPORT (CONT'D)

(c) The AC had, at its meeting held on 20 March 2019, reviewed the audit and non-audit fees for the financial year ended 31 December 2018. The AC having considered the nature, scope and amount of non-audit fees, was satisfied that there was no conflict of interest and it would not impair the independence of the External Auditors.

(d) The AC undertook an annual assessment on the quality of audit of the External Auditors. The External Auditors were assessed based on the following criteria:

- Audit performance;
- Quality of communication;
- Independence;
- Objectivity;
- Professionalism; and
- Adequacy of resources.

The External Auditors had provided to the AC, their firm's policies and written confirmation on their independence and the measures undertaken to control the quality of their work.

The results of the evaluation were tabled to the AC at its meeting held on 20 March 2019. Based on the results of the performance assessment, the AC and Management were satisfied with the External Auditors' independence, performance and their audit quality for the financial year ended 31 December 2018.

As such, the AC had subsequently recommended to the Board that the External Auditors be re-appointed as the Company's statutory auditors for the financial year 2019 subject to the shareholders' approval at the 5th Annual General Meeting of the Company.

3. Internal Audit

(a) The AC approved the IAD's 2019 Internal Audit Plan at its meeting held on 25 February 2019. The 2019 Internal Audit Plan was developed using a risk based audit methodology where business units and processes were selected

for audit based on risk assessments carried out periodically by the IAD. The AC reviewed the adequacy and relevance of the scope and resources allocated for the plan. Subsequently the plan and its proposed audit timetable and the budgeted man-hours was approved by the AC.

The 2019 Internal Audit Plan was also reviewed on a quarterly basis taking into account any developments which would have an impact on the audit coverage.

The IAD's audit assignments for 2019 were mainly carried out in the following areas:

- Review of processes for tendering and awarding of contracts to subcontractors to ensure internal controls are adequate and effective and complied with existing policy and procedures. Contracts reviewed during the year included those awarded within all major on-going projects and key trades such as structural, mechanical and engineering and architectural;
- Review of project performances and processes over budgetary control, major materials management and resources management to ensure internal controls are adequate and effective and complied with existing policy and procedures. The review covered projects in Central, Northern and Southern regions;
- Performed investigations at project sites pertaining to steel bar handling, material wastages, disposal of scrap and diesel management;
- Carried out follow-up audit on previous audit findings in previous audit reports ensuring that corrective actions were properly and timely implemented by management; and
- Performed compliance and governance related assignments such as review of recurrent related party transactions, fraud risk assessment and anti-bribery programme implementation.

(b) The AC reviewed the results of audit engagements carried out by IAD at every quarterly meeting and discussed the major findings and audit recommendations. The AC also reviewed the status of implementation of corrective actions taken by Management to ensure appropriate remedial actions were taken on a timely basis to address all areas of risk and internal control issues. In addition, the Head of IAD updated the AC on the progress of the 2019 Internal Audit Plan and results of ad-hoc assignments including audit investigations.

(c) At the meeting held on 25 February 2019, the AC reviewed the Internal Audit Charter. There were no material changes to the Internal Audit Charter since it was first adopted by the AC in 2015.

(d) At the meeting held on 20 March 2019, the Internal Audit Function Evaluation Report was tabled to the AC with regard to the assessment of the performance of the IAD. The AC assessed the effectiveness of the internal audit function in terms of scope and compliance with relevant regulatory standards as well as their collaboration with the External Auditors. The Committee also assessed the adequacy of resources within the IAD, as well as the core skills and competencies of the IAD's staff.

The AC was satisfied with the performance of the IAD in 2018 and was of the opinion that the internal audit function was appropriate to its size and the nature and scope of its activities.

At the same meeting, the Head of IAD confirmed to the AC that all the internal auditors had signed a declaration that they were and had been independent, objective and in compliance with the Code of Conduct and Business Ethics of the Company and the professional standards laid down by the Institute of Internal Auditors in carrying out their duties as internal auditors.

(e) At the meeting held on 19 November 2019, the AC met with the Head and core team members of the IAD without the presence of the Management to facilitate discussions on additional matters in relation to audit issues and internal control weaknesses noted in the course of their audit.

4. Reviewing Related Party Transaction & Conflict of Interest Situations

(a) The AC had at its meetings held on 25 February 2019, 16 May 2019, 19 August 2019 and 19 November 2019, deliberated on any potential Management's conflict of interest, related party transactions and recurring related party transactions.

All related party transactions and recurring related party transactions were found to have complied with the following criteria:

- Carried out in compliance with the Listing Requirements of Bursa Securities and relevant rules and regulations;
- Transactions/arrangement were carried out on an arms' length basis and under normal commercial terms;
- Transactions/arrangement were in the best interest of the Company;
- Interested parties abstained from deliberation and voting;
- Adequate disclosure via Bursa Announcements, Quarterly Results and Annual Report; and
- Prior approval by the shareholders, where applicable.

With the assistance of the IAD, the AC had satisfied itself the adequacy, appropriateness and compliance of the procedures established to monitor recurrent related party transactions.

The AC took note that there was no management conflict of interest situations for operational matters (including any transaction, procedure or course of conduct) as reported by the MD at the quarterly meetings.

AUDIT COMMITTEE REPORT (CONT'D)

- (b) On 25 February 2019, the AC reviewed and recommended for Board's approval the Circular to Shareholders in respect of the proposed renewal of shareholders' mandate for recurrent related party transactions as well as the statements by the AC in respect of the proposed shareholders' mandate for recurrent related party transactions.

The AC also reviewed and recommended for Board's approval the draft Statement to Shareholders with regard to the proposed renewal of authority for the Company to purchase its own shares.

5. Internal Controls System

- (a) The AC had reviewed the Company's internal controls system quarterly together with the Internal Auditors and was reasonably assured that the same were operating adequately and effectively. The key operational processes reviewed were:
- Tender and Award – Tender submissions, comparison of quotations, evaluation of tenderers, approval of awards;
 - Subcontractors awarding, certification and payments;
 - Resource management – Raw materials, Labour, Plant & Machineries;
 - Project budget assessment; and
 - Safety and security of project sites.
- (b) On 25 February 2019, the AC reviewed and deliberated on matters relating to internal control system as highlighted by the External Auditors in the course of their statutory audit of the financial statements for FYE2018. The External Auditors highlighted areas for improvement and recommended several improvement control systems for consideration and implementation by the Group.
- (c) AC also received assurance from the MD and the CFO provided assurance that the Company's risk management and internal controls system were operating adequately and effectively, in all material aspects.

6. Other Matters

- (a) On 16 May 2019, the AC was briefed by the Company Secretary of the following pronouncements:
- (i) Amendments to the Listing Requirements consequential to the revised Equity Guidelines issued by the Securities Commission Malaysia. The amended Listing Requirements took effect on 13 March 2019; and
 - (ii) Amendments to the Listing Requirements in relation to continuing disclosure obligations. The amendments took effect on 3 June 2019.

- (b) On 20 March 2019, the AC reviewed and recommended for the Board's approval, the Corporate Governance Overview Statement, AC Report and Statement on Risk Management and Internal Control for inclusion in the Company's Annual Report 2018.

The AC also reviewed and recommended for the Board's approval, the Annual Report 2018 of the Company and the Corporate Governance Report which was published together with the Company's Annual Report in the Company's website.

- (c) On 17 June 2019, the AC was briefed by the External Auditors on an issue filed by a shareholder to the Audit Oversight Board ("AOB") in respect of the technicality of the Independent Auditors' Report contained in the Company's Audited Financial Statements for FYE 2018 with regard to the Company's restated comparative financial information for financial year ended 31 December 2017. The External Auditors had met up with the AOB, explanation and clarification on the subject matter had been provided to the AOB. As of to-date, there is still no absolute resolution on this technical matter.
- (d) On 19 August 2019, the AC conducted its annual review of its TOR. It was concluded that the TOR was up-to-date and in line with applicable rules and regulations. Therefore, no changes to the TOR were required.

The AC had, at the same meeting, reviewed and approved the revision to the Policy on Selection of External Auditors arising from the change in the requirements of the Malaysian Institute of Accountants ("MIA") on the rotation period of the audit engagement partner from 5 years to 7 years.

- (e) In the AC meetings held on 19 August 2019 and 19 November 2019, the Head of IAD and the Head of Anti-Bribery Task Force updated the AC on the timeline and progress of the Anti-Bribery Programme of the Group. The AC was well informed that the corporate liability provision under the Malaysian Anti-Corruption Commission (Amendment) Act 2018 ("MACC Act 2018") would be brought into force on 1 June 2020 following the issuance of the Guidelines on Adequate Procedures pursuant to Section 17A(5) of the MACC Act 2018. The Company's Anti-Bribery and Corruption Policy was in its formulation stage and it would be tabled to the Board for approval in due course.
- (f) The AC was satisfied that there were no breaches of the Listing Requirements of Bursa Securities as reported by the Company Secretary at its quarterly meetings during the financial year.
- (g) Minutes of the previous AC's meetings were tabled at the subsequent Board meetings by the AC Chairman. Significant issues and concerns discussed during the AC meetings together with the recommendations were highlighted and reported to the Board.

PERFORMANCE EVALUATION

The Board, through its Nomination and Remuneration Committee ("NRC"), reviewed annually the terms of office of the AC. The NRC also assessed the performance of the AC as well as its members' skills set, experiences and competencies through an annual evaluation process. The members of the AC also undertook a Self and Peer Evaluation to assess whether the AC members had carried out

their duties and responsibilities in accordance with its TOR. These assessments were facilitated by the Company Secretary.

The results of the assessment for 2019 was tabled to the NRC and the Board on 20 February 2020. The Board was satisfied that the AC had discharged its functions effectively and carried out its duties and responsibilities in accordance with its TOR.

CONTINUING EDUCATION

The details of training programmes and seminars attended by each AC member during the financial year ended 31 December 2019 are set out in the Corporate Governance Overview Statement under "Training Programmes, Seminars and Workshops attended by Directors".

INTERNAL AUDIT FUNCTION AND SUMMARY OF ACTIVITIES

The Internal Audit ("IA") function is an integral part of the assurance framework and it is performed in-house and undertaken by IAD. The mission of IAD is to enhance and protect the Company and its Group's organizational value by providing risk-based and objective assurance, advice and insight. IAD helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes. IAD reports functionally to the AC and administratively to the Group Managing Director.

The IAD is headed by Ms Celia Lee Kat Li who is a Chartered Member of the Institute of Internal Auditors Malaysia (CMIIA). The IAD has 5 auditors and most of the IAD staff have professional qualifications and are members of the Malaysian Institute of Accountants (MIA). The Head of IAD and the audit executives have confirmed that they are free from any relationships or conflicts of interest which could impair their objectivity and independence in their audit assignments.

The IAD is a member of the Malaysian Chapter of the Institute of Internal Auditors (IIA) and adopts the IIA Standards laid down in the International Professional Practices Framework issued by the IIA.

AUDIT COMMITTEE REPORT (CONT'D)

The IAD successfully completed its external Quality Assessment Review in 2015 and continues to meet or exceed the IIA Standards in all key aspects. The IAD carried out its activities based on a risk-based annual audit plan approved by the AC. In ensuring that the responsibilities of the IAD are fully discharged, the AC reviews annually the adequacy of the scope, function and resources of the IA.

The internal audit reports were issued to the Management for their response, corrective actions and update on status of implementation of audit recommendations. The internal audit reports were subsequently tabled to the AC for deliberation and approval. The Head of the IAD has unrestricted access to the AC and reports directly to the AC.

During the financial year ended 31 December 2019 and as at the date of this report, the IAD carried out the following activities:

- (a) Prepared and presented the risk-based annual internal audit plan encompassing key business segments within the Group for the approval of the AC;
- (b) Performed audit engagements which covered reviews of internal control systems, accounting and management information systems, risk management and governance practices;
- (c) Issued internal audit reports to the AC and Management highlighting results of the assessments of internal controls identifying key areas of concerns as well as providing recommendations for improvements and follow-up audits;
- (d) Acted on suggestions made by the AC and/or Management on concerns over operations or controls and significant issues pertinent to the Company and of the Group;
- (e) Performed investigative audits on allegations of mismanagement or improper acts reported through the whistleblowing procedures and/or other channels;
- (f) Reported to the AC on review of the adequacy, appropriateness and compliance with the procedures established to monitor recurrent related party transactions;

- (g) Performed independent evaluation on the operation of risk management framework focusing primarily on the adequacy and effectiveness of the said framework;
- (h) Assisted the Management in the preparation and implementation of Anti-Bribery and Corruption Policy, in response to the corporate liability provision under the Malaysian Anti-Corruption Commission (Amendment) Act 2018; and
- (i) Assisted in the preparation and implementation of Anti-Money Laundering Policy.

The costs incurred for the internal audit function in respect of the financial year ended 31 December 2019 including staff payroll costs and overheads amounted to RM869,000. The cost incurred in the previous year was RM1.02 million.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (“the Board”) is pleased to present the Statement on Risk Management and Internal Control, pursuant to Chapter 15, Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Principle B of the Malaysian Code on Corporate Governance 2017, with guidance from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

THE BOARD’S RESPONSIBILITY

The Board affirms its commitment and responsibility towards effective risk management and internal control so as to safeguard shareholders’ interests and Group’s assets. In doing so, the Board embeds risk management in all aspects of the activities, initiatives and processes of Sunway Construction Group Berhad (“SCG”) and its subsidiaries (“the Group”). The framework has been set in place by the Board to identify, evaluate, mitigate and monitor the key risks faced by the Group.

The Board recognises that the framework is designed to mitigate rather than eliminate the risks or events with significant adverse impact on the achievement of the Group’s objectives and strategies. As such, it provides reasonable but not absolute assurance against material financial misstatement and management information and records, or against financial losses or fraud.

In pursuit of improving and integrating effective governance structures and processes into the framework, the Board has set up a Risk Management Committee (“RMC”) which comprises of Independent Directors in majority including its Chairman to oversee the Group’s risk management and internal control system. The RMC is accountable to the Board and meets quarterly to:

- Identify, assess and monitor key business risks and review risk mitigation strategies;
- Review and recommend risk management strategies, policies and levels of risk tolerance;
- Ensure infrastructure, resources and systems are in place to manage risks.

During the financial year, the RMC has reviewed, appraised and assessed the controls and progress of action plans taken to mitigate and manage the Group’s risk exposure. The RMC has subsequently provided assurance to the Board that the Group’s risk management and internal control are operating adequately and effectively in all material aspects. This statement however, does not cover associate companies and joint ventures where risk management and internal control are managed by the respective management teams.

INTERNAL CONTROL SYSTEM

Planning, monitoring and review of the Group’s performance and conduct are done via scheduled periodic meetings of the Board, Board Committees and management. The annual Business Plan ensures that all operating subsidiaries prepare and present its outlook, expectations, budgets, performance and targets for the forthcoming year.

The Risk Working Committee (“RWC”) led by Mr Richard Wong, who is also the Senior Executive Director for Building Central was setup to ensure that the Group’s risk coverage is more conclusive on exposures specifically to operational matters.

The RWC communicates the Board’s expectations to management teams and employees during management meetings, managers’ conferences and forums while the heads of the operating subsidiaries and departments are empowered with the responsibility of planning, monitoring, reporting and managing their respective operations.

Components of the Internal Control System

1. Policies & Procedures

The Group’s internal control system encompasses formalised and documented internal policies, standards and procedures to ensure compliance with internal controls, relevant laws and regulations. It enables all divisions and operating subsidiaries to effectively and efficiently, operate and respond proactively to potential business, operational, financial, compliance and other risks in achieving the Group’s goals and objectives. These documents are regularly reviewed to ensure relevance and applicability and are published in the Group’s online portal for employees’ reference.

2. Audits

The Group Internal Audit Department (“GIAD”) carries out internal audits on divisions and business units of the Group based on a risk-based audit plan approved annually by the Audit Committee (“AC”). Based on these audits, GIAD provides the AC with periodic reports highlighting observations, recommendations and action plans to improve the Group’s internal control system. The AC reviews and deliberates on any matters relating to internal control highlighted by the External Auditors in the course of their statutory audit of the financial statements of the Group.

Additionally, subsidiaries accredited with certifications such as International Organisation for Standardisation (“ISO”) and Occupational Health and Safety Advisory Services (“OHSAS”) are audited as scheduled by auditors of relevant certification bodies. Results of these audits are reported to management.

3. Employee Engagement and Performance

Key performance indicators, based on balanced scorecards are used to track and measure employee's performance while employee engagement surveys are conducted to gain feedback on effectiveness and efficiency of the Group to aid continuous improvement of employee competency, in line with the Group's goals and objectives.

4. Employee Conduct

Available for staff access in the Group Governance and Integrity portal, this is governed by a series of policies which define the core values of the Group – Integrity, Humility and Excellence.

- a) The Anti-Bribery and Corruption Policy serves as a guideline for stakeholders and employees on how to deal with bribery and corruption and related issues that may arise in the course of business. The Group has adopted a ZERO TOLERANCE policy against all forms of bribery and corruption.
- b) The Anti-Money Laundering Policy establishes the general framework to manage and prevent the risk of the Group's businesses from being used as a conduit for money laundering and terrorism financing activities. All employees are required to adhere to the requirements of the policy when carrying out their daily responsibilities.
- c) The Whistle Blowing Policy serves as a guideline for stakeholders and staff to report in a safe and confidential manner, any concerns regarding possible illegal, unethical conduct or malpractice to the management for action. Whistle blowing avenues include a direct line, e-mail or written mail to the Head of Internal Audit Department and Chairman of the Audit Committee.
- d) The Fraud Response Procedures guides management teams of respective business units to respond to allegations or suspicions of fraud and ensure that all cases of suspected or alleged frauds are reported promptly, and investigations are conducted effectively.
- e) The Integrity Pact serves to ensure transparency and fairness in the procurement process of the Group with an aim to promote efficiency in procuring products or services in accordance with approved specifications and prices while avoiding distortionary factors and corrupt practices.
- f) The Group's Code of Conduct and Business Ethics provides an ethical framework to guide actions and behaviors of directors and employees of the Group. It reflects the increasing need for effective corporate governance and compliance measures in the Group's businesses, domestically and internationally.

- g) The Staff Handbook provides information on employment terms and conditions in addition to compensation, leaves, health benefits, education assistance, discounts, expectations and career path to name a few. Also included in the policy is the Group's Personal Data Protection Notice on the collection and handling of personal information in accordance with the Malaysian Personal Data Protection Act 2010.

5. Risk Management

The Group's risk management framework is benchmarked against the ISO31000:2009 Risk Management – Principles and Guidelines and is designed to embed Enterprise Risk Management ("ERM") into key activities, initiatives and processes of the Group. This enables the Group to identify, assess and mitigate risks that may prevent the Group from achieving its objectives. In doing so, the stakeholders are assured that their interest is protected. During the financial year, the Group constantly reinforces its risk management framework to remain relevant and effective given the present business environment.

The framework is enterprise-wide and outlines policies and practices for effective risk mitigation. It allows the Group to:

- Establish clear functional responsibilities and accountabilities within committee structures for management of risks;
- Enhance and improve corporate governance with a clear, concise and robust structure for the Group;
- Determine risk appetite and risk tolerance based on measurable parameters related to critical risks that may impact the strategy, performance and reputation of the Group;
- Set risk policies and limits consistent with the risk appetite and tolerance of the Group;
- Ensure appropriate skills and resources are applied to risk management.

Continuous risk assessment is fundamental to the Group's risk management process. Operating subsidiaries are tasked with reporting major risks on a quarterly basis to management as it aims for a holistic approach towards risk management. The respective operating subsidiaries being risk owners of their immediate sphere are responsible to develop the appropriate response strategies to mitigate the risks.

In providing assurance to the RMC and the Board, RWC continues to review the quarterly risk templates in identifying and mitigating all major risks of the operating subsidiaries under the Group. The quarterly risks from all operating subsidiaries are consolidated and updated to the Chairman, Managing Director and RMC, highlighting major risks and mitigating controls carried out.

The Group has four (4) core response strategies for risk management. These include:

1. Risk Termination

In this instance, management chooses to terminate risks by eliminating the business or by significantly altering it. The Group may choose this route for risks that could have major or catastrophic impact on its businesses.

2. Risk Reduction

Risks may be reduced by taking specific actions aimed at reducing the likelihood of occurrence, thus reducing the impact of these risks on the Group's businesses.

3. Risk Acceptance

Management may choose not to act and to consciously accept certain risks which are significantly low in likelihood of occurrence and/or impact. Factors to consider for risks of such nature would be:

- Adequacy of current controls;
- Quality and quantity of information on the controls;
- Likelihood and consequences of the risk occurring; and
- The cost of additional controls

4. Risk Transfer

Management may choose to transfer all or part of a certain risk to other parties via:

- Transferring an entire business process to another party as is the case with sub-contracting and outsourcing arrangements;
- Sharing the business process with another party as is the case with partnerships and joint venture arrangements; and
- Retaining the process and transferring the legal and financial risks as is the case with insurance arrangements and the use of certain treasury/financial products.

Risk management discipline ensures that risk assessment is an on-going process whereby risks and risk mitigation measures are regularly reviewed and adjusted accordingly. The continuous risk assessment process therefore, represents the cornerstone of an effective ERM program for the Group.

Reporting Structure

The RMC will meet and deliberate on the top risks identified on a quarterly basis while its Chairman will subsequently update the Board on proceedings and updates from the RMC. Significant issues arising from changes in business environment are reviewed continuously to ensure minimal impact to the Group. The Group positions its business units towards a profitable objective while incorporating risk management principles into our functions and processes.

RWC is accountable for effectiveness of the risk management framework and is independently distinguished from risk owners - the respective heads of operating subsidiaries being such person with vital insight of respective businesses and able to actively influence the identified risks through decisions and actions.

Consequently, RWC undertakes the role of assisting Business Units by identifying, quantifying, managing and mitigating critical risks in addition to monitoring and reporting of action plans prepared by the Business Units.

RWC continues to support the Group's efforts in embracing change and evolution into a resilient conglomerate, allowing it to refine its focus and strategies to achieve goals and objectives while sustaining an ecological balance between employees, communities and the environment. Thus, as the Group commits to provide Environmental, Safety & Health ("ESH") standards and practices to enhance stakeholders' value, RWC's quarterly risk reporting exercise with operating subsidiaries goes beyond risk mitigation to ensure that operational processes are consistent and remain compliant with the relevant standards such as OHSAS 18001 and ISO 14001 to name a few.

Apart from the above, RWC participates in other value-adding exercises such as:

1. Review existing SCG's Standard Operating Principles ("SSOP").

The review of the Group's SSOPs is conducted by key relevant personnel from respective divisions or operating subsidiaries, covering credit control, procurement, products and services and operative guidelines.

2. Assist in day-to-day operations for operating subsidiaries.

Upon instruction from management, key relevant personnel assist in fulfilling daily operative requirements to ensure minimal business interruption or delays that could hamper the achievement of goals and objectives.

3. Assist in conducting regulatory research.

Such research is conducted to ensure that the Group's projects and businesses (existing or new) remain compliant to laws and regulations.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

4. Assist in conducting tender for divisions and operating subsidiaries.

RWC participates in tender processes to form an independent party to ensure fairness in observance of due process, decision making and tender awards.

Key Risk Factors

For the financial year under review, RWC has identified the following risks for the Group. These were presented to the Board where controls, mitigating plans and monitoring mechanisms were highlighted.

1. Project Completion

As the Group strives to maintain its position as Malaysia's largest listed pure play construction group by revenue, this risk is perennial and holds a significant weight in risk analysis. Any delay in project delivery may result in the Group being faced with Liquidated and Ascertained Damages ("LAD") as well as affecting the reputational risk of the Group.

Mitigation: Group has successfully negated such risks for the financial year with effective and efficient procurement of necessary resources to mitigate any potential delays and claims including active negotiation with client to accelerate works due to unforeseen delays, deploying more resources and improving supervision for the purpose of increasing productivity. Apart from the above, Group has also ensured that all documentation is in place in the event that we need to apply for Extension of Time ("EOT") due to matters beyond our control such as late handover of site possession or changes in design.

2. Credit and liquidity

These risks arise from the inability to recover debts in a timely manner which may negatively affect the Group's profitability and cash flows. Construction industry is a cash intensive one in which heavy capital funding is required initially and throughout the project in order to achieve physical progress while waiting for certifications and payments from clients. The slowdown of the industry coupled with longer payment terms have gradually increased the debtors' turnover ratio.

Mitigation: The Group minimizes such exposures through persistent and close monitoring of collections and overdue debts, engaging in active negotiations and employing strict debt repayment policies. Fortunately, the Group has accumulated substantial cash reserves over the years and built up good image and credibility. Hence, the risk is further minimized and the Group is able to access to funds whenever necessary.

3. Cost overrun

This risk concerns the Group as the fluctuations for raw material prices especially steel bar, concrete and any preliminary cost due to prolongation of project may result in the overrun of project costs from the tender costs. Due to the increase in cement prices across the market at year end, major concrete suppliers have increased their price by 5%, thus increasing the projects' costs and possibly reducing the margin.

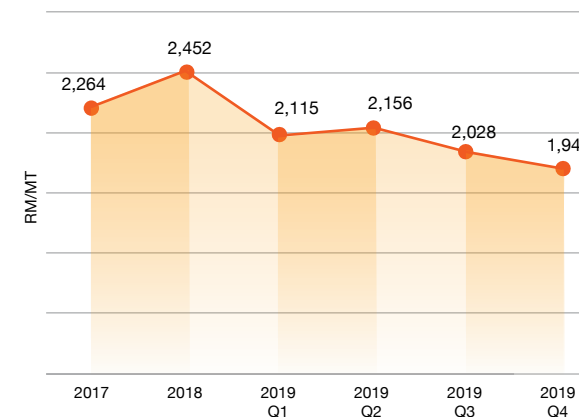
Mitigation: In response to this, the Group monitors very closely on material wastages at site to reduce it to the minimal inevitable level and factor in the price increase in the revised budget for ongoing project as well as future tenders. For steel bar, some contracts have pass through clauses in relation to steel price fluctuation. Where there are no pass through clauses, the Group negotiates with suppliers to hedge our steel bar purchases for 6 months' interval. For ready mix concrete, we have managed to hedge approximately 8% of our project requirement until completion. To control our preliminary cost like overhead and plant and machinery, we monitor the progress of our project actively to ensure timely delivery and actively review the price of external machine rental rates quarterly to ensure the most competitive rates are obtained.

4. Cyber & IT Risk

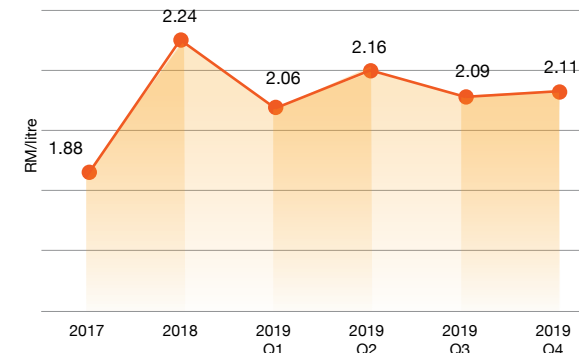
With the advent of cyber threats and other potential hazards such as fire, floods and other major equipment failures, among others, the continuity of business operations is of a major concern to the Group. This risk, if left unattended, could result in major disruption of critical business processes and possible unauthorised disclosure of sensitive business information, resulting in financial or reputational loss.

Mitigation: To mitigate this risk, the Group has outsourced the IT services to ITSSC since 2004 in which various policies, resources, processes, and systems have been developed and deployed. The Group-wide Information Security policy, called the Sunway Information Security Policies ("SISP"), was developed in accordance with ISO/IEC 27002 (2005) standards. ITSSC is also certified in Disaster Recovery ("DR") through ISO27001:2013 Information Security Management System ("ISMS") standard in order to minimise the risk of business financial loss, business interruptions and unavailability of IT service through timely backup of data, migration to Cloud and having off-site storage for backup tapes. In addition, continuous initiatives are in place to enhance the cyber defense capabilities and IT resiliency of the Group.

Steel Bar (Y16MM - Y32MM)



Diesel

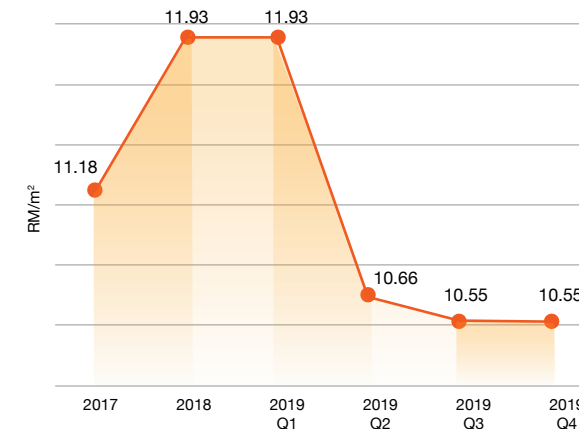


5. Human Capital

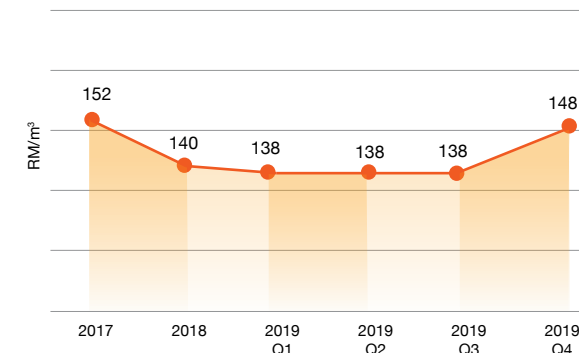
Risks arising from issues such as high staff turnover, loss of key and technical staff, competition from other industry players, succession planning and staff retention.

Mitigation: Human Resources Department, together with respective divisions and operating subsidiaries continuously improve and enhance mitigation plans which include employee engagement surveys, team building exercises, training and development – internal and external, and constant reviews of the Group's remuneration and compensation benefits for staff. The Group has also worked on optimizing the workforce size and expertise to achieve higher productivity across the Group.

Steel Wire Mesh (A6 - B8)



Ready Mixed Concrete G20N



6. Workplace Safety and Health

Risks arising from the intrinsic nature of construction activities, which often involve complex activities being carried out by teams of workers, we remain exposed to occurrence of accidents and incidents caused by human error or other factors. In addition, all construction activities generate dust, waste and noise pollution.

Mitigation: Appropriate and effective policies and procedures are implemented and thoroughly monitored jointly by Environmental, Safety and Health Department and RWC to mitigate these risks. There is also strict compliance to various environmental laws, regulations and international standards, namely OHSAS 18001, ISO 14001, ISO 9001.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

7. Dependence on the Property Market and Government Infrastructure Spending

In the current economic climate, the slowdown in the local and global economy affects the Group in terms of order book replenishment. The decline of demand in the property sector and government infrastructure spending further bring stress to the construction industry. In Singapore, the manufacturing and sale of precast concrete products business segment is also dependent on the number and timing of launches by the Housing Development Board (“HDB”).

Mitigation: In response to this, the Group is continuously improving our productivity and technical capabilities to enable us to take on more complex construction projects especially in the areas of mechanical, electrical and plumbing services, foundation and earthwork and industrialised building system (“IBS”). As part our expansion plans, the Group has started on several projects relating to Renewable Energy in an effort to escalate our technical expertise in this field. In addition, the Group will also target to undertake projects within the ASEAN region and India.

THE BOARD’S CONCLUSION

The Board is pleased to report that the state of the Group’s risk management and internal control framework is able to meet the Group’s objective to ensure good corporate governance. There was no potential or present failure or weakness that would have material adverse effect on the results of the Group for the year under review.

The Board has also received assurance from the Group MD and CFO that the Group’s risk management and internal control framework is operating adequately and effectively in all material aspects. Continuous focus on measures to protect and enhance shareholders value and business sustainability will remain a core practice for the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control as required under Paragraph 15.23 of Bursa Malaysia Securities Berhad’s Main Market Listing Requirements. The limited assurance review was performed in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3 (“AAPG 3”), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in the Annual Report.

Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention which causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is factually inaccurate.

This Statement on Risk Management and Internal Control was approved by the Board of Directors on 6 April 2020.

Dr Sarinder Kumari
Independent Non-Executive Director

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”):-

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

There were no corporate proposals during the financial year. Therefore, there were no proceeds raised from corporate proposals during the financial year.

2. MATERIAL CONTRACTS INVOLVING DIRECTORS’ AND MAJOR SHAREHOLDERS’ INTERESTS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving directors’ and major shareholders’ interests during the financial year ended 31 December 2019.

3. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

The details of the recurrent related party transactions are disclosed in Note 40 of the Notes to the Financial Statements.

4. AUDIT AND NON-AUDIT FEES

During the financial year ended 31 December 2019, the total audit and non-audit fees paid or payable to the external auditors or a firm affiliated to the external auditors, for services rendered to the Company and the Group are as follows:

Fees paid and/or payable to External Auditors or its affiliates	FYE 2019	
	Company (RM'000)	Group (RM'000)
Statutory audit and related fees	19.00	615.10
Non-audit fees	3.09	33.59
Total	22.09	648.69



Pier cap works in progress at LRT3 Package GS07&08

INVESTOR RELATIONS (“IR”)

SunCon places great emphasis on timely and effective communication related to the Group’s financial performance, business strategies and future prospects as these are essential in maintaining good relationship with our stakeholders. Our approach is to let investors and research analysts have equal access to information in a transparent and non-discriminative environment as investors play a major and vital role in the success and growth.

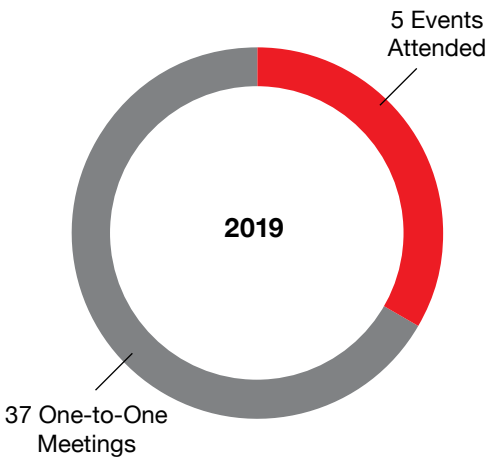
SunCon’s IR team has been actively promoting fair valuation for SunCon and attracting new investors who believe in our operational model and business strategies. According to the Malaysia Budget 2020, the construction industry is expected to grow as there are a number of infrastructure projects in the pipeline.

As depicted on the Review of Share Performance section, IR’s challenge this year was in communicating SunCon’s prospects despite the external headwind faced affecting our share price. We maintain committed to providing equal access of information during this volatile period so that the investment community is able to make informed decision making with regards to their strategy on our counter.

IR ACTIVITIES

In 2019, we have attended and organized a total of 5 events compared to the 10 events in 2018 which is depicted below. As this is our 5th year after listing, many analysts and fund managers have already been acquainted with SunCon. As a result, invitations and requests have reduced. Despite that, we have continued to have one-to-one sessions with our analysts and fund managers as and when requested. We believe that it is more productive to have one-to-one sessions as it tends to be more personalized.

Organiser	Event	Date	Venue
1. Citibank	ASEAN Top Picks Corporate Day	06 Mar 2019	Malaysia
2. Affin Hwang	Post-Conference MRT site visit	21 Mar 2019	Malaysia
3. Nomura	Investment Forum Asia 2019	27-30 May 2019	Singapore
4. Citibank	Malaysia Investor Symposium 2019	04 Sept 2019	Malaysia
5. Affin Hwang	Bursa Malaysia Construction Day	23 Sept 2019	Malaysia



RESEARCH COVERAGE

The number of research coverage has remained at 14 research institutions from 2018 to 2019. The research institutions include:

1. Affin Hwang Investment Bank

2. AllianceDBS Group Research

3. AmlInvestment Bank

4. BIMB Securities Research

5. CLSA Securities

6. Hong Leong Investment Bank

7. Kenanga Research
8. UOB KayHian

9. Macquarie Research

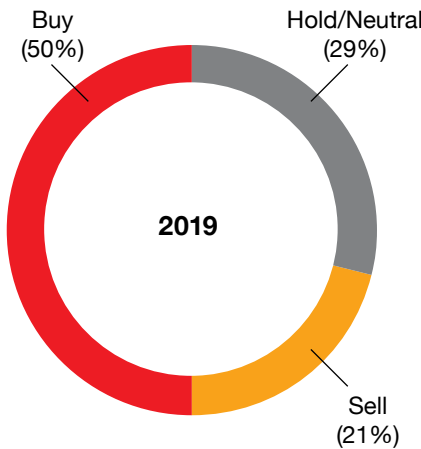
10. Maybank Kim Eng

11. MIDF Research

12. Nomura Securities

13. RHB Research Institute

14. TA Securities



AWARDS AND RECOGNITION

In 2019, SunCon’s IR team effort was recognized in the 9th Malaysia Investor Relations Association (“MIRA”) Awards where the team was shortlisted in a total of 4 categories which included Best Company for Investor Relations (Mid Cap), Best Chief Financial Officer (Mid Cap), Best Investor Relations Professional (Mid Cap) and Best Investor Relations Website (Mid Cap).

FINANCIAL ANNOUNCEMENT

SunCon continues to engage with its stakeholders through a series investor relations activities throughout the year. All major announcements such as the release of the quarterly results, new construction orders or new

ventures are published on Bursa Malaysia. The information will then be disseminated in the form of flashnotes to all interested parties. We also ensure that these documents are immediately made available on the Group’s Investor Relations website.

SunCon Group held its 5th Annual General Meeting on the 19 June 2019 at Sunway Resort Hotel and Spa where our Group Managing Director presented the financial performance and review for 2018. The Board of Directors and management also duly responded to all the queries, opinions and feedback from the shareholders. SunCon’s Board of Directors and management team have also shared the company’s most recent updates and future prospects.



Sunway Medical Centre Seberang Jaya, Penang



FINANCIALS

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Our Blueprint for Financial Growth

The key to SunCon's success and financial growth is our determination to build world-class structures.

Our organisation's significant achievements can be seen in Malaysia and many other countries, including The United Arab Emirates. With SunCon having prepared a meticulous and well-thought-out plan for expansion, we can all look forward to greater prosperity.

DIRECTORS' RESPONSIBILITY STATEMENT FOR THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 ("Act") to prepare the financial statements for each financial year which have been made out in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Act in Malaysia and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year. Where there are new accounting standards or policies that become effective during the year, the impact of these new treatments would be stated in the notes to the financial statements, accordingly.

In preparing the financial statements, the Directors have:

- (i) Adopted appropriate accounting policies and applied them consistently;
- (ii) Made judgements and estimates that are reasonable and prudent;
- (iii) Ensure that all applicable accounting standards have been followed; and
- (iv) Prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

The Directors are responsible for taking such steps as are reasonably available to them to safeguard the assets of the Group and of the Company and to detect and prevent fraud and other irregularities.



Sunway Velocity 2, Kuala Lumpur



Piling and foundation works at SMC 4 Annex, Bandar Sunway

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 17 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

Results

	Group	Company
	RM'000	RM'000
Profit for the financial year	130,330	240,965
Profit attributable to:		
Owners of the parent	129,324	240,965
Non-controlling interests	1,006	-
	130,330	240,965

Dividends

The dividends paid, declared or proposed by the Company since the end of the previous financial year were as follows:

	RM'000
In respect of financial year ended 31 December 2018:	
Second interim single-tier dividend of 3.5 sen per ordinary share paid on 17 April 2019	45,229
In respect of financial year ended 31 December 2019:	
First interim single-tier dividend of 3.5 sen per ordinary share paid on 26 September 2019	45,128
	90,357

On 20 February 2020, the Board of Directors had declared a second interim single-tier dividend of 3.5 sen per ordinary share for the financial year ended 31 December 2019. The total dividend paid amounted to RM45,127,587. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

The Board of Directors do not recommend any final dividend for the financial year ended 31 December 2019.

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

Issue of shares and debentures and share buy-back

During the financial year, the Company repurchased 2,886,900 of its issued ordinary shares from the open market at prices ranging from RM1.93 to RM2.01 per share. The total consideration paid for the repurchases was RM5,694,831 and was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

As at 31 December 2019, the Company held a total of 3,540,900 ordinary shares as treasury shares out of its total issued and paid up share capital of 1,292,900,010 ordinary shares. Such treasury shares are recorded at a carrying amount of RM6,989,694.

The Company did not issue any new shares or debentures during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Directors

The Directors who have held office during the financial year until the date of this report are as follows:

Dato' Ir Goh Chye Koon
 Dato' Dr Ir Johari Bin Basri
 Dato' Siow Kim Lun @ Siow Kim Lin
 Dr Sarinder Kumari A/P Oam Parkash
 Dato' Chew Chee Kin
 Evan Cheah Yean Shin
 Chung Soo Kiong
 Liew Kok Wing (Alternate Director to Chung Soo Kiong) (Appointed on 7 January 2020)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options granted under the Employees' Share Option Scheme and warrants issued by its intermediate holding company, Sunway Berhad.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 40 to the financial statements.

DIRECTORS’ REPORT (CONT’D)

Directors’ interests
According to the register of Directors’ shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of the Directors in office at the end of the financial year in ordinary shares, non-cumulative redeemable preference shares, non-cumulative convertible redeemable preference shares, warrants and options over ordinary shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	As at 1.1.2019	Acquired	Sold	As at 31.12.2019
The Company				
Direct interests:				
Dato’ Ir Goh Chye Koon	5,000	-	-	5,000
Chung Soo Kiong	200,046	-	-	200,046
Evan Cheah Yean Shin	13,435	-	-	13,435
Deemed interest:				
Evan Cheah Yean Shin ⁽¹⁾	841,282,318	-	-	841,282,318

⁽¹⁾ Deemed interest by virtue of Section 8 of the Companies Act 2016 (“CA 2016”) held through Active Equity Sdn. Bhd. (“AE”), Sungei Way Corporation Sdn. Bhd. (“SWC”), Sunway Berhad, Sunway Holdings Sdn. Bhd. and parent.

Directors’ interests (CONT’D)

	Number of ordinary shares				
	As at 1.1.2019	Share Dividend Distribution [^]	Share Dividend Distribution ^{^^}	Acquired	Sold
Intermediate holding company					
Sunway Berhad					
Direct interests:					
Dato’ Ir Goh Chye Koon	117,833	1,178	1,190	-	120,201
Dato’ Chew Chee Kin	20,623,927	206,238	208,301	-	21,038,466
Chung Soo Kiong	950,000	9,500	9,595	-	969,095
Evan Cheah Yean Shin	4,112,535	41,125	41,536	-	4,195,196
Deemed interests:					
Dato’ Chew Chee Kin ⁽¹⁾	1,534,029	15,340	15,493	-	1,564,862
Evan Cheah Yean Shin ⁽²⁾	2,976,775,493	29,767,752	30,065,429	155,000,000	(155,000,000)

[^] Receipt of ordinary shares on 18 April 2019 pursuant to the distribution of a second interim single tier dividend via a share dividend distribution on the basis of 1 treasury share for every 100 ordinary shares held in Sunway Berhad (“Share Dividend Distribution”) for the financial year ended 31 December 2018.

^{^^} Receipt of ordinary shares on 17 October 2019 pursuant to the distribution of a first interim single tier dividend via a Share Dividend Distribution for the financial year ended 31 December 2019.

⁽¹⁾ Deemed interest held through spouse.

⁽²⁾ Deemed interest by virtue of Section 8 of the CA 2016 held through AE, SWC and parent.

DIRECTORS’ REPORT (CONT’D)

Directors’ interests (CONT’D)

	Number of ordinary shares			
	As at 1.1.2019	Acquired	Sold	As at 31.12.2019
Penultimate holding company Sungei Way Corporation Sdn. Bhd.				
Deemed interest: Evan Cheah Yean Shin ⁽¹⁾	10,000,000	-	-	10,000,000

⁽¹⁾ Deemed interest by virtue of Section 8 of the CA 2016 held through AE and parent.

	Number of ordinary shares			
	As at 1.1.2019	Acquired	Sold	As at 31.12.2019
Ultimate holding company Active Equity Sdn. Bhd.				
Direct interest: Evan Cheah Yean Shin	25,500	-	-	25,500
Deemed interest: Evan Cheah Yean Shin ⁽¹⁾	102,000	-	-	102,000

⁽¹⁾ Deemed interest held through parent.

	Number of ordinary shares			
	As at 1.1.2019	Acquired	Sold	As at 31.12.2019
Related company Sunway Global Limited				
Direct interest: Dato’ Chew Chee Kin	689,183	-	-	689,183

Directors’ interests (CONT’D)

	Number of non-cumulative redeemable preference shares			
	As at 1.1.2019	Acquired	Redeemed	As at 31.12.2019
Penultimate holding company Sungei Way Corporation Sdn. Bhd.				
Deemed interest: Evan Cheah Yean Shin ⁽¹⁾	122,000,000	-	(122,000,000)	-

⁽¹⁾ Deemed interest held through parent.

	Number of non-cumulative convertible redeemable preference shares			
	As at 1.1.2019	Allotted	Redeemed	As at 31.12.2019
Penultimate holding company Sungei Way Corporation Sdn. Bhd.				
Deemed interest: Evan Cheah Yean Shin ⁽¹⁾	-	381,760,000	(97,760,000)	284,000,000

⁽¹⁾ Deemed interest held through parent.

	Number of warrants 2017/2024			
	As at 1.1.2019	Acquired	Sold	As at 31.12.2019
Intermediate holding company Sunway Berhad				
Direct interests: Dato’ Ir Goh Chye Koon	15,150	-	-	15,150
Dato’ Chew Chee Kin	2,651,647	-	-	2,651,647
Chung Soo Kiong	135,000	-	-	135,000
Evan Cheah Yean Shin	528,754	-	-	528,754
Deemed interests: Dato’ Chew Chee Kin ⁽¹⁾	197,232	-	-	197,232
Evan Cheah Yean Shin ⁽²⁾	433,934,841	-	-	433,934,841

⁽¹⁾ Deemed interest held through spouse.

⁽²⁾ Deemed interest by virtue of Section 8 of the CA 2016 held through AE, SWC and parent.

DIRECTORS' REPORT (CONT'D)

Directors' interests (CONT'D)

Third grant of options over ordinary shares (Exercise price of RM1.40 per share)				
Number of options over ordinary shares				
	As at 1.1.2019	Exercised	Expired	As at 31.12.2019
Intermediate holding company Sunway Berhad				
Direct interest:				
Chung Soo Kiong	175,000	-	(175,000)	-

The options over ordinary shares are pursuant to the Employees' Share Option Scheme 2013/2019 of Sunway Berhad has expired on 1 September 2019.

By virtue of Evan Cheah Yean Shin's substantial interests in the Company and Active Equity Sdn. Bhd., he is deemed to have interest in the shares of all the subsidiaries of the Company and Active Equity Sdn. Bhd. to the extent that the Company and Active Equity Sdn. Bhd. have an interest.

The other Directors in office at the end of the financial year did not have any interests in ordinary shares, warrants or options over ordinary shares in the Company or its related corporations during the financial year.

Directors' Remuneration

The details of Directors' remuneration are disclosed in Note 11 to the financial statements.

Indemnity and Insurance for Officers and Auditors

During the financial year, the intermediate holding company of the Company, Sunway Berhad effected Directors' liability insurance to protect the Directors of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors. None of the Directors nor the Group paid for the insurance premium directly as the Group is under the effective cover of Sunway Berhad being its subsidiary company.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

Other statutory information

(I) As at the end of the financial year

- (a) Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:
- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

Other statutory information (CONT'D)

(I) As at the end of the financial year (CONT'D)

- (b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) From the end of the financial year to the date of this report

- (c) The Directors are not aware of any circumstances:
- which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
 - which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
- there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made; and
 - no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) As at the date of this report

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

Holding companies

The immediate, intermediate, penultimate and ultimate holding companies of the Company are Sunway Holdings Sdn. Bhd., Sunway Berhad, Sungei Way Corporation Sdn. Bhd. and Active Equity Sdn. Bhd. respectively, all of which are incorporated in Malaysia. Sunway Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad and produces financial statements available for public use.

DIRECTORS' REPORT (CONT'D)

List of Directors of Subsidiaries

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries during the financial year and up to date of this report is as follows:

Chang Kim Long	Ng Chong Beng
Chung Soo Kiong	Tan Sri Dato' (DR) R.V. Navaratnam
Datuk Kwan Foh Kwai #	Thomas Samuel A/L CT Samuel
Eric Tan Chee Hin	Tan Kim Yoke
Evan Cheah Yean Shin	U Than Oo
Khor Seng Yan	Wong Kwan Song
Kok Shin Lin	Lim Chee Siang ^
Kong Heong Fook	Ng Chee Hwa ^
Kumaresan Varadu Rasu	Lim Vin Tze ^
Kwong Tzyy En	Tan Eng Koon ^
Liew Kok Wing	Oh Keng Jin ^
Ng Bee Lien	Subba Rao Semenchalam ^

Resigned after the financial year end but before the date of this report

^ Appointed during the financial year

Significant events during the financial year

There is no significant event during the financial year other than the material litigation as disclosed in Note 39(b)(iv) to the financial statements. Significant event subsequent to the end of the reporting period is disclosed in Note 43 to the financial statements.

Auditors

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2019 are disclosed in Note 9 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 April 2020.

Dato' Chew Chee Kin
Director

Chung Soo Kiong
Director

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Chew Chee Kin and Chung Soo Kiong, being two of the Directors of Sunway Construction Group Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 232 to 317 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 April 2020.

Dato' Chew Chee Kin
Director

Chung Soo Kiong
Director

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Ng Bee Lien (CA 13890), being the officer primarily responsible for the financial management of Sunway Construction Group Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 232 to 317 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Ng Bee Lien
at Petaling Jaya in the State of
Selangor Darul Ehsan on 28 April 2020

Ng Bee Lien

Before me,
Ammar Bin Mohamad Dahalan (No. B532)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNWAY CONSTRUCTION GROUP BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sunway Construction Group Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 232 to 317.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters of the Group

1. Revenue recognition from construction contracts

Revenue from construction contracts during the financial year as disclosed in Note 5 to the financial statements is RM1,618,914,000.

We determined this to be a key audit matter because it requires management to exercise significant judgements in estimating the progress towards complete satisfaction of performance obligations and determining whether there is any exposure to liquidated ascertained damages ("LAD"). The progress towards complete satisfaction of performance obligations is measured using the output method, which is based on the contract work certified to date over the estimated total contract sum.

In estimating the progress towards complete satisfaction of performance obligations, the Group considers the estimated contract work completed to date and the completeness and accuracy of its estimated total contract sum, including contract variations, claims and contingencies.

Key Audit Matters of the Group (CONT'D)

1. Revenue recognition from construction contracts (CONT'D)

Audit response

Our audit procedures included the following:

- inspected documentation to support the estimated total contract sum and correspondences from contract customers in relation to variations and claims to corroborate key judgements applied by management;
- inspected documentation certified by professional consultants to support the contract work performed by the Group to-date;
- recomputed the progress towards complete satisfaction of performance obligations determined by management for revenue recognition based on contract work certified to-date and budgeted total contract sum;
- inquired in-house operational and financial personnel of the Group to assess the merits of the extension of time submitted to the contract customers for assessing the exposure to LAD; and
- inspected relevant correspondences and reports, including on-going negotiations with contract customers for the late delivery of contract works.

Key Audit Matters of the Company

We have determined that there are no key audit matters to be communicated in our auditors' report of the audit of the separate financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company, or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF
SUNWAY CONSTRUCTION GROUP BERHAD (INCORPORATED IN MALAYSIA) (CONT’D)

Auditors’ Responsibilities for the Audit of the Financial Statements (CONT’D)

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditors’ Responsibilities for the Audit of the Financial Statements (CONT’D)

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 17 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

28 April 2020
Kuala Lumpur

Law Kian Huat
02855/06/2020 J
Chartered Accountant

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
			(Restated)		
Revenue	5	1,768,727	2,256,835	234,335	98,000
Cost of sales	6	(1,390,600)	(1,812,167)	-	-
Gross profit		378,127	444,668	234,335	98,000
Other income	7	20,136	20,667	-	-
Administrative expenses		(237,519)	(265,994)	(2,180)	(2,817)
Other expenses		(19,720)	(24,158)	-	-
Operating profit		141,024	175,183	232,155	95,183
Finance and other distribution income	8	25,160	16,040	8,813	5,608
Finance costs	8	(13,203)	(9,223)	-	(3)
Share of results of an associate		4,316	-	-	-
Share of results of joint ventures		99	731	-	-
Profit before tax	9	157,396	182,731	240,968	100,788
Income tax expense	12	(27,066)	(37,966)	(3)	(2)
Profit for the financial year		130,330	144,765	240,965	100,786
Profit attributable to:					
Owners of the parent		129,324	144,426	240,965	100,786
Non-controlling interests		1,006	339	-	-
		130,330	144,765	240,965	100,786
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translations		(465)	(214)	-	-
Share of other comprehensive (loss)/income of associate and joint ventures		(86)	629	-	-
Other comprehensive (loss)/income for the financial year, net of tax		(551)	415	-	-
Total comprehensive income for the financial year		129,779	145,180	240,965	100,786
Total comprehensive income attributable to:					
Owners of the parent		128,773	144,841	240,965	100,786
Non-controlling interests		1,006	339	-	-
		129,779	145,180	240,965	100,786
Earnings per share attributable to owners of the parent (sen per share):					
Basic	13	10.02	11.18		
Diluted	13	10.02	11.18		

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	Group		
		31.12.2019	31.12.2018	1.1.2018
		RM'000	RM'000	RM'000
			(Restated)	(Restated)
Assets				
Non-current assets				
Property, plant and equipment	15	138,507	176,468	164,342
Intangible assets	16	206	488	2,217
Investment in an associate	18	4,124	-	-
Other investments	19	273	273	273
Investments in joint arrangements	20	44,261	44,739	-
Goodwill	21	3,647	3,647	3,647
Deferred tax assets	32	4,161	5,265	2,526
		195,179	230,880	173,005
Current assets				
Inventories	22	25,094	29,981	24,429
Trade receivables	23	817,936	884,359	1,005,106
Other receivables	24	29,266	32,296	39,537
Amount due from intermediate holding company	25	415	1,711	309
Amounts due from related companies	26	102,159	60,640	47,131
Amount due from joint ventures	27	5,077	92	185
Amount due from an associate	28	15,539	21,073	26,025
Tax recoverable		21,721	22,100	21,922
Cash and bank balances	30	692,638	484,869	487,240
		1,709,845	1,537,121	1,651,884
Total assets		1,905,024	1,768,001	1,824,889

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 (CONT'D)

Group				
		31.12.2019	31.12.2018	1.1.2018
	Note	RM'000	RM'000	RM'000
			(Restated)	(Restated)
Equity and liabilities				
Current liabilities				
Borrowings	31	233,394	113,631	134,659
Trade payables	33	674,640	656,182	728,039
Other payables	34	193,676	217,331	241,772
Amount due to intermediate holding company	25	745	503	17,628
Amounts due to related companies	26	13,637	61,930	131,459
Amount due to a joint venture	27	26	27	-
Lease liabilities	35	2,513	3,636	2,217
Tax payable		1,376	9,496	5,156
Derivative liabilities	29	187	-	469
		1,120,194	1,062,736	1,261,399
Non-current liabilities				
Borrowings	31	52,656	-	-
Amount due to a related company	26	95,833	96,314	-
Lease liabilities	35	8,897	10,739	13,053
Deferred tax liabilities	32	2,273	6,536	7,009
		159,659	113,589	20,062
Total liabilities		1,279,853	1,176,325	1,281,461
Equity attributable to owners of the parent				
Share capital	36	258,580	258,580	258,580
Treasury shares	36	(6,990)	(1,295)	(1,295)
Foreign currency translation reserve	37	9,765	10,316	9,901
Merger reserve	37	(37,894)	(37,894)	(37,894)
Capital contribution by intermediate holding company	37	656	656	670
Retained earnings	37	398,838	359,871	312,363
		622,955	590,234	542,325
Non-controlling interests		2,216	1,442	1,103
Total equity		625,171	591,676	543,428
Total equity and liabilities		1,905,024	1,768,001	1,824,889

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Company			
		2019	2018
	Note	RM'000	RM'000
Assets			
Non-current assets			
Investment in a subsidiary	17	258,580	258,580
Current assets			
Other receivables	24	66	-
Tax recoverable		-	3
Cash and bank balances	30	291,027	145,491
		291,093	145,494
Total assets		549,673	404,074
Equity and liabilities			
Current liabilities			
Other payables	34	1,780	1,025
Amount due to intermediate holding company	25	-	2
Amounts due to related companies	26	13	81
Tax payables		1	-
		1,794	1,108
Total liabilities		1,794	1,108
Equity attributable to owners of the parent			
Share capital	36	258,580	258,580
Treasury shares	36	(6,990)	(1,295)
Retained earnings	37	296,289	145,681
Total equity		547,879	402,966
Total equity and liabilities		549,673	404,074

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Attributable to owners of the parent									
Non-distributable									
	Share capital (Note 36)	Treasury shares (Note 36)	Merger reserve (Note 37)	Foreign currency translation reserve (Note 37)	Capital contribution by intermediate holding company (Note 37)	Distributable Retained earnings (Note 37)	Equity attributable to owners of the parent, total	Non-controlling interests	Equity, total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019, as restated	258,580	(1,295)	(37,894)	10,316	656	359,871	590,234	1,442	591,676
Profit for the financial year	-	-	-	-	-	129,324	129,324	1,006	130,330
Other comprehensive loss, net of tax	-	-	-	(551)	-	-	(551)	-	(551)
Total comprehensive income	-	-	-	(551)	-	129,324	128,773	1,006	129,779
Transactions with owners									
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(270)	(270)
Purchase of treasury shares	-	(5,695)	-	-	-	-	(5,695)	-	(5,695)
Dividends paid	-	-	-	-	-	(90,357)	(90,357)	-	(90,357)
Acquisition of equity interest from subsidiary	-	-	-	-	-	-	-	38	38
Total transactions with owners	-	(5,695)	-	-	-	(90,357)	(96,052)	(232)	(96,284)
At 31 December 2019	258,580	(6,990)	(37,894)	9,765	656	398,838	622,955	2,216	625,171

Attributable to owners of the parent									
Non-distributable									
	Share capital (Note 36)	Treasury shares (Note 36)	Merger reserve (Note 37)	Foreign currency translation reserve (Note 37)	Capital contribution by intermediate holding company (Note 37)	Distributable Retained earnings (Note 37)	Equity attributable to owners of the parent, total	Non-controlling interests	Equity, total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018, as previously reported	258,580	(1,295)	(37,894)	9,901	670	312,950	542,912	1,103	544,015
Effects of adoption of MFRS 16	-	-	-	-	-	(587)	(587)	-	(587)
At 1 January 2018, as restated	258,580	(1,295)	(37,894)	9,901	670	312,363	542,325	1,103	543,428
Profit for the financial year, as restated	-	-	-	-	-	144,426	144,426	339	144,765
Other comprehensive income, net of tax	-	-	-	415	-	-	415	-	415
Total comprehensive income	-	-	-	415	-	144,426	144,841	339	145,180
Transactions with owners									
Disposal of a subsidiary	-	-	-	-	(14)	-	(14)	-	(14)
Dividends paid	-	-	-	-	-	(96,918)	(96,918)	-	(96,918)
Total transactions with owners	-	-	-	-	(14)	(96,918)	(96,932)	-	(96,932)
At 31 December 2018, as restated	258,580	(1,295)	(37,894)	10,316	656	359,871	590,234	1,442	591,676

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

		Share capital (Note 36)	Treasury shares (Note 36)	Distributable Retained earnings (Note 37)	Equity, total
Company	Note	RM'000	RM'000	RM'000	RM'000
At 1 January 2019		258,580	(1,295)	145,681	402,966
Profit for the financial year		-	-	240,965	240,965
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	240,965	240,965
Transactions with owners					
Purchase of treasury shares	36	-	(5,695)	-	(5,695)
Dividends paid	14	-	-	(90,357)	(90,357)
Total transactions with owners		-	(5,695)	(90,357)	(96,052)
At 31 December 2019		258,580	(6,990)	296,289	547,879
At 1 January 2018		258,580	(1,295)	141,813	399,098
Profit for the financial year		-	-	100,786	100,786
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	100,786	100,786
Transaction with owners					
Dividends paid	14	-	-	(96,918)	(96,918)
At 31 December 2018		258,580	(1,295)	145,681	402,966

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
	(Restated)			
Cash flows from operating activities				
Profit before tax	157,396	182,731	240,968	100,788
Adjustments for:				
Accretion of financial assets and financial liabilities	(1,348)	4,622	-	-
Impairment losses on:				
- trade receivables	2,228	10,493	-	-
- other receivables	17	76	-	-
- amounts due from related companies	58	-	-	-
- amount due from an associate	-	1	-	-
Bad debts written off	267	1,048	-	-
Depreciation and amortisation of property, plant and equipment, software and right-of-use assets	40,262	43,713	-	-
Dividend income	-	-	(234,335)	(98,000)
Employees' share option scheme	(504)	14	-	-
Fair value loss/(gain) on derivative liabilities	187	(469)	-	-
Finance and other distribution income	(25,160)	(16,040)	(8,813)	(5,608)
Finance costs	13,203	9,223	-	3
Gain on disposal of property, plant and equipment, and software	(3,075)	(1,169)	-	-
Gain on disposal of a subsidiary	-	(4)	-	-
Gain on reversal of leases	(3)	-	-	-
Write off of:				
- property, plant and equipment	7,111	4,350	-	-
- inventories	-	6	-	-
Inventories written down	153	-	-	-
Reversal of impairment losses on:				
- trade receivables	(5,703)	(4,129)	-	-
- other receivables	(70)	(56)	-	-
- amount due from an associate	(99)	(158)	-	-
- amounts due from related companies	(20)	(1)	-	-
Share of results of joint ventures	(99)	(731)	-	-
Share of results of an associate	(4,316)	-	-	-
Unrealised foreign exchange loss/(gain)	512	(631)	-	-
Operating cash flows before working capital changes carried forward	180,997	232,889	(2,180)	(2,817)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(Restated)				
Cash flows from operating activities (CONTD.)				
Operating cash flows before working capital changes brought forward	180,997	232,889	(2,180)	(2,817)
Changes in working capital:				
Inventories	4,734	(5,558)	-	-
Trade receivables	73,229	113,902	-	-
Other receivables	2,914	6,743	(66)	-
Trade payables	16,485	(77,356)	-	-
Other payables	(23,347)	(24,206)	755	(74)
Amount due from/(to) intermediate holding company	2,026	(18,542)	(2)	2
Amount due from an associate	5,418	5,602	-	-
Amounts due from/(to) related companies	(43,763)	(11,119)	(68)	(26)
Amount due from/(to) joint ventures	(5,006)	99	-	-
Cash generated from/(used in) operations	213,687	222,454	(1,561)	(2,915)
Interest received	25,160	16,040	8,813	5,608
Interest paid	(7,729)	(4,177)	-	(3)
Dividend received from a joint venture	790	731	-	-
Tax refunded	6,396	284	3	-
Tax paid	(44,765)	(37,678)	(2)	(1)
Net cash from operating activities	193,539	197,654	7,253	2,689
Cash flows from investing activities				
Proceeds from disposals of property, plant and equipment, and software	3,564	1,393	-	-
Proceeds from disposal of a subsidiary, net of cash disposed of	-	(3)	-	-
Acquisitions of property, plant and equipment, and software	(8,312)	(56,169)	-	-
Acquisition of equity interest by non-controlling interests	38	-	-	-
Net cash used in investing activities carried forward	(4,710)	(54,779)	-	-

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(Restated)				
Cash flows from investing activities (CONT'D)				
Net cash used in investing activities brought forward	(4,710)	(54,779)	-	-
Withdrawal of deposits with licensed banks with maturity of more than 3 months	-	240	-	-
Placement of deposits pledged to other financial institutions	(263,784)	-	(263,784)	-
Dividends received	-	-	234,335	98,000
Addition of interests in a joint venture	-	(44,110)	-	-
Net cash (used in)/from investing activities	(268,494)	(98,649)	(29,449)	98,000
Cash flows from financing activities				
Advances (to)/from related companies	(46,617)	24,413	-	-
Drawdown of term loans	128,700	-	-	-
Drawdowns of bills discounting	157,124	107,544	-	-
Repayments of bills discounting	(107,544)	(134,659)	-	-
(Repayments)/Drawdowns of revolving credits	(6,113)	6,001	-	-
Payments of lease liabilities	(4,270)	(3,414)	-	-
Interest paid on:				
- advances from related companies	(4,662)	(4,119)	-	-
- lease liabilities	(812)	(927)	-	-
Dividends paid	(90,357)	(96,918)	(90,357)	(96,918)
Dividends paid to non-controlling interests of subsidiaries	(270)	-	-	-
Shares buyback	(5,695)	-	(5,695)	-
Net cash from/(used in) financing activities	19,484	(102,079)	(96,052)	(96,918)
Net (decrease)/increase in cash and cash equivalents	(55,471)	(3,074)	(118,248)	3,771
Effects of exchange rate changes on cash and cash equivalents	(544)	943	-	-
Cash and cash equivalents at beginning of financial year	484,667	486,798	145,491	141,720
Cash and cash equivalents at end of financial year	428,652	484,667	27,243	145,491

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. CORPORATE INFORMATION

Sunway Construction Group Berhad (“the Company”) is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at Level 8, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan.

The immediate, intermediate, penultimate and ultimate holding companies of the Company are Sunway Holdings Sdn. Bhd., Sunway Berhad, Sungei Way Corporation Sdn. Bhd. and Active Equity Sdn. Bhd. respectively, all of which are incorporated in Malaysia. Sunway Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad and produces financial statements available for public use. Related companies refer to companies within the Sunway Berhad group of companies.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 17 to the financial statements.

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 28 April 2020.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The financial statements are presented in Ringgit Malaysia (“RM”), which is also the functional currency of the Company. All financial information presented in RM has been rounded to the nearest thousand (“RM’000”), unless otherwise stated.

The Group and the Company adopted MFRS 16 Leases on 1 January 2019 retrospectively. The Group and the Company have consistently applied the Standard in its opening statements of financial position as at 1 January 2018 and throughout the financial years presented, as if the Standard had always been in effect. Comparative figures for the financial year ended 31 December 2018 in these financial statements have been restated to give effect to these changes. New MFRSs and amendments to MFRSs adopted during the financial year and the effects arising from the initial application of MFRS 16 Leases are summarised in Note 41(a) to the financial statements.

3. SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services. In addition, the businesses are considered from a geographical perspective. The Group’s reporting segments are as follows:

- (i) Construction - turnkey, construction related design and build, civil engineering, building works, geotechnical services and related products, hire of heavy machineries, mechanical and engineering works, facade engineering and consultancy services and transportation agent.
- (ii) Precast concrete - construction engineering, sub-contracting works for precast fabrication, manufacturing and distribution of precast components and building materials.

Operating segments that have been aggregated to form the above reporting segments are as indicated as above. These operating segments are aggregated due to the similar nature and economic characteristics of the businesses.

3. SEGMENT INFORMATION (CONT’D)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise tax assets and liabilities, corporate assets, liabilities and expenses, if any.

Segment revenue, expenses and results include transfers between business segments. The inter-segment transactions have been entered into, on negotiated basis and are eliminated on consolidation. These policies have been applied consistently throughout the current and previous financial years.

Business segments

The following table provides an analysis of the Group’s revenue, results, assets, liabilities and other information by business segment:

	Construction	Precast concrete	Elimination	Note	Total
	RM’000	RM’000	RM’000		RM’000
At 31 December 2019					
Revenue					
Sales to external customers	1,618,914	149,813	-		1,768,727
Inter-segment sales	777,012	122,336	(899,348)	A	-
Total revenue	2,395,926	272,149	(899,348)		1,768,727
Results					
Operating profit	135,259	5,765	-	A	141,024
Finance and other distribution income	24,703	457	-		25,160
Finance costs	(10,425)	(2,778)	-		(13,203)
Share of results of an associate	4,316	-	-		4,316
Share of results of joint ventures	790	(691)	-		99
Profit before tax	154,643	2,753	-		157,396
Income tax expense	(27,693)	627	-		(27,066)
Net profit for the year	126,950	3,380	-		130,330
Non-controlling interests	(1,006)	-	-		(1,006)
Attributable to owners of the parent	125,944	3,380	-		129,324

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

3. SEGMENT INFORMATION (CONT'D)

Business segments (CONT'D)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment: (CONT'D)

	Construction	Precast concrete	Elimination	Note	Total
	RM'000	RM'000	RM'000		RM'000
At 31 December 2019 (CONT'D)					
Assets					
Segment assets	2,375,839	209,849	(754,931)		1,830,757
Investment in an associate	4,124	-	-		4,124
Investments in joint ventures	-	44,261	-		44,261
Unallocated assets					25,882
Total assets					1,905,024
Liabilities					
Segment liabilities	1,473,434	174,413	(371,643)		1,276,204
Unallocated liabilities					3,649
Total liabilities					(1,279,853)
Other segment information					
Capital expenditure	7,657	655	-	B	8,312
Depreciation and amortisation	36,363	3,899	-		40,262

3. SEGMENT INFORMATION (CONT'D)

Business segments (CONT'D)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment: (CONT'D)

	Construction	Precast concrete	Elimination	Note	Total
	RM'000	RM'000	RM'000		RM'000
At 31 December 2018					
Revenue					
Sales to external customers	2,123,162	133,673	-		2,256,835
Inter-segment sales	692,300	99,900	(792,200)	A	-
Total revenue	2,815,462	233,573	(792,200)		2,256,835
Results					
Operating profit	173,923	1,260	-	A	175,183
Finance and other distribution income	16,022	18	-		16,040
Finance costs	(8,912)	(311)	-		(9,223)
Share of results of a joint venture	731	-	-		731
Profit before tax	181,764	967	-		182,731
Income tax expense	(38,129)	163	-		(37,966)
Net profit for the year	143,635	1,130	-		144,765
Non-controlling interests	(339)	-	-		(339)
Attributable to owners of the parent	143,296	1,130	-		144,426
Assets					
Segment assets	2,310,523	144,758	(759,384)		1,695,897
Investment in joint ventures	-	44,739	-		44,739
Unallocated assets					27,365
Total assets					1,768,001
Liabilities					
Segment liabilities	1,421,551	80,394	(341,652)		1,160,293
Unallocated liabilities					16,032
Total liabilities					1,176,325
Other segment information					
Capital expenditure	55,110	1,059	-	B	56,169
Depreciation and amortisation	39,854	3,859	-		43,713

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

3. SEGMENT INFORMATION (CONT'D)

Geographical segments

The following table provides an analysis of the Group's revenue, profit before tax, net profit, profit attributable to owners of the parent and assets by geographical segment:

	Revenue from contracts with customers	Profit/(loss) before tax	Net profit/(loss)	Profit/(loss) attributable to owners of the parent	Segment assets
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2019					
Malaysia	1,616,918	159,245	131,291	130,218	1,687,607
Singapore	149,813	(660)	414	481	141,863
India	843	(6,289)	(6,458)	(6,458)	477
Trinidad & Tobago	-	-	-	-	24
United Arab Emirates	-	5,093	5,093	5,093	189
Myanmar	1,153	7	(10)	(10)	597
	1,768,727	157,396	130,330	129,324	1,830,757
At 31 December 2018 (Restated)					
Malaysia	2,123,162	172,878	134,912	134,573	1,598,340
Singapore	133,673	5,270	5,270	5,270	75,422
India	-	3,198	3,198	3,198	265
Trinidad & Tobago	-	242	242	242	24
United Arab Emirates	-	1,166	1,166	1,166	21,639
Myanmar	-	(23)	(23)	(23)	207
	2,256,835	182,731	144,765	144,426	1,695,897

Note Nature of eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues and profit are eliminated on consolidation.

B Capital expenditures consist of:

	2019	2018
	RM'000	RM'000
Property, plant and equipment (exclude right-of-use buildings)	8,180	55,723
Software	132	446
	8,312	56,169

3. SEGMENT INFORMATION (CONT'D)

Major customers

Revenue from two (2) customers (2018: two (2) customers) from the construction segment represent approximately RM444,026,000 (2018: RM832,212,000) of the Group's revenue.

The following are major customers with revenue equal or more than ten percent (10%) of Group's revenue:

	Revenue	
	2019	2018
	RM'000	RM'000
Customer A	193,026	295,864
Customer B	-*	536,348
Customer C	251,000	-*
	444,026	832,212

* Represents revenue not disclosed as the revenue is less than 10% of Group's revenue.

4. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objective of the Group's and of the Company's capital management is the maintenance of a strong credit rating and healthy capital ratio, in order to support the Group's and the Company's businesses and maximise shareholders' value.

The Group and the Company manage their capital structure by ensuring that financial commitments are met as and when they fall due. In addition, divestment of the Group's and of the Company's non-core assets which provide low returns are also made to optimise the capital structure of the Group and of the Company.

The Group and the Company monitor capital utilisation using the gearing ratio. This ratio is used to assess the appropriateness of the Group's and of the Company's debt level, hence its capital structure. The ratio is calculated as total borrowings divided by total equity. Total equity is the equity attributable to owners of the parent.

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Borrowings (Note 31)	286,050	113,631	-	-
Equity attributable to owners of the parent	622,955	590,234	547,879	402,966
Gearing ratio	46%	19%	N/A	N/A

The Group is in a net cash position as it holds RM692,638,000 (2018: RM484,869,000) in cash.

The Group is not subject to any other externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

4. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risks (both fair value and cash flow), foreign currency risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the current financial year and previous financial year, the Group's policy that no trading in derivative financial instruments shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

Interest rate risk

The Group's and the Company's interest rate risk arises primarily from interest bearing amounts due from/(to) related companies, amount due from an associate, deposits with licensed banks and other financial institutions and borrowings.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Notes 26, 28, 30 and 31 to the financial statements respectively.

Foreign currency risk

The Group is not significantly exposed to foreign currency risk as the majority of the Group's transactions, assets and liabilities are denominated in Ringgit Malaysia ("RM") except for foreign currency risk arising from a country in which certain foreign subsidiaries operate. The currency giving rise to this risk is primarily Singapore Dollar ("SGD").

Approximately 9% (2018: 6%) of the Group's sales are denominated in foreign currencies whilst almost 1% (2018: 1%) of costs are denominated in the respective functional currencies of the Group entities.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the revenue stream to be generated from its investments.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances amounted to RM26,523,000 (2018: RM4,050,000).

In relation to its investments in foreign subsidiaries whose net assets are exposed to currency translation risks and which are held for long term investment purposes, the differences arising from such translation are recorded under the foreign currency translation reserve. These translation differences are reviewed and monitored on a regular basis.

4. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management objectives and policies (CONT'D)

Foreign currency risk (CONT'D)

Foreign currency risk exposure

The currency risk exposure profiles for each class of financial instruments are as follows:

	SGD	Others
Group	RM'000	RM'000
At 31 December 2019		
Financial assets in foreign currencies		
Cash and bank balances	25,805	718
Trade and other receivables	114,778	16,083
Financial liabilities in foreign currencies		
Trade and other payables	(12,935)	(23,330)
Borrowing	(128,926)	-
Net exposure	(1,278)	(6,529)

At 31 December 2018

Financial assets in foreign currencies

Cash and bank balances	3,555	495
Trade and other receivables	70,452	21,275

Financial liabilities in foreign currencies

Trade and other payables	(24,993)	(18,848)
Borrowing	(6,087)	-
Net exposure	42,927	2,922

Company

At 31 December 2019/2018

The currency risk exposure profile of the Company is not presented as there is no exposure to foreign currency at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

4. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management objectives and policies (CONT'D)

Foreign currency risk (CONT'D)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the foreign exchange rates against the functional currency of the Group, with all other variables held constant.

	Group Profit net of tax	
	2019	2018
	RM'000	RM'000
SGD/RM		
- strengthened 1% (2018: 1%)	(11)	356
- weakened 1% (2018: 1%)	11	(356)

The exposure to the other currencies are not significant, hence the effects of the changes in the exchange rates are not presented.

Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

The analysis of financial instruments by remaining contractual maturities have been disclosed in Notes 25, 26, 27, 29, 31, 33, 34 and 35 to the financial statements respectively.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The credit risk concentration profiles have been disclosed in Notes 23 and 24 to the financial statements.

5. REVENUE

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers				
- Construction contracts	1,618,914	2,123,162	-	-
- Sale of goods	149,813	133,673	-	-
Other revenue				
Dividend income from a subsidiary	-	-	234,335	98,000
	1,768,727	2,256,835	234,335	98,000

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers is disaggregated in the table below by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the reportable segments of the Group.

	Malaysia	Singapore	Total
Group	RM'000	RM'000	RM'000
31 December 2019			
Major products and service lines			
Revenue from construction contracts	1,618,914	-	1,618,914
Sales of goods	-	149,813	149,813
Revenue from external customers	1,618,914	149,813	1,768,727
Timing of revenue recognition			
Services transferred over time	1,618,914	-	1,618,914
Products transferred at a point in time	-	45,614	45,614
Products transferred over time	-	104,199	104,199
Revenue from external customers	1,618,914	149,813	1,768,727
31 December 2018			
Major products and service lines			
Revenue from construction contracts	2,123,162	-	2,123,162
Sales of goods	-	133,673	133,673
Revenue from external customers	2,123,162	133,673	2,256,835
Timing of revenue recognition			
Services transferred over time	2,123,162	-	2,123,162
Products transferred at a point in time	-	58,159	58,159
Products transferred over time	-	75,514	75,514
Revenue from external customers	2,123,162	133,673	2,256,835

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

5. REVENUE (CONT'D)

(a) Revenue from construction contracts

Construction contracts with customers may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

Revenue from construction contracts is measured at the fixed transaction price agreed under the agreement.

The Group determines the transaction price of a contract after considering the effect of variable consideration, constraining estimates of variable consideration, effect of significant financing component, non-cash consideration and consideration payable to customer.

When the fair value of variable consideration is uncertain, the Group estimates the amount of consideration by using the most likely amount method and only recognises to the extent that is highly probable that a significant reversal in cumulative revenue will not occur.

Revenue is recognised as and when control of the asset is transferred to the customer and it is probable that the Group would collect the consideration to which it will be entitled in exchange for the asset that would be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the performance of the Group does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation using the output method. The output method recognises revenue based on contract work certified to date which depicts the basis of direct measurements of value to the customers of the construction work performed to date relative to the remaining construction work promised under the contract.

If control of the asset transfers at a point in time, revenue is recognised at a point in time when the customer obtains control of the asset.

Significant judgement is required in estimating the progress towards complete satisfaction of performance obligations and in assessing the exposures to liquidated ascertained damages ("LAD") based on the facts and circumstances of the relevant construction projects, including projects that had been served with certificates of non-achievement for project delays. In making these judgements, the Group evaluates based on experience and by relying on the work of specialists. The progress towards complete satisfaction of performance obligations is measured using the output method, which is based on the contract work certified to date over the estimated total contract sum.

(b) Sale of goods

Revenue is recognised as and when control of the asset is transferred to the customer and it is probable that the Group would collect the consideration to which it will be entitled in exchange for the asset that would be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the performance of the Group does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation using the output method. The output method recognises revenue on the basis of direct measurements of value to the customers of goods transferred to date relative to the remaining goods promised under the contract.

If control of the asset transfers at a point in time, revenue is recognised at a point in time when the goods has been transferred to the customer and coincides with the delivery of goods and acceptance by customers.

There is no material right of return and warranty provided to the customers on the sale of products.

5. REVENUE (CONT'D)

(c) Dividend income

Dividend income is recognised when the right of the Company to receive payment is established.

6. COST OF SALES

	Group	
	2019	2018
	RM'000	RM'000
Construction contract costs	1,254,367	1,684,864
Cost of goods sold	136,233	127,303
	1,390,600	1,812,167

7. OTHER INCOME

Included in other income are the following:

	Group	
	2019	2018
	RM'000	RM'000
Rental income	1,653	1,892
Bad debts recovered	7	-
Gain on disposal of property, plant and equipment	3,075	1,169
Accretion of financial assets	3,355	1,004
Arbitration gain	2,334	4,112
Foreign exchange gain:		
- realised	407	1,429
- unrealised	70	707

Rental income is accounted for on a straight-line basis over the lease term of an ongoing lease.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

8. FINANCE AND OTHER DISTRIBUTION INCOME AND FINANCE COSTS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Finance and other distribution income				
Finance and other distribution income from:				
Arbitration	3,461	-	-	-
Deposits with licensed banks	27	18	-	-
Deposits with other financial institutions	20,731	16,013	8,754	5,599
Others	941	9	59	9
	25,160	16,040	8,813	5,608
Finance costs				
Interest expense in relation to:				
Lease liabilities	(812)	(927)	-	-
Advances from related companies (Note 40)	(4,662)	(4,119)	-	(3)
Bank borrowings	(7,729)	(4,177)	-	-
	(13,203)	(9,223)	-	(3)

Interest income from short term deposits and advances are recognised on an accrual basis, using the effective interest method, unless recoverability is in doubt, in which case, it is recognised on receipt basis.

9. PROFIT BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the following amounts have been included in arriving at profit before tax:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
- statutory audits	615	637	19	19
- over provision in prior year	(39)	-	-	-
- other services	17	-	-	-
Foreign exchange losses:				
- realised	131	1,563	-	-
- unrealised	582	76	-	-
Fair value loss/(gain) on derivative assets and liabilities	187	(469)	-	-
Accretion of financial assets and liabilities	(1,348)	4,622	-	-
Bad debts written off	267	1,048	-	-
Written off of property, plant and equipment (Note 15)	7,111	4,350	-	-
Rental expenses:				
- short term lease expense	128	879	-	-
- Lease expense for low value assets	109	113	-	-
- Variable lease payment expense	-	41	-	-
Hire of plant and machinery	-	622	-	-
Management fees paid to intermediate holding company (Note 40)	19,941	18,921	-	-
Management fees paid to a subsidiary (Note 40)	-	-	712	1,208
Provision for material litigation	6,633	-	-	-
Service level agreement fee paid to related companies (Note 40)	4,952	4,545	6	6

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

10. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Wages, salaries, allowances and bonuses	136,497	158,701	-	-
Social security contributions	1,130	1,259	-	-
Contributions to defined contribution plan	12,094	13,651	-	-
Employees' share option scheme	(504)	14	-	-
Other benefits	7,483	4,648	93	65
	156,700	178,273	93	65

Included in employee benefits expense of the Group are Executive Director's remuneration amounting to RM2,811,000 (2018: RM2,941,000) as further disclosed in Note 11 to the financial statements.

11. DIRECTORS' REMUNERATION

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Executive Director's remuneration:				
Salaries and bonuses	2,510	2,615	-	-
Contribution to defined contribution plan	301	315	-	-
Other benefits	-	11	-	-
Total Executive Director's remuneration excluding benefits-in-kind (Note 10)	2,811	2,941	-	-
Estimated money value of benefits-in-kind	21	19	-	-
Total Executive Director's remuneration including benefits-in-kind (Note 40)	2,832	2,960	-	-
Non-Executive Directors' remuneration:				
Fees	680	698	680	698
Other emoluments	74	62	71	58
	754	760	751	756
Total Directors' remuneration including benefits-in-kind	3,586	3,720	751	756

11. DIRECTORS' REMUNERATION (CONT'D)

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2019	2018
Executive Director:		
RM2,800,000 - RM3,000,000	1	1
Non-Executive Directors:		
RM100,000 - RM150,000	5	6
RM150,001 - RM200,000	1	1

12. INCOME TAX EXPENSE

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Current income tax:				
Malaysian income tax	35,811	41,351	3	2
Foreign tax	73	-	-	-
	35,884	41,351	3	2
(Over)/Under provision in prior years:				
Malaysian income tax	(5,836)	(173)	-	-
Foreign tax	177	-	-	-
	(5,659)	(173)	-	-
	30,225	41,178	3	2
Deferred tax (Note 32):				
Relating to origination and reversal of temporary differences	(2,965)	(1,438)	-	-
Over provision in prior years	(194)	(1,774)	-	-
	(3,159)	(3,212)	-	-
Total income tax expense	27,066	37,966	3	2

(a) Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

(b) Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

12. INCOME TAX EXPENSE (CONT'D)

- (c) A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

Group		
	2019	2018
	RM'000	RM'000
		(Restated)
Profit before tax	157,396	182,731
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	37,775	43,856
Different tax rates in other countries	(183)	(557)
Effect of reduction in tax rates arising from incremental taxable income	-	(4,296)
Income not subject to tax	(7,790)	(4,123)
Expenses not deductible for tax purposes	4,973	5,685
Deferred tax assets not recognised in respect of current year's tax losses, unabsorbed capital allowances and other deductible temporary differences	345	70
Utilisation of deferred tax assets previously not recognised	(1,141)	(547)
Effect of share of results of an associate	(1,036)	-
Effect of share of results of joint ventures	(24)	(175)
Over provision of income tax in prior years	(5,659)	(173)
Over provision of deferred tax in prior years	(194)	(1,774)
Income tax expense for the year	27,066	37,966

Company		
	2019	2018
	RM'000	RM'000
Profit before tax	240,968	100,788
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	57,832	24,189
Income not subject to tax	(58,230)	(24,864)
Expenses not deductible for tax purposes	401	677
Income tax expense for the year	3	2

13. EARNINGS PER SHARE

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Group		
	2019	2018
	RM'000	RM'000
		(Restated)
Profit attributable to owners of the parent (RM'000)	129,324	144,426
Weighted average number of ordinary shares in issue ('000)	1,290,536	1,292,246
Basic earnings per ordinary share (sen)	10.02	11.18

(b) Diluted

Diluted earnings per share equals basic earnings per ordinary share because there were no dilutive ordinary shares as at the end of reporting period.

14. DIVIDENDS

Group/ Company				
	Dividends in respect of year		Dividends recognised in year	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interim dividend for 2017:				
Single-tier dividend of 4.0 sen per ordinary share	-	-	-	51,690
Interim dividend for 2018:				
Single-tier dividend of 3.5 sen per ordinary share	-	45,228	-	45,228
Single-tier dividend of 3.5 sen per ordinary share	-	45,229	45,229	-
Interim dividend for 2019:				
Single-tier dividend of 3.5 sen per ordinary share	45,128	-	45,128	-
Single-tier dividend of 3.5 sen per ordinary share	45,128	-	-	-
	90,256	90,457	90,357	96,918

On 20 February 2020, the Board of Directors had declared a second interim single-tier dividend of 3.5 sen per ordinary share for the financial year ended 31 December 2019. The total dividend paid amounted to RM45,127,587. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

The Board of Directors do not recommend any final dividend for the financial year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

15. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Buildings	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Capital work-in-progress	Right-of-use buildings	Total
At 31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost								
At beginning of financial year, as restated	8,538	19,039	334,378	29,325	9,752	1,223	20,984	423,239
Additions	-	263	6,929	628	333	27	1,434	9,614
Written-off	-	-	(17,572)	(4)	(129)	(1,194)	-	(18,899)
Disposals	-	(1,846)	(41,640)	(1,450)	(44)	(56)	-	(45,036)
Reversals	-	-	-	-	-	-	(1,012)	(1,012)
Reclassifications	-	-	136	8	(144)	-	-	-
Exchange differences	-	-	(22)	-	7	-	1	(14)
At end of financial year	8,538	17,456	282,209	28,507	9,775	-	21,407	367,892
Accumulated depreciation								
At beginning of financial year, as restated	-	6,010	203,470	17,826	8,206	-	7,716	243,228
Depreciation charge for the year	-	1,115	30,325	3,220	793	-	4,395	39,848
Written-off	-	-	(11,655)	(4)	(129)	-	-	(11,788)
Disposals	-	(1,846)	(41,222)	(1,435)	(44)	-	-	(44,547)
Reversals	-	-	-	-	-	-	(885)	(885)
Reclassifications	-	-	-	5	(5)	-	-	-
Exchange differences	-	-	(22)	-	7	-	1	(14)
At end of financial year	-	5,279	180,896	19,612	8,828	-	11,227	225,842
Accumulated impairment losses								
At beginning/end of financial year	-	-	3,543	-	-	-	-	3,543
Net carrying amount	8,538	12,177	97,770	8,895	947	-	10,180	138,507

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land	Buildings	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Capital work-in-progress	Right-of-use buildings	Total
At 31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost								
At beginning of financial year, as previously reported	8,538	18,126	302,988	22,211	9,569	478	-	361,910
Effects of adoption of MFRS 16	-	-	-	-	-	-	18,465	18,465
As restated	8,538	18,126	302,988	22,211	9,569	478	18,465	380,375
Additions	-	961	46,101	7,363	553	745	2,519	58,242
Written-off	-	(94)	(8,509)	(425)	(294)	-	-	(9,322)
Disposals	-	-	(5,588)	(369)	(49)	-	-	(6,006)
Reclassifications	-	46	(566)	545	(25)	-	-	-
Exchange differences	-	-	(48)	-	(2)	-	-	(50)
At end of financial year	8,538	19,039	334,378	29,325	9,752	1,223	20,984	423,239
Accumulated depreciation								
At beginning of financial year, as previously reported	-	5,028	180,727	15,213	7,555	-	-	208,523
Effects of adoption of MFRS 16	-	-	-	-	-	-	3,967	3,967
As restated	-	5,028	180,727	15,213	7,555	-	3,967	212,490
Depreciation charge for the year	-	1,024	32,465	3,271	1,029	-	3,749	41,538
Written-off	-	(19)	(4,236)	(424)	(293)	-	-	(4,972)
Disposals	-	-	(5,367)	(369)	(46)	-	-	(5,782)
Reclassifications	-	(23)	(71)	135	(41)	-	-	-
Exchange differences	-	-	(48)	-	2	-	-	(46)
At end of financial year	-	6,010	203,470	17,826	8,206	-	7,716	243,228
Accumulated impairment losses								
At beginning/end of financial year	-	-	3,543	-	-	-	-	3,543
Net carrying amount	8,538	13,029	127,365	11,499	1,546	1,223	13,268	176,468

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) Right-of-use buildings represent right-of-use assets arising from lease arrangements that do not meet the definition of investment property.
- (b) All items of property, plant and equipment (excluding right-of-use assets) are initially recorded at cost. After initial recognition, property, plant and equipment (excluding right-of-use assets) are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	%
Buildings	2 - 15
Plant and machinery	10 - 20
Motor vehicles	20
Office equipment, furniture and fittings	10 - 33

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The useful lives and residual values of other components of property, plant and equipment (excluding right-of-use assets) are estimated based on common life expectancies and commercial factors applied in the various respective industries.

Changes in expected level of usage, occupancy rates and economic development could impact the economic useful lives and the residual values of these assets, and hence future depreciation charges on such assets could be revised.

- (c) The right-of-use assets under property, plant and equipment are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on the straight-line basis over the lease term. The principal depreciation periods are as follows:

Buildings	over the lease period from 2 to 10 years
-----------	--

- (d) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	Group	
	2019	2018
	RM'000	RM'000
Additions of property, plant and equipment	9,614	58,242
Additions via finance lease	(1,434)	(2,519)
Cash outflow for acquisition of property, plant and equipment	8,180	55,723

16. INTANGIBLE ASSETS

	Group	
	2019	2018
Software	RM'000	RM'000
Cost		
At beginning of financial year	18,138	18,060
Additions	132	446
Written-off	(38)	(368)
At end of financial year	18,232	18,138
Accumulated amortisation		
At beginning of financial year	17,650	15,843
Amortisation charge for the year	414	2,175
Written-off	(38)	(368)
At end of financial year	18,026	17,650
Net carrying amount	206	488

Intangible assets are initially measured at cost. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives. The amortisation expense on intangible assets with finite life is included within the other expenses line item.

Software

Software that does not form an integral part of the related hardware is treated as intangible asset with finite life and is amortised over its estimated useful life of three (3) years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

17. INVESTMENT IN A SUBSIDIARY

	Company	
	2019	2018
	RM'000	RM'000
At cost		
Unquoted ordinary shares	258,580	258,580

- (a) Investment in a subsidiary is stated in the separate financial statements at cost less any accumulated impairment losses.
- (b) All components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.
- (c) On 11 January 2019, Sunway Geotechnics (M) Sdn. Bhd., an indirect wholly-owned subsidiary of the Company, had incorporated a new subsidiary known as Sunway CT Geotechnics Pte. Ltd. ("Sunway CT") by subscribing 5,500 ordinary shares at an issued price of SGD1.00 each, representing 55% of the paid-up share capital of Sunway CT. Subsequently on 20 June 2019, Sunway Geotechnics (M) Sdn. Bhd. had subscribed additional 8,250 ordinary shares in Sunway CT for a cash consideration of SGD 8,250. There were no changes in the equity interest in Sunway CT arising from the additional subscription.
- (d) On 29 March 2019, Sunway Construction (Caribbean) Limited ("SCCL"), an indirect wholly owned subsidiary of the Company, had applied to the Registrar General of Companies of the Republic of Trinidad and Tobago for deregistration pursuant to the Companies Act of the Republic of Trinidad and Tobago. The deregistration of SCCL has no material financial effect on the Group.
- (e) On 27 June 2019, Sunway Engineering Sdn. Bhd., an indirect wholly-owned subsidiary of the Company, had incorporated a new subsidiary known as Sunway Pekat Solar Sdn. Bhd. ("Sunway Pekat Solar") by subscribing 6 ordinary shares at an issued price of RM1.00 each, representing 60% of the paid-up share capital of Sunway Pekat Solar. Subsequently on 26 December 2019, Sunway Engineering Sdn. Bhd. had subscribed additional 6,000 ordinary shares in Sunway Pekat Solar for a total cash consideration of RM6,000. There were no changes in the equity interest in Sunway Pekat Solar arising from the additional subscription.

17. INVESTMENT IN A SUBSIDIARY (CONT'D)

Details of the subsidiaries are as follows:

Name of companies	Principal place of business/ Country of incorporation	Principal activities	% of ownership interest held by			
			Group		Non-controlling interest	
			2019	2018	2019	2018
			%	%	%	%
Subsidiary of Sunway Construction Group Berhad						
Sunway Construction Sdn. Bhd.	Malaysia	Turnkey, construction related design and build, civil engineering and building works, and transportation agents	100.00	100.00	-	-
Subsidiaries of Sunway Construction Sdn. Bhd.						
Sunway Innopave Sdn. Bhd.	Malaysia	Dormant	100.00	100.00	-	-
Sunway Machinery Sdn. Bhd.	Malaysia	Renting of machinery and site equipment and undertaking of sub-contract work	100.00	100.00	-	-
Sunway Engineering Sdn. Bhd.	Malaysia	Provision of mechanical and engineering works	100.00	100.00	-	-
Sunway Industrial Products Sdn. Bhd.	Malaysia	Investment holding	100.00	100.00	-	-
Sunway Construction India Pte. Ltd.**	India	Construction of civil and building works	100.00	100.00	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

17. INVESTMENT IN A SUBSIDIARY (CONT'D)

Details of the subsidiaries are as follows: (CONT'D)

Name of companies	Principal place of business/ Country of incorporation	Principal activities	% of ownership interest held by			
			Group		Non-controlling interest	
			2019	2018	2019	2018
			%	%	%	%
Subsidiaries of Sunway Construction Sdn. Bhd. (contd.)						
Sunway Machineries Services Sdn. Bhd.	Malaysia	Investment holding	100.00	100.00	-	-
Sunway Creative Stones Sdn. Bhd.	Malaysia	Dormant	70.00	70.00	30.00	30.00
Sunway Precast Industries Sdn. Bhd.	Malaysia	Manufacturing of precast concrete building components and undertaking of precast concretebuilding contracts and construction activities	100.00	100.00	-	-
Sunway Builders Sdn. Bhd.	Malaysia	Construction of buildings and civil works	100.00	100.00	-	-
Sunway Construction Caribbean Limited ®	Trinidad and Tobago	Dormant	100.00	100.00	-	-
Sunway Geotechnics (M) Sdn. Bhd.	Malaysia	Providing geotechnical services and related products and hire of heavy machineries	100.00	100.00	-	-
Sunspan Sdn. Bhd. **	Malaysia	Dormant	100.00	100.00	-	-

17. INVESTMENT IN A SUBSIDIARY (CONT'D)

Details of the subsidiaries are as follows: (CONT'D)

Name of companies	Principal place of business/ Country of incorporation	Principal activities	% of ownership interest held by			
			Group		Non-controlling interest	
			2019	2018	2019	2018
			%	%	%	%
Subsidiaries of Sunway Construction Sdn. Bhd. (contd.)						
Sunway SK Sdn. Bhd.	Malaysia	Construction of building and civil works	100.00	100.00	-	-
Sunway Facade Network Sdn. Bhd.	Malaysia	Facade design, engineering, construction and consultancy services	60.00	60.00	40.00	40.00
Sunway Visioneering Sdn. Bhd.	Malaysia	Dormant	100.00	100.00	-	-
Sunway Concrete Products (M) Sdn. Bhd.	Malaysia	Manufacture of prefabricated structural and metal components for building or civil engineering of cement, concrete or artificial stones	100.00	100.00	-	-
Sunway Innopave (S) Pte. Ltd. *	Singapore	Investment holding	100.00	100.00	-	-
Subsidiary of Sunway Engineering Sdn. Bhd.						
Sunway Pekat Solar Sdn. Bhd.	Malaysia	Installation of non-electric solar energy collectors	60.00	-	40.00	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

17. INVESTMENT IN A SUBSIDIARY (CONT'D)

Details of the subsidiaries are as follows: (CONT'D)

Name of companies	Principal place of business/ Country of incorporation	Principal activities	% of ownership interest held by			
			Group		Non-controlling interest	
			2019	2018	2019	2018
			%	%	%	%
Subsidiary of Sunway Geotechnics (M) Sdn. Bhd.						
Sunway CT Geotechnics Pte. Ltd. *	Singapore	Dormant	55.00	-	45.00	-
Subsidiary of Sunway Industrial Products Sdn. Bhd.						
Sunway Concrete Products (S) Pte. Ltd. *	Singapore	Manufacturing and sale of precast concrete building components	100.00	100.00	-	-
Subsidiary of Sunway Innopave (S) Pte. Ltd.						
Sunway Builders (Myanmar) Company Limited * ^	Myanmar	Project management in construction services	100.00	100.00	-	-

* Audited by BDO Member Firms.

** Audited by firms of auditors other than BDO PLT in Malaysia and BDO Member Firms.

@ Applied for deregistration on 29 March 2019.

^ Subsidiary is consolidated based on management accounts for the financial year ended 31 December 2019 as financial year end of the subsidiary does not coincide with the Group.

Summarised information of companies with non-controlling interests are not presented as the non-controlling interests of these companies are immaterial to the Group.

18. INVESTMENT IN AN ASSOCIATE

		Group	
		2019	2018
		RM'000	RM'000
At cost			
Unquoted:			
Share of post-acquisition profits and other comprehensive income, net of dividend income		4,124	-

(a) Investment in associate is stated at cost less any accumulated impairment losses in the separate financial statements and it is accounted for using the equity method of accounting in the consolidated financial statements.

(b) The financial year end of the associate is coterminous with the financial year end of the Group.

(c) Details of the associate are as follows:

Name of associate	Principal place of business	Principal activities	Proportion of ownership interest	
			2019	2018
			%	%
Associate of Sunway Builders Sdn. Bhd.				
ISZL Consortium *	Unincorporated Abu Dhabi	Construction	25.00	25.00

* Audited by firms of auditors other than BDO PLT in Malaysia and BDO Member Firms.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

18. INVESTMENT IN AN ASSOCIATE (CONT'D)

(d) Summarised financial information in respect of the Group's associate is set out below. The summarised financial information represents the amounts in the financial statements of the associate and not the Group's share of those amounts.

(i) Summarised statement of financial position

ISZL Consortium		
	2019	2018
	RM'000	RM'000
Current assets	53,808	51,842
Total assets	53,808	51,842
Loan from Consortium Members	(17,542)	(30,588)
Current liabilities	(19,770)	(21,254)
Total liabilities	(37,312)	(51,842)
Net assets	16,496	-

(ii) Summarised statement of profit or loss and other comprehensive income

ISZL Consortium		
	2019	2018
	RM'000	RM'000
Revenue	-	-
Profit before tax	17,264	41,127
Total comprehensive income	16,496	41,051

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate

ISZL Consortium		
	2019	2018
	RM'000	RM'000
Net liabilities at beginning of financial year	-	(41,051)
Profit for the year	17,264	41,127
Effect of translation to closing foreign exchange rates	(768)	(76)
Net assets at end of financial year	16,496	-
Interest in associate as at year end	25%	25%
Carrying value of Group's interest in associate	4,124	-

19. OTHER INVESTMENTS

Group		
	2019	2018
	RM'000	RM'000
Non-current		
Fair value through profit or loss:		
- Corporate membership	273	273

(a) The corporate membership is financial assets and measured at fair value through profit or loss pursuant to MFRS 9 *Financial Instruments*.

(b) The fair value of corporate membership of the Group is categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

20. INVESTMENTS IN JOINT ARRANGEMENTS

Group		
	2019	2018
	RM'000	RM'000
Equity contribution	44,110	44,110
Exchange difference	736	629
Share of post-acquisition profits and other comprehensive income, net of dividends received	(585)	-
	44,261	44,739

20.1 Investments in joint ventures

(a) Investments in joint ventures are stated at cost less accumulated impairment losses in the separate financial statements. The Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.

(b) The Group has determined that all of its joint arrangements structured through separate vehicles provide rights to the net assets and are therefore, classified as joint ventures.

(c) The financial year end of the joint ventures are coterminous with the financial year end of the Group, except for IJM Sunway Sdn. Bhd., which has a financial year end of 31 March. Management accounts of this joint venture for the financial year ended 31 December 2019 has been used for the purpose of applying the equity method of accounting.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

20. INVESTMENTS IN JOINT ARRANGEMENTS (CONT'D)

20.1 Investments in joint ventures (CONT'D)

(d) Details of the joint ventures are as follows:

Name of Joint Venture	Principal place of business/ Country of incorporation	Principal activities	Effective interest in equity	
			2019	2018
			%	%
Joint venture of Sunway Engineering Sdn. Bhd.				
IJM Sunway Sdn. Bhd.*	Malaysia	Investment holding	50.00	50.00
GME-SE Joint Venture (STW) ^#	Unincorporated Malaysia	Provision of mechanical and engineering works	50.00	-
Joint ventures of Sunway Construction Sdn. Bhd.				
SunCity SunCon Joint Venture	Unincorporated Malaysia	Dormant	50.00	50.00
Joint venture of Sunway Innopave Sdn. Bhd.				
Silver Coast-Sunway Innopave J. V. ^	Unincorporated Abu Dhabi	Dormant	60.00	60.00
Joint venture of Sunway Concrete Product (S) Pte. Ltd.				
HL-Sunway JV Pte. Ltd. *	Singapore	Manufacturing and sales of precast concrete components	49.00	49.00

* Audited by firms of auditors other than BDO PLT in Malaysia and BDO Member Firms.

^ Statutory audit not required as at 31 December 2019.

On 1 November 2019, Sunway Engineering Sdn. Bhd., an indirect wholly owned subsidiary of the Company, has entered into an agreement with GAMUDA M&E Sdn. Bhd. to form a joint venture known as GME-SE Joint Venture (STW) on a 50:50 basis to undertake the construction works for the project known as "Construction, Completion, Testing, Commissioning, Care and Maintenance of Sentul West Station and Escape Shaft 1 (SUB-CONTECT NO: SSP-UGJV-UNGW-OVPR-TEN-00055)".

20. INVESTMENTS IN JOINT ARRANGEMENTS (CONT'D)

20.1 Investments in joint ventures (CONT'D)

(e) Summarised information of joint ventures that are material to the Group is set out below. The summarised information represents the amounts in the MFRS financial statements of the joint ventures (translated to Ringgit Malaysia, where applicable, based on exchange rates as at the end of the reporting period) and not share of the Group of those amounts. The other joint ventures are not material to the Group.

(i) Summarised statements of financial position

	SunCity SunCon	Silver Coast- Sunway Innopave	HL-Sunway JV Pte. Ltd.	Total
At 31 December 2019	RM'000	RM'000	RM'000	RM'000
Non-current assets	17	560	83,443	84,020
Cash and cash equivalents	1,753	-	7,051	8,804
Other current assets	1	325	279	605
Current assets	1,754	325	7,330	9,409
Total assets	1,771	885	90,773	93,429
Trade and other payables and provisions	1,771	885	445	3,101
Total current liabilities	1,771	885	445	3,101
Net assets	-	-	90,328	90,328

	SunCity SunCon	Silver Coast- Sunway Innopave	HL-Sunway JV Pte. Ltd.	Total
At 31 December 2018	RM'000	RM'000	RM'000	RM'000
Non-current assets	24	566	78,604	79,194
Cash and cash equivalents	2,599	482	6,912	9,993
Other current assets	1,064	325	5,829	7,218
Current assets	3,663	807	12,741	17,211
Total assets	3,687	1,373	91,345	96,405
Trade and other payables and provisions	3,687	1,373	40	5,100
Total current liabilities	3,687	1,373	40	5,100
Net assets	-	-	91,305	91,305

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

20. INVESTMENTS IN JOINT ARRANGEMENTS (CONT'D)

20.1 Investments in joint ventures (CONT'D)

(e) (CONT'D)

(ii) Summarised statements of profit or loss and other comprehensive income

	SunCity SunCon	Silver Coast- Sunway Innopave	HL-Sunway JV Pte. Ltd.	Total
At 31 December 2019	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-
Cost of Sales	-	-	(892)	(892)
Depreciation and amortisation	-	-	-	-
Other expenses	-	-	(526)	(526)
Other income	790	-	-	790
Interest income	-	-	9	9
Profit/(Loss) before tax	790	-	(1,409)	(619)
Income tax expense	-	-	-	-
Profit/(Loss) after tax	790	-	(1,409)	(619)
Other comprehensive income net of tax	-	-	216	216
Total comprehensive income income/(loss)	790	-	(1,193)	(403)
Dividend received from joint venture during the financial year	790	-	-	790

	SunCity SunCon	Silver Coast- Sunway Innopave	HL-Sunway JV Pte. Ltd.	Total
At 31 December 2018	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-
Depreciation and amortisation	(7)	-	-	(7)
Interest income	85	-	-	85
Profit before tax	-	1,217	-	1,217
Income tax expense	-	-	-	-
Profit after tax	-	1,217	-	1,217
Other comprehensive income net of tax	-	-	1,284	1,284
Total comprehensive income	-	1,217	1,284	2,501
Dividend received from joint venture during the financial year	-	731	-	731

20. INVESTMENTS IN JOINT ARRANGEMENTS (CONT'D)

20.1 Investments in joint ventures (CONT'D)

(e) (CONT'D)

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of interest in joint ventures of the Group

	SunCity SunCon	Silver Coast- Sunway Innopave	HL-Sunway JV Pte. Ltd.	Total
At 31 December 2019	RM'000	RM'000	RM'000	RM'000
Net assets at beginning of financial year	-	-	90,021	90,021
Profit/(Loss) for the year	790	-	(1,409)	(619)
Other comprehensive income	-	-	216	216
Dividend paid during the year	(790)*	-	-	(790)
Net assets at end of financial year	-	-	88,828	88,828
Foreign currency translation reserves	-	-	1,500	1,500
	-	-	90,328	90,328
Interest in joint ventures as at year end	50%	60%	49%	
Carrying value of Group's interest in joint ventures	-	-	44,261	44,261

* Dividend paid was solely attributable to the Group.

	SunCity SunCon	Silver Coast- Sunway Innopave	HL-Sunway JV Pte. Ltd.	Total
At 31 December 2018	RM'000	RM'000	RM'000	RM'000
Net assets at beginning of financial year	2,154	-	-	2,154
Capital injection	-	-	90,021	90,021
Profit for the year	-	1,217	-	1,217
Dividend paid during the year	(2,154)*	(1,217)	-	(3,371)
Net assets at end of financial year	-	-	90,021	90,021
Foreign currency translation reserves	-	-	1,284	1,284
	-	-	91,305	91,305
Interest in joint ventures as at year end	50%	60%	49%	
Carrying value of Group's interest in joint ventures	-	-	44,739	44,739

* Dividend paid was solely attributable to joint venture partner.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

20. INVESTMENTS IN JOINT ARRANGEMENTS (CONT'D)

20.2 INVESTMENTS IN JOINT OPERATIONS

- (a) Taisei-Sunway Joint Venture is deemed to be a joint operation of the Group, which is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.
- (b) When the Group undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:
- (i) its assets, including its share of any assets held jointly;
 - (ii) its liabilities, including its share of any liabilities incurred jointly;
 - (iii) its revenue from the sale of its share of the output arising from the joint operation;
 - (iv) its share of the revenue from the sale of the output by the joint operation; and
 - (v) its expenses, including its share of any expenses incurred jointly.

When the Group transacts with a joint operation in which the Group is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When the Group transacts with a joint operation in which the Group is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

- (c) Details of the joint operation are as follows:

Name of Joint Operation	Principal place of business	Principal activities	Participating interest	
			2019	2018
			%	%
Joint operation of Sunway Construction Sdn. Bhd.				
Taisei-Sunway Joint Venture	Unincorporated Malaysia	Construction works	50.00	50.00

21. GOODWILL

Group		
	2019	2018
	RM'000	RM'000
Cost		
At beginning/end of financial year	35,397	35,397
Accumulated impairment losses		
At beginning/end of financial year	(31,750)	(31,750)
Net carrying amount	3,647	3,647

The carrying amount of goodwill allocated to the Group's cash-generating unit (CGU) is as follows:

Group		
	2019	2018
	RM'000	RM'000
Precast concrete	3,647	3,647

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a three-year period (2018: three-year period). The key assumptions used for value-in-use calculations are:

Group		
	2019	2018
	%	%
Gross margin	10.0	10.0
Discount rate	10.0	10.0

The following describes each key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

- (i) **Budgeted gross margin**
The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year adjusted for expected efficiency improvements or deficiency.
- (ii) **Growth rate**
The growth rate used is determined using a simple average of the annual Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") growth rate obtained from financial budgets approved by management. The financial budgets cover a period of three years. No growth rate was projected within this period of three years.
- (iii) **Discount rate**
The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

21. GOODWILL (CONT'D)

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU to materially exceed its recoverable amounts.

22. INVENTORIES

	Group	
	2019	2018
	RM'000	RM'000
At cost		
Properties stocks	497	497
Raw materials	6,435	5,436
Finished goods	11,121	20,813
Spare parts	3,918	3,235
At net realisable value		
Finished goods	3,123	-
	25,094	29,981

- Properties stocks comprise properties received from trade receivables as settlement of debts in the ordinary course of business.
- Cost of raw materials and finished goods is determined on a first-in, first-out basis. Cost comprises costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition.
- Cost of spare parts is determined on a weighted average basis. Cost comprises costs of purchase plus other costs incurred in bringing the inventories to their present location and condition.
- During the current financial year, inventories of the Group recognised as cost of sales amounted to RM114,338,000 (2018: RM98,608,000).
- In the previous financial year, the Group had written off inventories amounted to RM6,000.
- A write down of inventories to net realisable value of inventories of RM153,000 (2018: Nil) was made during the financial year.

23. TRADE RECEIVABLES

	Group	
	2019	2018
	RM'000	RM'000
Third parties	593,306	627,621
Related parties	36,870	19,331
Retention sums	211,203	266,108
	841,379	913,060
Less: Impairment losses	(23,443)	(28,701)
Total trade receivables	817,936	884,359

- Total trade receivables are classified as financial assets measured at amortised cost.
- The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 30 days to 90 days (2018: 30 days to 90 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.
- Included in retention sums of the Group are amounts owing from related parties of RM43,925,000 (2018: RM37,682,000).
- Impairment for trade receivables are recognised based on the simplified approach using the lifetime expected credit losses ("ECL").

The Group considers historical credit loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected credit loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

During this process, the probability of non-payment by the trade receivables is adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. The Group has identified the Gross Domestic Product, inflation rate and non-performing loan ratio as the key macroeconomic factors of the forward looking information. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

23. TRADE RECEIVABLES (CONT'D)

(e) The reconciliation of movements in impairment losses for trade receivables is as follows:

	Lifetime ECL allowance	Group Credit impaired	Total
At 31 December 2019	RM'000	RM'000	RM'000
At beginning of financial year	7,041	21,660	28,701
Charge for the financial year	1,648	580	2,228
Reversal of impairment losses	(1,764)	(3,939)	(5,703)
Written off	-	(1,786)	(1,786)
Exchange differences	3	-	3
At end of financial year	6,928	16,515	23,443
At 31 December 2018			
At beginning of financial year	9,227	13,391	22,618
Charge for the financial year	1,859	8,634	10,493
Reversal of impairment losses	(4,051)	(78)	(4,129)
Written off	-	(288)	(288)
Exchange differences	6	1	7
At end of financial year	7,041	21,660	28,701

Credit impaired refers to individually determined debtors who are in significant financial difficulties and have defaulted on payments to be impaired as at the financial year end.

(f) The ageing analysis of the Group's trade receivables are as follows:

	2019		
	Gross	Impaired	Total
Group	RM'000	RM'000	RM'000
Current	731,494	(6,769)	724,725
1 to 30 days past due	23,874	(369)	23,505
31 to 60 days past due	17,045	(175)	16,870
61 to 90 days past due	20,028	(157)	19,871
91 to 120 days past due	13,286	(164)	13,122
121 days to 150 days past due	1,962	(18)	1,944
More than 150 days past due	33,690	(15,791)	17,899
	109,885	(16,674)	93,211
	841,379	(23,443)	817,936

23. TRADE RECEIVABLES (CONT'D)

(f) The ageing analysis of the Group's trade receivables are as follows: (cont'd)

	2018		
	Gross	Impaired	Total
Group	RM'000	RM'000	RM'000
Current	700,832	(6,929)	693,903
1 to 30 days past due	57,481	(1,980)	55,501
31 to 60 days past due	3,365	(572)	2,793
61 to 90 days past due	46,037	(1,295)	44,742
91 to 120 days past due	19,937	(577)	19,360
121 days to 150 days past due	28,136	(378)	27,758
More than 150 days past due	57,272	(16,970)	40,302
	212,228	(21,772)	190,456
	913,060	(28,701)	884,359

(g) The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's total trade receivables at the end of the reporting period are as follows:

	Group			
	2019		2018	
Group	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	721,209	88.2%	831,560	94.0%
Singapore	96,487	11.8%	52,799	6.0%
Myanmar	240	0.0%	-	0.0%
	817,936	100.0%	884,359	100.0%
By segment:				
Construction	721,449	88.2%	831,560	94.0%
Precast concrete	96,487	11.8%	52,799	6.0%
	817,936	100.0%	884,359	100.0%

Exposure to credit risk

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. These customers are engaged in a wide spectrum of activities and sell in a variety of end markets. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

24. OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deposits	8,577	7,690	-	-
Prepayments	21,969	409	-	-
Sundry receivables	4,110	29,640	66	-
	34,656	37,739	66	-
Less: Impairment losses	(5,390)	(5,443)	-	-
Total other receivables	29,266	32,296	66	-

- (a) Total other receivables, net of prepayments are classified as financial assets measured at amortised cost.
- (b) Included in other receivables of the Group is amounts due from related parties of RM186,000 (2018: RM112,000).
- (c) The amounts due from related parties are unsecured, non-interest bearing and repayable based on credit terms granted. The credit period is generally for a period of 30 days to 90 days (2018: 30 days to 90 days).
- (d) Impairment for other receivables are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. At the end of the reporting period, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group defined significant increase in credit risk based on operating performance of the receivables, changes to contractual terms, payment trends and past due information.

The probability of non-payment by other receivables, amount due from intermediate holding company, related companies, joint ventures and an associate is adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the twelve-month or lifetime expected credit loss for other receivables due from intermediate holding company, related companies, joint ventures and an associate. The Group has identified the Gross Domestic Product, inflation rate and non-performing loan ratio as the key macroeconomic factors of the forward looking information.

It requires management to exercise significant judgement in determining the probability of default by other receivables, appropriate forward-looking information and significant increase in credit risk.

No expected credit losses were recognised arising from other receivables of the Company because the probability of default by other receivables was negligible.

24. OTHER RECEIVABLES (CONT'D)

- (e) The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.
- (f) The reconciliation of movements in impairment losses for other receivables is as follows:

	12 months ECL allowance	Group Credit impaired	Total
At 31 December 2019	RM'000	RM'000	RM'000
At beginning of financial year	317	5,126	5,443
Charge for the financial year	17	-	17
Reversal of impairment losses	(70)	-	(70)
At end of financial year	264	5,126	5,390
At 31 December 2018			
At beginning of financial year	297	5,126	5,423
Charge for the financial year	76	-	76
Reversal of impairment losses	(56)	-	(56)
At end of financial year	317	5,126	5,443

Credit impaired refers to individually determined debtors who are in significant financial difficulties and have defaulted on payments to be impaired as at the financial year end.

25. AMOUNT DUE FROM/(TO) INTERMEDIATE HOLDING COMPANY

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current assets				
Amount due from intermediate holding company (non-trade)	415	1,711	-	-
Current liabilities				
Amount due to intermediate holding company (non-trade)	745	503	-	2

- (a) Amount due from/(to) intermediate holding company are classified as financial assets/(liabilities) measured at amortised cost.
- (b) Amount due from/(to) intermediate holding company (non-trade) are unsecured, interest free and the terms of repayment are within next twelve (12) months in cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

25. AMOUNT DUE FROM/(TO) INTERMEDIATE HOLDING COMPANY (CONT'D)

- (c) The maturity profile of amount due to intermediate holding company of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations are payable on demand or within one year.
- (d) Impairment for amount due from intermediate holding company is recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model as disclosed in Note 24(d) to the financial statements.

No expected credit losses were recognised arising from amounts due from intermediate holding company because the probability of default by intermediate holding company was negligible.

26. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current assets				
Amounts due from related companies				
- trade	101,825	59,816	-	-
- non-trade	442	894	-	-
	102,267	60,710	-	-
Less: Impairment losses	(108)	(70)	-	-
Net carrying amount of amounts due from related companies	102,159	60,640	-	-
Non-current liabilities				
Amount due to a related company				
- non-trade	95,833	96,314	-	-
Current liabilities				
Amounts due to related companies				
- trade	8,447	11,540	-	-
- non-trade	5,190	50,390	13	81
	13,637	61,930	13	81

- (a) Amounts due from/(to) related companies are classified as financial assets/(liabilities) measured at amortised cost.
- (b) Amounts due from/(to) related companies (trade) are unsecured, interest free and the credit period is generally for a period of 30 days to 90 days (2018: 30 days to 90 days).

Included in amounts due from related companies (trade) are retention sum of RM45,508,000 (2018: RM39,872,000).

26. AMOUNTS DUE FROM/(TO) RELATED COMPANIES (CONT'D)

- (c) Amounts due from/(to) related companies (non-trade) are unsecured, interest free, except for an amount due to a related company of RM95,833,000 (2018: RM142,450,000), which bears interests at rates ranging from 3.74% to 4.03% (2018: 3.96% to 4.45%) per annum.

The terms of repayment of amounts due from/(to) related companies (non-trade) is within next twelve (12) months, except for an amount due to a related company of RM95,833,000 (2018: RM96,314,000) which the Group has an unconditional right to defer settlement for at least twelve (12) months after the end of the reporting period.

- (d) At the end of the reporting period, the interest rate profile of the interest-bearing amounts due from/(to) related companies was:

	Group	
	2019	2018
	RM'000	RM'000
Variable rate instruments		
Financial liabilities	(95,833)	(142,450)

A change of 25 basis points in interest rates, assuming all other variables remained constant, at the end of the reporting period would result in the profit net of tax of the Group will be (lower)/higher by RM182,000 (2018: RM271,000).

- (e) The maturity profile of amounts due to related companies of the Group at the end of the reporting period based on contractual undiscounted repayment obligations are payable on demand or within one year except for an amount due to a related company of RM95,833,000 (2018: RM96,314,000), which the Group has unconditional right to defer settlement for at least twelve (12) months after the end of the reporting period as disclosed in Note 26(c) to the financial statements.
- (f) Impairment for amounts due from related companies are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model as disclosed in Note 24(d) to the financial statements.

The reconciliation of movements in impairment losses for amounts due from related companies is as follows:

	12 months ECL allowance	
	2019	2018
Group	RM'000	RM'000
At beginning of financial year	70	71
Charge for the financial year	58	-
Reversal of allowance for impairment losses	(20)	(1)
At end of financial year	108	70

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

26. AMOUNTS DUE FROM/(TO) RELATED COMPANIES (CONT'D)

- (g) Reconciliation of liabilities from financing activities to the statements of financial position and statements of cash flows are as follows:

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statements of cash flows as cash flows from financing activities.

	Group	
	2019	2018
	RM'000	RM'000
At beginning of financial year	142,450	118,037
Cash flows		
- (Payments)/Advances of principal	(46,617)	24,413
- Payments of interests	(4,662)	(4,119)
Non-cash flows		
- Interest expense	4,662	4,119
At end of financial year	95,833	142,450

27. AMOUNTS DUE FROM/(TO) JOINT VENTURES

	Group	
	2019	2018
	RM'000	RM'000
Current assets		
Amounts due from joint ventures		
- trade	17	19
- non-trade	5,060	73
	5,077	92
Current liabilities		
Amount due to a joint venture (trade)	26	27

27. AMOUNTS DUE FROM/(TO) JOINT VENTURES (CONT'D)

- (a) Amounts due from/(to) joint ventures are classified as financial assets/(liabilities) measured at amortised cost.
- (b) Amounts due from/(to) a joint ventures (trade) are unsecured, interest free and the credit period is generally for a period of 30 days to 90 days (2018: 30 days to 90 days).
- (c) Amounts due from a joint ventures (non-trade) are unsecured, interest free and the terms of repayment is within next twelve (12) months in cash and cash equivalents.
- (d) The maturity profile of amount due to a joint venture of the Group at the end of the reporting period based on contractual undiscounted repayment obligations is payable on demand or within one year.
- (e) Impairment for amounts due from joint ventures is recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model as disclosed in Note 24(d) to the financial statements.

No expected credit losses were recognised arising from amounts due from joint ventures because the probability of default by joint ventures was negligible.

28. AMOUNT DUE FROM AN ASSOCIATE

	Group	
	2019	2018
	RM'000	RM'000
Amount due from an associate (non-trade)	15,740	21,375
Less: Impairment losses	(201)	(302)
Net carrying amount of amount due from an associate	15,539	21,073

- (a) Amount due from an associate is classified as financial asset measured at amortised cost.
- (b) Amount due from an associate (non-trade) is secured, interest free and the terms of repayment is within next twelve (12) months in cash and cash equivalents. In the previous financial year, the amount due from an associate (non-trade) bore interest at a rate of 8.85% per annum.
- (c) Impairment for amount due from an associate is recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model as disclosed in Note 24(d) to the financial statements.

The reconciliation of movements in impairment losses for amount due from an associate is as follows:

	12 months ECL allowance	
	2019	2018
Group	RM'000	RM'000
At beginning of financial year	302	454
Charge for the financial year	-	1
Reversal of impairment losses	(99)	(158)
Exchange differences	(2)	5
At end of financial year	201	302

- (d) Sensitivity analysis for fixed rate interest-bearing amount due from an associate at the end of the previous reporting period was not presented as changes in interest rate would not affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

29. DERIVATIVE LIABILITIES

	2019		2018	
	Contract/ Notional amount	Liabilities	Contract/ Notional amount	Liabilities
	RM'000	RM'000	RM'000	RM'000
Group				
Current				
Interest rate swaps	61,016	187	-	-

- (a) Derivatives are classified as fair value through profit or loss, and subsequently remeasured to fair value with changes in fair value being recognised in profit or loss.
- (b) Derivatives are categorised as Level 2 in the fair value hierarchy.
- (c) An interest rate swap is a derivative in which one party exchanges a stream of interest payments for another party's stream of cash flow. During the current financial year, the Group entered into interest swaps to exchange floating interest rate for fixed interest rates in order to minimise the exposure from fluctuation of interest rate. This interest rate swaps received floating interest rate equals to Singapore Swap Offer Rate ("SOR") per annum and paid fixed rate of interest of 1.49% and 1.58% per annum.

The fair values of the interest rate swap contracts are determined by using the mark to market values at the end of the reporting period and changes in the fair value is recognised in the profit or loss.

Interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and interest rate curves.

30. CASH AND BANK BALANCES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances				
Cash at banks and on hand	178,192	56,483	522	176
Deposits with:				
Licensed banks	202	202	-	-
Other financial institutions	514,244	428,184	290,505	145,315
Cash and bank balances	692,638	484,869	291,027	145,491

30. CASH AND BANK BALANCES (CONT'D)

- (a) The weighted average interest rates per annum of deposits that were effective as at the end of the reporting period were as follows:

	Group		Company	
	2019	2018	2019	2018
	%	%	%	%
Deposits with licensed banks	4.05	3.70	-	-
Deposits with other financial institutions	5.18	5.57	4.72	5.24

The maturity of deposits with licensed banks during the years under review is 365 days (2018: 365 days).

The average maturity of deposits with other financial institutions of the Group and of the Company are 1 day (2018: 20 days) and 1 day (2018: 1 day) respectively at the end of the reporting period.

- (b) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	692,638	484,869	291,027	145,491
Less: Deposits with licensed banks with maturity of more than 3 months	(202)	(202)	-	-
Less: Deposits pledged to other financial institutions	(263,784)	-	(263,784)	-
Total cash and cash equivalents	428,652	484,667	27,243	145,491

- (c) Included in the deposits with other financial institutions of the Group and Company is an amount of RM263,784,000 (2018: Nil) pledged to other financial institutions as securities for banking facilities granted to certain subsidiaries as disclosed in Note 31(d) to the financial statements.

- (d) At the end of the reporting period, the interest rate profile of the deposits with licensed banks and other financial institutions were:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Floating rates	514,446	428,386	290,505	145,315

A change of 25 basis points in interest rates, assuming all other variables remained constant, at the end of the reporting period would result in the profit net of tax of the Group and of the Company to be higher/(lower) by RM977,000 (2018: RM814,000) and RM552,000 (2018: RM276,000) respectively.

- (e) Cash and bank balances are financial assets measured at amortised cost.
- (f) No expected credit losses were recognised arising from cash and bank balances because the probability of default by these financial institutions were negligible.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

31. BORROWINGS

	Group	
	2019	2018
	RM'000	RM'000
Long term borrowings		
Secured:		
Term loans	52,656	-
Short term borrowings		
Secured:		
Term loans	76,270	-
Unsecured:		
Revolving credits	157,124	107,544
Bills discounting	157,124	113,631
	233,394	113,631
	286,050	113,631
Total borrowings	128,926	-
Term loans	-	6,087
Revolving credits	157,124	107,544
Bills discounting	286,050	113,631

(a) Borrowings are classified as financial liabilities carried at amortised cost.

(b) The weighted average interest rates per annum of borrowings that were effective as at the end of the reporting period were as follows:

	Group	
	2019	2018
	%	%
Long term borrowings		
Term loans	2.25	-
Short term borrowings		
Term loans	2.62	-
Revolving credits	-	3.62
Bills discounting	3.81	3.94

31. BORROWINGS (CONT'D)

(c) The Group has entered into interest rate swap contracts to hedge the floating rate interest payable on some of its borrowings. The contracts entitle the Group to pay interest at fixed rates on notional principal amounts and oblige it to receive interest at floating rates on the same amounts. Under the swaps, the Group agrees with the other parties to exchange, the difference between fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

(d) The term loans of the Group are secured by fixed deposits of the Group and the Company as disclosed in Note 30(c) to the financial statements.

(e) At the end of the reporting period, the interest rate profile of the borrowings was:

	Group	
	2019	2018
	RM'000	RM'000
Fixed rate	61,016	-
Floating rate	225,034	113,631

Sensitivity analysis for fixed rate borrowings at the end of the reporting period is not presented as it is not affected by the changes in interest rates.

A change of 25 basis points in interest rates, assuming all other variables remained constant, at the end of the reporting period would result in the profit net of tax of the Group to be lower/(higher) by RM428,000 (2018: RM216,000).

(f) The maturity profile of the Group's borrowings at the end of the reporting period based on contractual undiscounted repayment obligations is summarised in the table below:

	On demand or within one year	One to five years	Over five years	Total
Group	RM'000	RM'000	RM'000	RM'000
As at 31 December 2019	235,527	64,081	4,522	304,130
As at 31 December 2018	113,683	-	-	113,683

(g) The maturity periods of revolving credits and bills discounting are on demand or within one year. The maturity period for term loans is as follows:

	Group	
	2019	2018
	RM'000	RM'000
Not later than 1 year	76,270	-
Later than 1 year and not later than 3 years	52,656	-
	128,926	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

31. BORROWINGS (CONT'D)

- (h) The carrying amounts of borrowings of the Group as at the end of the reporting period that do not approximate their fair values are:

Group		
	Carrying amount	Fair value
	RM'000	RM'000
At 31 December 2019		
Term loans	52,656	68,603

The fair value of borrowings obligations is categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

Fair values of the borrowings are estimated by discounting future contracted cash flows at the current market interest rate available to the Group for similar financial instruments.

- (i) Reconciliation of liabilities arising from financing activities

Group				
	1.1.2019	Cash flows	Non-cash changes	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Term loans	-	128,700	226	128,926
Revolving credits	6,087	(6,113)	26	-
Bills discounting	107,544	49,580	-	157,124
	113,631	172,167	252	286,050

Group				
	1.1.2018	Cash flows	Non-cash changes	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Revolving credits	-	6,001	86	6,087
Bills discounting	134,659	(27,115)	-	107,544
	134,659	(21,114)	86	113,631

32. DEFERRED TAX

Group		
	2019	2018
	RM'000	RM'000
		(Restated)
At beginning of financial year, as previously reported	(1,271)	(4,668)
Effect on adoption of MFRS 16 (Note 41)	-	185
At beginning of financial year, as restated	(1,271)	(4,483)
Recognised in profit or loss (Note 12)	3,159	3,212
At end of financial year	1,888	(1,271)
Presented after appropriate offsetting as follows:		
Deferred tax assets, net *	4,161	5,265
Deferred tax liabilities, net *	(2,273)	(6,536)
	1,888	(1,271)

* The amount of set-off between deferred tax assets and deferred tax liabilities was RM5,189,000 (2018: RM2,963,000) for the Group.

- (a) The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group:

	Construction Contracts	Others	Total
	RM'000	RM'000	RM'000
At 1 January 2018, as previously reported	728	2,262	2,990
Effects of adoption of MFRS 16	-	185	185
At beginning of financial year, as restated	728	2,447	3,175
Recognised in profit or loss	3,065	1,988	5,053
At 31 December 2018	3,793	4,435	8,228
Recognised in profit or loss	2,359	(1,237)	1,122
At 31 December 2019	6,152	3,198	9,350

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

32. DEFERRED TAX (CONT'D)

(a) (CONT'D)

Deferred tax liabilities of the Group:

	Property, plant and equipment	Others	Total
	RM'000	RM'000	RM'000
At 1 January 2018	7,989	(331)	7,658
Recognised in profit or loss	1,510	331	1,841
At 31 December 2018	9,499	-	9,499
Recognised in profit or loss	(2,037)	-	(2,037)
At 31 December 2019	7,462	-	7,462

(b) Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2019	2018
	RM'000	RM'000
Unused tax losses		
- Expired by 31 December 2025	566	3,778
- Expired by 31 December 2026	264	-
Unabsorbed capital allowances	1,020	1,326
Other deductible temporary differences	517	579
	2,367	5,683

Deferred tax assets have not been recognised in respect of these items as they have arisen in subsidiary companies that have a recent history of losses or in subsidiary companies where future taxable profits may be insufficient to trigger the utilisation of these items. The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of the respective local tax authorities.

33. TRADE PAYABLES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Third parties	674,640	656,182	-	-

(a) Trade payables are classified as financial liabilities carried at amortised cost.

(b) The normal trade credit terms granted to the Group range from 14 days to 60 days (2018: 14 days to 60 days).

(c) The maturity profile of the trade payables of the Group at the end of the reporting period based on contractual undiscounted repayment obligations is payable on demand or within one year.

34. OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Sundry payables	60,963	73,610	3	4
Advances received on contracts	92,858	109,808	-	-
Accruals	39,855	33,913	1,777	1,021
	193,676	217,331	1,780	1,025

(a) Other payables are classified as financial liabilities carried at amortised cost.

(b) The maturity profile of other payables of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations is payable on demand or within one year.

(c) Included in other payables of the Group is amounts due to related parties of RM259,000 (2018: RM70,000).

(d) Included in the advances received on contracts are advances received in relation to three (3) construction contracts awarded to the Group (2018: three (3)).

35. LEASE LIABILITIES

	Group	
	2019	2018
	RM'000	RM'000
		(Restated)
Non-current liabilities	8,897	10,739
Current liabilities	2,513	3,636
Total lease liabilities	11,410	14,375

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

35. LEASE LIABILITIES (CONT'D)

- (a) Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date.

After initial recognition, lease liabilities are measured by increasing the carrying amounts to reflect interest on the lease liabilities, reducing the carrying amounts to reflect the lease payments made and remeasuring the carrying amounts to reflect any reassessment or lease modifications.

The Group determines the lease term of a lease as the non-cancellable period of the lease, together with periods covered by an option to extend or to terminate the lease if the Group is reasonably certain to exercise the relevant options. Management has considered the relevant facts and circumstances that create an economic incentive for the Group to either exercise the option to extend the lease, or to exercise the option to terminate the lease. Any differences in expectations from the original estimates would impact the carrying amounts of the lease liabilities of the Group.

The corresponding right-of-use assets of the lease liabilities are presented as property, plant and equipment as disclosed in Note 15 to the financial statements.

The Group recognises variable lease payments when the condition that triggers those payments occur while lease payments associated with short term leases (leases with lease term of 12 months or less) and low value assets (leases for which the underlying asset is RM20,000 and below) are recognised on a straight-line basis over the lease terms. The variable lease payments and lease payments associated with short term leases and low value assets are recognised in profit or loss as rental expenses as disclosed in Note 9 to the financial statements.

- (b) The maturity profile of the Group's lease liabilities at the end of the reporting period based on contractual undiscounted repayment obligations is summarised in the table below:

	Group	
	2019	2018
	RM'000	RM'000
Not later than 1 year	3,101	4,384
Later than 1 year and not later than 2 years	2,384	2,562
Later than 2 years and not later than 3 years	2,352	2,252
Later than 3 years and not later than 4 years	2,327	2,313
Later than 4 years and not later than 5 years	2,327	2,327
Later than 5 years	828	3,156
Total undiscounted lease payments	13,319	16,994
Less: Future finance charges	(1,909)	(2,619)
Present value of lease liabilities	11,410	14,375

35. LEASE LIABILITIES (CONT'D)

- (b) (CONT'D)

Analysis of present value of lease liabilities

	Group	
	2019	2018
	RM'000	RM'000
		(Restated)
Not later than 1 year	2,513	3,636
Later than 1 year and not later than 2 years	1,921	2,004
Later than 2 years and not later than 3 years	1,990	1,798
Later than 3 years and not later than 4 years	2,067	1,951
Later than 4 years and not later than 5 years	2,175	2,067
Later than 5 years	744	2,919
	11,410	14,375
Less: Amount due within 12 months	(2,513)	(3,636)
Amount due after 12 months	8,897	10,739

- (c) The lease payments are discounted using the Group's annual incremental borrowing rate of 5.12% to 5.32% (2018: 5.12% to 5.32%).
- (d) Lease liabilities are fixed rate instruments. Sensitivity analysis at the end of the reporting period is not presented as it is not affected by changes in interest rates.
- (e) Reconciliation of liabilities from financing activities to the statements of financial position and statements of cash flows are as follows:

	Group	
	2019	2018
	RM'000	RM'000
		(Restated)
At beginning of financial year, as previously reported	14,375	-
Effects of adoption of MFRS 16	-	15,270
At beginning of financial year, as restated	14,375	15,270
Cash flows		
- Payments of lease liabilities	(4,270)	(3,414)
- Payments of lease interests	(812)	(927)
Non-cash flows		
- Addition	1,434	2,519
- Reversal	(131)	-
- Exchange difference	2	-
- Interest expense	812	927
At end of financial year	11,410	14,375

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

36. SHARE CAPITAL AND TREASURY SHARES

	Group/ Company			
	Number of shares		Amount	
	2019	2018	2019	2018
	'000	'000	RM'000	RM'000
Ordinary shares				
Issued and fully paid:				
At beginning/end of financial year	1,292,900	1,292,900	258,580	258,580

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the financial year, the Company repurchased 2,886,900 of its issued ordinary shares from the open market at prices ranging from RM1.93 to RM2.01 per share. The total consideration paid for the repurchases was RM5,694,831 and was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company.

As at 31 December 2019, the Company held a total of 3,540,900 ordinary shares as treasury shares out of its total issued and paid up share capital of 1,292,900,010 ordinary shares. Such treasury shares are recorded at a carrying amount of RM6,989,694.

37. RESERVES

	Note	Group		Company	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
			(Restated)		
Non-distributable:					
Capital contribution by intermediate holding company (a)		656	656	-	-
Merger reserve (b)		(37,894)	(37,894)	-	-
Foreign currency translation reserve (c)		9,765	10,316	-	-
		(27,473)	(26,922)	-	-
Distributable:					
Retained earnings		398,838	359,871	296,289	145,681
		371,365	332,949	296,289	145,681

The movements in each category of reserves are disclosed in the statements of changes in equity.

37. RESERVES (CONT'D)

The natures of each category of reserves are as follows:

(a) Capital contribution by intermediate holding company

Capital contribution by intermediate holding company represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options.

(b) Merger reserve

The merger reserve represents the following:

- (i) Premium on the issue of shares for the acquisition of the remaining shares in Sunway Builders Sdn. Bhd.; and
- (ii) The excess of the consideration paid over the share capital and capital reserves of Sunway Construction Sdn. Bhd. and its subsidiaries as at the acquisition date under the pooling of interest method of accounting.

(c) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group.

38. CAPITAL COMMITMENTS

	Group	
	2019	2018
	RM'000	RM'000
Capital expenditure:		
Approved and contracted for property, plant and equipment	451	-
Approved and contracted for investment in a joint venture	192,640	-
Approved but not contracted for property, plant and equipment	491	819
Approved but not contracted for investment in a joint venture	-	197,828
	193,582	198,647

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

39. CONTINGENT LIABILITIES

(a) Guarantees

	2019	2018
	RM'000	RM'000
Unsecured:		
Guarantees given to third parties in respect of contracts and trade performance	491,737	440,332
Guarantees given to related companies in respect of contracts and trade performance	90,091	71,524
	581,828	511,856

The Group designates guarantees given to related companies as insurance contracts as defined in MFRS 4 Insurance Contract. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of the reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

The Directors are of the view that the chances of the third parties and related companies to call upon the guarantees are remote.

(b) Material outstanding litigations

(i) On 4 September 2008, the solicitors of Sunway Construction Sdn. Bhd. ("SunCon") had been served with a Statement of Claim ("Statement of Claim") by Shristi Infrastructure Development Corporation Ltd ("Claimant"). The Statement of Claim was received by SunCon's office in Malaysia on 8 September 2008.

Pursuant to an agreement signed between SunCon and the National Highway Authority of India for the rehabilitation and upgrading of NH-25 to a four-lane configuration in the state of Uttar Pradesh being a part of the East-West Corridor Project, SunCon had entered into a work order with the Claimant for the upgrading and rehabilitation of the stretch of NH-25 from 143.6 km to 170.0 km, of which the Claimant has provided two bank guarantees ("Bank Guarantees") to SunCon.

The Claimant has failed to carry out its obligations under the work order and SunCon has terminated the work order and cashed the Bank Guarantees. The Claimant had filed an application in the Supreme Court of India for the appointment of an arbitrator to arbitrate upon the disputes between the parties. The Supreme Court had appointed a sole arbitrator. The Claimant then filed its Statement of Claim on 4 September 2008.

39. CONTINGENT LIABILITIES (CONT'D)

(b) Material outstanding litigations (CONT'D)

(i) (CONT'D)

The Statement of Claim was raised in respect of various claims (including claiming the refund of the amount cashed on the Bank Guarantees) and the total amount claimed is Rs.891.5 million in addition to interest and cost.

At the hearing on 2 February 2009, the arbitrator recorded SunCon's filing of the Statement of Defense and Counterclaim. In the counterclaim, SunCon is seeking for Rs.781.4 million for inter alia, additional costs incurred by SunCon to complete the works, recovery of mobilisation advance and interest charges, loss of reputation and loss of profits.

On 11 January 2013, the arbitrator that presided over the case passed away and 75 hearings had been held.

SunCon was notified by its solicitors that an arbitration petition had been filed by the Claimant on 7 January 2016 in the Supreme Court of India for the appointment of a new arbitrator. The Supreme Court of India by an order dated 5 January 2017 appointed Hon'ble Mr. Justice Vikramajit Sen (a former Judge of the Supreme Court of India) as arbitrator in place of the late Justice H.L. Agrawal (Retd.) for adjudication of the disputes and differences between the parties. Sitting on 24 February 2017 went on as scheduled and cross examination had been completed on 7 October 2017.

The proceedings had advanced for final arguments on 6 March 2018 to 9 March 2018. Further final and rejoinder argument was heard on 12, 13 and 14 April 2018. Arguments stand concluded. The Arbitrator published his award on 9 April 2019 and awarded the Claimant Rs. 128,441,929.37.

SunCon had filed an appeal with the High Court of New Delhi in early July 2019 to set aside the arbitral award. Shristi has also filed an execution application against SunCon for enforcement of the arbitral award.

On 10 February 2020, the Honorable Court had directed SunCon to deposit, on a without prejudice basis, the decretal amount with up to date interest with the Registrar General of the High Court of Delhi within 6 weeks from 10 February 2020. SunCon has deposited Rs. 135,677,784.64 on 26 February 2020. Subject to compliance of the said direction, the Honorable Court has been pleased to stay the Arbitral Award dated 9 April 2019. The matter has now been postponed until further notice due to the Coronavirus disease 2019 "COVID-19" pandemic.

In light of the above order, the Honorable Court was pleased to dispose of the enforcement petition filed by Shristi as non maintainable at this stage in as much as the Arbitral Award has been stayed. The solicitors acting for SunCon, after taking into consideration of the narrow scope of challenge to the arbitral awards as permissible under the Indian Arbitration and Conciliation Act 1996, is unable to give a precise estimations of the possibility of success.

(ii) Sunway Creative Stones Sdn. Bhd. ("Sunway Creative Stones"), being the nominated sub-contractor for the stone works for the Palazzio, is claiming against Syarikat Pembinaan Yeoh Tiong Lay Sdn. Bhd. ("SPYTL"), being the main contractor, for the unpaid interim certificates, work done yet to be certified, unfixed materials and refund of wrongfully imposed back-charges following determination of the main contractor's employment under the main contractor.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

39. CONTINGENT LIABILITIES (CONT'D)

(b) Material outstanding litigations (CONT'D)

(ii) (CONT'D)

Sunway Creative Stones had in October 2011 filed its claim against SPYTL for the sum of RM4,968,417.05 and interest and costs. SPYTL is counter-claiming for the loss and damage of RM11,600,000.00 for Sunway Creative Stones' delay and back charges of RM35,340.00 and interest and costs or alternatively for the liquidated and ascertained damages in the sum of RM33,600,000.00 at the rate of RM105,000.00 per day for 320 days and back charges of RM35,340.00 and interest and costs.

The Arbitrator published his award on 18 March 2019 and awarded Sunway Creative Stone RM4,954,584.86 plus pre-award interest of RM1,942,326.36 and the cost of the arbitration award of RM138,000 and post award interest.

Sunway Creative Stone had filed an application to enforce the Arbitration Award and SPYTL had filed an application to set aside the Arbitration Award. On 7 November 2019, the High Court dismissed SPYTL's application to set aside the Arbitration Award and allowed Sunway Creative Stones' application to enforce the Arbitration Award. SPYTL had submitted an appeal on 29 November 2019 and had paid us a sum of RM7,675,615.69 on 17 December 2019 pending this appeal process. Case management on SPYTL appeal is scheduled on 9 July 2020.

The solicitors acting for Sunway Creative Stone is of the view that Sunway Creative Stone has a high chance of success to defeat the appeals filed by SPYTL.

- (iii) SunCon was awarded a contract for the execution of the rehabilitation and upgrading of km 406 to km 449.15 of highway NH-76 in the State of Rajasthan, India to four-lane configuration ("NH-76 Highway Project") by the National Highways Authority ("NHA") in 2005. SunCon commenced 7 separate arbitration proceedings against NHA on various disputes arising from the NH-76 Highway Project (each, a "Reference"). The following sets out the nature of SunCon's claims and the current status of the proceedings:

Reference 1 – In November 2009, SunCon claimed against NHA for the payment of the completed construction of fly ash for the highway embankment. The Arbitral Tribunal had, via an award dated 28 June 2011, awarded SunCon a sum of Rs.43,090,350.00. NHA appealed against the Arbitral Tribunal's decision to the High Court of Delhi. In 2012, the High Court ruled in favour of NHA and set aside SunCon's award.

SunCon appealed to the Supreme Court of India and was granted leave of appeal. Next date of hearing date fixed on 27 March 2020. The scheduled hearing was subsequently postponed until further notice due to the Coronavirus disease 2019 "COVID-19" pandemic. The scheduled hearing was subsequently postponed until further notice due to the Coronavirus disease 2019 "COVID-19" pandemic. The solicitors acting for SunCon is of the view that SunCon has a good case on the merits and would depend on the perceptions of the Supreme Court.

Reference 3 – In April 2009, SunCon claimed against NHA for the reimbursement of the toll tax imposed on all vehicles deployed for the execution of the NH-76 Highway Project. The Arbitral Tribunal had, via an award dated 3 October 2011, awarded SunCon a sum of Rs.14,329,148.00.

Aggrieved by the Arbitral Tribunal's award dated 3 October 2011, NHA appealed to the High Court in year 2012. On 22 January 2019, the High Court upheld the arbitral award and SunCon succeeded in the execution of the order.

Reference 4 – In November 2012, SunCon claimed against NHA for the loss and expenses incurred during the extended project period which was due to NHA's delay. The Arbitral Tribunal had, via an award dated 29 April 2014, awarded SunCon a sum of Rs.310,347,836.00.

39. CONTINGENT LIABILITIES (CONT'D)

(b) Material outstanding litigations (CONT'D)

(iii) (CONT'D)

NHA appealed against the Arbitral Tribunal's award to the High Court. The case is now further adjourned to 20 August 2020.

The solicitors acting for SunCon, after taking into consideration of the narrow scope of challenge to the arbitral awards as permissible under the Indian Arbitration and Conciliation Act 1996, is of the view that SunCon has a high chance of success.

- (iv) PNSB Acmar Sdn Bhd ("Plaintiff") had on 14 November 2019 served a Writ of Summon and a Statement of Claim both dated 8 November 2019 on Prasarana Malaysia Berhad ("Prasarana") (1st Defendant) and Sunway Construction Sdn Bhd ("SunCon") (2nd Defendant).

The Plaintiff is claiming that all the construction works in relation to the project known as "Construction and Completion of Light Rail Transit Line 3 (LRT3) from Bandar Utama to Johan Setia" ("Project") and the structures such as the Project's poles, bars, and LRT stations had trespassed and/or encroached into the Plaintiff's own development project area and has resulted in losses and damages towards the Plaintiff.

The Plaintiff is claiming, amongst other, for the following:

Prasarana is the owner of the Project and SunCon is the awarded Works Package Contractor for the contract known as "Contract No. Prasarana/GSC/CTT/2.06080/2017: Construction and Completion of Guideway, Stations Iconic Bridge, Park and Rides, Ancillary Buildings and other Associated Works for Package GS07-08 for Light Rail Transit 3 (LRT3) from Bandar Utama to Johan Setia" in relation to the Project.

- Special damages of RM711,367,434.46 and/or to be determined by the Senior Assistant Registrar or Deputy Registrar of the High Court of Malaya;
- The costs between the solicitor and client amounts to RM400,000.00 or cost to be determined by the Honorable Court;
- Interest rate of 5% per year from the date of trespass i.e. 30 April 2018 until the date of filing of the writ and from the date of the Honorable Court's order until the full settlement; and
- Court's declarations, injunctions, orders and other reliefs that the Honorable Court deems fit and proper.

The Court had scheduled a further case management on 23 January 2020 to provide further pre-trial on case management directions. On the case management on 5 March 2020, the Court had directed SunCon to file the application to strike out the case by 19 March 2020. The Court had scheduled a further case management on 19 March 2020 and will provide further directions. The scheduled case management was subsequently postponed until further notice due to the Movement Control Order ("MCO") issued by Government of Malaysia.

The solicitors acting for SunCon, after taking into consideration the evidence available, a review of the Statement of Claim, documents with client and a review of the law, are of the considered opinion that the Plaintiff's claim for the sum of RM711,367,434.46 is likely to be dismissed.

- (v) All the above material litigations are subject to further delay due to the 21-day lockdown declared by the Government of India on 24 March 2020, which is subsequently extended to 3 May 2020 and the MCO as disclosed in Note 43 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

40. RELATED PARTY DISCLOSURES

(a) Significant related party transactions

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	2019	2018
Group	RM'000	RM'000
Rental income of plant and machinery from:		
Related parties:		
Sunway Iskandar Sdn. Bhd. ^	-	1
Sunway Nursery and Landscape Sdn. Bhd. ^	24	29
Related companies:		
Sunway Enterprise (1988) Sdn. Bhd.	41	65
Sunway Giza Mall Sdn. Bhd.	2	-
Sunway Monash-U Residence Sdn. Bhd.	2	-
Contract revenue from:		
Related companies:		
Sunway City Sdn. Bhd.	1,185	-
Sunway Medical Centre Sdn. Bhd.	62,746	52,151
Sunway South Quay Sdn. Bhd.	141,633	60,808
Sunway Integrated Properties Sdn. Bhd.	31,462	18,426
Sunway City (JB) Sdn. Bhd.	164	250
Sunway PFM Sdn. Bhd.	7,954	-
SunMed Velocity Sdn. Bhd.	32,251	92,693
Sunway Kiara Sdn. Bhd.	-	2,516
Sunway Serene Sdn. Bhd.	53,119	28,432
Alliance Parade Sdn. Bhd.	20,554	-
Emerald Tycoon Sdn. Bhd.	10,000	-
Deco Style Sdn. Bhd.	2,131	7,237
Related parties:		
Daiwa Sunway Development Sdn. Bhd. ®	-	74
Sunway Iskandar Sdn. Bhd. ^	12,535	135,587
Sunway Iskandar Development Sdn. Bhd. ^	660	-
Sunway Real Estate Investment Trust *	31,984	29,720
Sunway Marketplace Sdn. Bhd. ^	126,272	955
Sunway Velocity Two Sdn. Bhd. ^	52,500	-
Sunway Velocity Mall Sdn. Bhd. ^	17,153	-

40. RELATED PARTY DISCLOSURES (CONT'D)

(a) Significant related party transactions (CONT'D)

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year: (CONT'D)

	2019	2018
Group (CONT'D)	RM'000	RM'000
Interest expense charged by:		
Related company:		
Sunway Treasury Sukuk Sdn. Bhd. (Note 8)	(4,662)	(4,119)
Management fees charged by:		
Intermediate holding company:		
Sunway Berhad (Note 9)	(19,941)	(18,921)
Rental of land charged by:		
Related party:		
Sunway Iskandar Sdn. Bhd. ^	(566)	(566)
Rental of office space charged by:		
Related parties:		
Sunway Iskandar Sdn. Bhd. ^	(43)	-
Sunway Real Estate Investment Trust *	(1,994)	(1,565)
Related companies:		
Sunway Lagoon Sdn. Bhd.	(4)	(205)
Sunway Management Sdn. Bhd.	(34)	-
Sunway Leisure Sdn. Bhd.	(72)	(50)
Sunway Paving Solutions Sdn. Bhd.	(1,096)	(1,147)
Sunway Integrated Properties Sdn. Bhd.	(256)	(371)
Sunway Pyramid Development Sdn. Bhd.	(99)	(81)
Sunway Leasing Sdn. Bhd.	-	(1,080)
Sunway Fawanis JV	(245)	-
Sunway Marketing (S) Pte. Ltd.	(18)	(27)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

40. RELATED PARTY DISCLOSURES (CONT'D)

(a) Significant related party transactions (CONT'D)

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year: (CONT'D)

	2019	2018
Group (CONT'D)	RM'000	RM'000
Service level agreement fees paid to: (Note 9)		
Related companies:		
Sunway FSSC Sdn. Bhd.	(1,517)	(1,317)
Sunway Shared Services Sdn. Bhd.	(1,694)	(1,656)
Sunway HR Shared Services Sdn. Bhd.	(1,741)	(1,572)
Purchases of goods/services from:		
Intermediate holding company:		
Sunway Berhad	(817)	(545)
Related companies:		
Sunway Marketing Sdn. Bhd.	(60,204)	(69,551)
Sunway Quarry Industries Sdn. Bhd.	(4,375)	(3,532)
Sunway Paving Solutions Sdn. Bhd.	(1,670)	(2,861)
Sunway Enterprise (1988) Sdn. Bhd.	(951)	(19,416)
Sunway FSSC Sdn. Bhd.	(25)	-
Sunway Risk Management Sdn. Bhd.	(21)	-
Sunway Marketing (S) Pte. Ltd.	(18)	-
Sunway Leasing Sdn. Bhd.	630	-
Sunway Hose Centre Sdn. Bhd.	(296)	(314)
Sunway HR Shared Services Sdn. Bhd.	(302)	(1,079)
Sunway Travel Sdn. Bhd.	(306)	(606)
Sunway Medical Centre Sdn. Bhd.	(193)	(189)
Sunway Treasury Sdn. Bhd.	-	(33)
Sunway Lagoon Club Bhd.	(60)	(56)
Sunway Resort Hotel Sdn. Bhd.	(452)	(115)
Sunway Leisure Sdn. Bhd.	(54)	(19)
Sunway Lagoon Sdn. Bhd.	(344)	(428)
Sunway PFM Sdn. Bhd.	(25)	(22)
Deco Style Sdn. Bhd.	(1,273)	(10,638)
Alliance Parade Sdn. Bhd.	(1)	-
Fame Parade Sdn. Bhd.	(1,991)	-
Sunway Fawanis JV	(31)	-
Sunway Lost World Water Park Sdn. Bhd.	(7)	-

40. RELATED PARTY DISCLOSURES (CONT'D)

(a) Significant related party transactions (CONT'D)

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year: (CONT'D)

	2019	2018
Group (CONT'D)	RM'000	RM'000
Purchases of goods/services from: (contd.)		
Related companies: (contd.)		
Sunway Properties Services Sdn. Bhd.	(1)	-
Sunway Sustainability Solutions Sdn. Bhd.	(25)	-
Sunway Coating Solutions Sdn. Bhd.	(42)	-
Sunway United Star Engineering & Hardware Sdn. Bhd.	(1,664)	(1,841)
Sunway South Quay Sdn. Bhd.	(9)	(65)
Sunway Shared Services Sdn. Bhd.	(2,684)	(2,896)
SunMed Clinics Sdn. Bhd.	(17)	(14)
Sunway Management Sdn. Bhd.	(263)	(233)
Pasir Mas Holdings Sdn. Bhd.	(344)	(393)
Sunway Leadership Center Sdn. Bhd.	(136)	(202)
Sunway Integrated Properties Sdn. Bhd.	(238)	(17)
Sunway Spun Pile (M) Sdn. Bhd.	(93)	(7)
Sunway City (JB) Sdn. Bhd.	(3)	(1)
Sunway D'Mont Kiara Sdn. Bhd.	-	5
Sunway Elite Sdn. Bhd.	(1)	(5)
Sunway Serene Sdn. Bhd.	(25)	(2)
SunMed Velocity Sdn. Bhd.	(94)	(17)
Intermediate holding company:		
Sunway Berhad	(816)	-
Related parties:		
Sunway Velocity Two Sdn. Bhd. ^	(27)	-
Sunway Iskandar Sdn. Bhd. ^	(15)	(70)
Hitachi Sunway Information Systems Sdn. Bhd. +	(531)	(922)
Sunway Computer Services Sdn. Bhd. +	(79)	(74)
Sunway Digital Wave Sdn. Bhd. +	(923)	(17)
Sunway MSC Sdn. Bhd. +	-	(20)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

40. RELATED PARTY DISCLOSURES (CONT'D)

(a) Significant related party transactions (CONT'D)

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year: (CONT'D)

	2019	2018
Company	RM'000	RM'000
Management fees charged by:		
Subsidiary:		
Sunway Construction Sdn. Bhd. (Note 9)	(712)	(1,208)
Service level agreement fee paid to:		
Related company:		
Sunway FSSC Sdn. Bhd. (Note 9)	(6)	(6)
Purchases of goods/services from:		
Related companies:		
Sunway Resort Hotel Sdn. Bhd.	(82)	(52)
Sunway Management Sdn. Bhd.	(220)	(204)
Related parties:		
Hitachi Sunway Information Systems Sdn. Bhd. +	-	(22)
Sunway MSC Sdn. Bhd. +	-	(20)
Intermediate holding company:		
Sunway Berhad	(2)	-
Interest expense charged by:		
Related company:		
Sunway Treasury Sukuk Sdn. Bhd. (Note 8)	-	(3)

@ Daiwa Sunway Development Sdn. Bhd. is an associate of Sunway City Sdn. Bhd., a subsidiary of the intermediate holding company.

* Sunway Real Estate Investment Trust is an associate of the intermediate holding company.

^ Sunway Iskandar Sdn. Bhd., Sunway Iskandar Development Sdn. Bhd., Sunway Velocity Mall Sdn. Bhd., Sunway Nursery and Landscape Sdn. Bhd., Sunway Velocity Two Sdn. Bhd. and Sunway Marketplace Sdn. Bhd. are joint ventures of Sunway City Sdn. Bhd..

+ Sunway Computer Services Sdn. Bhd., Sunway Digital Wave Sdn. Bhd., Sunway MSC Sdn. Bhd., and Hitachi Sunway Information Systems Sdn. Bhd. are companies in which a Director of the Company has deemed substantial interests.

The related party transactions described above were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

40. RELATED PARTY DISCLOSURES (CONT'D)

(b) Remuneration of key management personnel

Key management personnel are persons who have authorities and responsibilities for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. This includes any Director, whether executive or otherwise, of the Group and of the Company.

The remuneration of the Executive Directors and other members of key management during the financial year are as follows:

	Group	
	2019	2018
	RM'000	RM'000
Short-term employee benefits	13,771	15,089
Post-employment benefits:		
- Defined contribution plan	1,483	1,608
Estimated money value of benefits-in-kind	205	185
	15,459	16,882

Included in the total key management personnel are:

	Group	
	2019	2018
	RM'000	RM'000
Executive Director's remuneration (Note 11)	2,832	2,960

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

41. ADOPTION OF MFRSS AND AMENDMENTS TO MFRSS

(a) New MFRSSs adopted during the financial year

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2019, the Group and the Company adopted the following Standards that are mandatory for annual financial periods beginning on or after 1 January 2019.

Title	Effective date
MFRS 16 Leases	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020

Although the Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform are mandatory for the financial periods beginning on or after 1 January 2020, the Group early adopted these Amendments with effect from 1 January 2019.

These Amendments provide relief in applying the requirements of MFRS 9 to certain hedges, including allowing the Group to assume that interest rate benchmarks on which hedged cash flows are based would not be altered as a result of interest rate benchmark reform.

Consequently, hedging relationships that may have otherwise been impacted by interest rate benchmark reform remain in place and no additional ineffective portion of the hedges would be recognised.

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group except for the adoption of MFRS 16 *Leases* as described in the following sections.

41. ADOPTION OF MFRSS AND AMENDMENTS TO MFRSS (CONT'D)

(a) New MFRSSs adopted during the financial year (CONT'D)

Adoption of MFRS 16

The Group adopted MFRS 16 on 1 January 2019 retrospectively. The Group has consistently applied the Standard in its opening statements of financial position as at 1 January 2018 and throughout the financial years presented, as if the Standard had always been in effect. An explanation on the impact arising from the adoption of MFRS 16 on the financial position and financial performance of the Group is set out as follows:

(i) Reconciliation of statement of profit or loss and other comprehensive income of the Group for the financial year ended 31 December 2018

Group	Note	Previously reported RM'000	Effects of MFRS 16 RM'000	As restated RM'000
Revenue		2,256,835	-	2,256,835
Cost of sales		(1,812,167)	-	(1,812,167)
Gross profit		444,668	-	444,668
Other income		20,667	-	20,667
Administrative expenses	(v)	(266,586)	592	(265,994)
Other expenses		(24,158)	-	(24,158)
Operating profit		174,591	592	175,183
Finance and other distribution income		16,040	-	16,040
Finance costs	(v)	(8,296)	(927)	(9,223)
Share of results of a joint venture		731	-	731
Profit before tax		183,066	(335)	182,731
Income tax expense	(v)	(38,046)	80	(37,966)
Profit for the financial year		145,020	(255)	144,765
Profit attributable to:				
Owners of the parent		144,681	(255)	144,426
Non-controlling interests		339	-	339
		145,020	(255)	144,765
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translations		(214)	-	(214)
Share of other comprehensive income of a joint venture		629	-	629
Other comprehensive income for the financial year, net of tax		415	-	415
Total comprehensive income for the financial year		145,435	(255)	145,180

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

41. ADOPTION OF MFRSS AND AMENDMENTS TO MFRSS (CONT'D)

(a) New MFRSSs adopted during the financial year (CONT'D)

(i) Reconciliation of statement of profit or loss and other comprehensive income of the Group for the financial year ended 31 December 2018 (CONT'D)

	Previously reported	Effects of MFRS 16	As restated
Group	RM'000	RM'000	RM'000
Total comprehensive income attributable to:			
Owners of the parent	145,096	(255)	144,841
Non-controlling interests	339	-	339
	145,435	(255)	145,180
Earnings per share attributable to owners of the parent (sen per share):			
Basic	11.20		11.18
Diluted	11.20		11.18

(ii) Reconciliation of statement of financial position of the Group as at 1 January 2018

		Previously reported	Effects of MFRS 16	As restated
Group	Note	RM'000	RM'000	RM'000
Assets				
Property, plant and equipment	(v)	149,844	14,498	164,342
Deferred tax assets	(v)	2,341	185	2,526
Others		1,658,021	-	1,658,021
Total assets		1,810,206	14,683	1,824,889
Equity and liabilities				
Current liabilities				
Lease liabilities	(v)	-	2,217	2,217
Others		1,259,182	-	1,259,182
		1,259,182	2,217	1,261,399
Non-current liabilities				
Deferred tax liabilities		7,009	-	7,009
Lease liabilities	(v)	-	13,053	13,053
		7,009	13,053	20,062
Total liabilities		1,266,191	15,270	1,281,461

41. ADOPTION OF MFRSS AND AMENDMENTS TO MFRSS (CONT'D)

(a) New MFRSSs adopted during the financial year (CONT'D)

(ii) Reconciliation of statement of financial position of the Group as at 1 January 2018 (CONT'D)

		Previously reported	Effects of MFRS 16	As restated
Group	Note	RM'000	RM'000	RM'000
Equity attributable to owners of the parent				
Retained earnings	(v)	312,950	(587)	312,363
Non-controlling interests		1,103	-	1,103
Others		229,962	-	229,962
Total equity		544,015	(587)	543,428
Total equity and liabilities		1,810,206	14,683	1,824,889

(iii) Reconciliation of statement of financial position of the Group as at 31 December 2018

		Previously reported	Effects of MFRS 16	As restated
Group	Note	RM'000	RM'000	RM'000
Assets				
Property, plant and equipment	(v)	163,200	13,268	176,468
Deferred tax assets	(v)	5,000	265	5,265
Others		1,586,268	-	1,586,268
Total assets		1,754,468	13,533	1,768,001
Equity and liabilities				
Current liabilities				
Lease liabilities	(v)	-	3,636	3,636
Others		1,059,100	-	1,059,100
		1,059,100	3,636	1,062,736

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

41. ADOPTION OF MFRSS AND AMENDMENTS TO MFRSS (CONT'D)

(a) New MFRSSs adopted during the financial year (CONT'D)

(iii) Reconciliation of statement of financial position of the Group as at 31 December 2018 (CONT'D)

Group	Note	Previously reported RM'000	Effects of MFRS 16 RM'000	As restated RM'000
Non-current liabilities				
Deferred tax liabilities		6,536	-	6,536
Lease liabilities	(v)	-	10,739	10,739
Others		96,314	-	96,314
		102,850	10,739	113,589
Total liabilities		1,161,950	14,375	1,176,325
Equity attributable to owners of the parent				
Retained earnings	(v)	360,713	(842)	359,871
Non-controlling interests		1,442	-	1,442
Others		230,363	-	230,363
Total equity		592,518	(842)	591,676
Total equity and liabilities		1,754,468	13,533	1,768,001

(iv) Reconciliation of statement of cash flows of the Group for the financial year ended 31 December 2018

	Previously reported RM'000	Effects of MFRS 16 RM'000	Reclassification RM'000	As restated RM'000
Cash flows from operating activities				
Profit before tax	183,066	(335)	-	182,731
Adjustments for:				
Depreciation and amortisation of property, plant and equipment, software and right-of-use assets	39,964	3,749	-	43,713
Finance costs	8,296	927	-	9,223
Others non-cash items	(2,778)	-	-	(2,778)
Operating cash flows before working capital changes carried forward	228,548	4,341	-	232,889

41. ADOPTION OF MFRSS AND AMENDMENTS TO MFRSS (CONT'D)

(a) New MFRSSs adopted during the financial year (CONT'D)

(iv) Reconciliation of statement of cash flows of the Group for the financial year ended 31 December 2018 (CONT'D)

Group	Previously reported RM'000	Effects of MFRS 16 RM'000	Reclassification RM'000	As restated RM'000
Cash flows from operating activities (contd.)				
Operating cash flows before working capital changes brought forward	228,548	4,341	-	232,889
Changes in working capital	(10,435)	-	-	(10,435)
Cash generated from operations	218,113	4,341	-	222,454
Interest paid	(8,296)	-	4,119	(4,177)
Others	(20,623)	-	-	(20,623)
Net cash from operating activities	189,194	4,341	4,119	197,654
Cash flows from investing activities				
Advances from related companies	24,413	-	(24,413)	-
Others	(98,649)	-	-	(98,649)
Net cash used in investing activities	(74,236)	-	(24,413)	(98,649)
Cash flows from financing activities				
Advances from related companies	-	-	24,413	24,413
Payments of lease liabilities	-	(3,414)	-	(3,414)
- Advances from related companies	-	-	(4,119)	(4,119)
- Lease liabilities	-	(927)	-	(927)
Others	(118,032)	-	-	(118,032)
Net cash used in financing activities	(118,032)	(4,341)	20,294	(102,079)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

41. ADOPTION OF MFRSS AND AMENDMENTS TO MFRSS (CONT'D)

(a) New MFRSS adopted during the financial year (CONT'D)

(iv) Reconciliation of statement of cash flows of the Group for the financial year ended 31 December 2018 (CONT'D)

	Previously reported	Effects of MFRS 16	Reclassification	As restated
Group	RM'000	RM'000	RM'000	RM'000
Net decrease in cash and cash equivalents	(3,074)	-	-	(3,074)
Effects of exchange rate changes on cash and cash equivalents	943	-	-	943
Cash and cash equivalents at beginning of financial year	486,798	-	-	486,798
Cash and cash equivalents at end of financial year	484,667	-	-	484,667

(v) Notes to reconciliation

The Group adopted MFRS 16 *Leases* and applied this Standard retrospectively during the financial year. This Standard introduces a single lessee accounting model for recognising leases, which requires a lessee to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of leases. Subsequent to initial recognition, the right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of lease liabilities.

The Group presents right-of-use assets that do not meet the definition of investment properties as property, plant and equipment based on the corresponding underlying assets. Right-of-use assets that meet the definition of investment properties are presented as investment properties.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the incremental borrowing rate of the Group. Subsequent to the initial recognition, the Group and the Company measure the lease liabilities by increasing the carrying amounts to reflect interest on the lease liabilities, reducing the carrying amounts to reflect lease payments made and remeasuring the carrying amounts to reflect any reassessment or lease modifications.

(b) New MFRSS that have been issued, but only effective for annual periods beginning on or after 1 January 2020

The Standards that are issued but not yet effective up to the date of issuance of financial statements of the Group and of the Company are disclosed below. The Group and the Company intend to adopt these Standards, if applicable, when they become effective.

41. ADOPTION OF MFRSS AND AMENDMENTS TO MFRSS (CONT'D)

Title	Effective date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>MFRS 17 Insurance Contracts</i>	1 January 2021
<i>Amendments to MFRS 101 Classifications of Liabilities as Current or Non-current</i>	1 January 2022
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards, since the effects would only be observable for the future financial years.

42. FINANCIAL REPORTING UPDATES

IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)

The IFRS Interpretations Committee ('IFRIC') issued a final agenda decision on 26 November 2019 regarding 'Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)'.

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group has implemented the requirements of this final agenda decision during the financial year ended 31 December 2019.

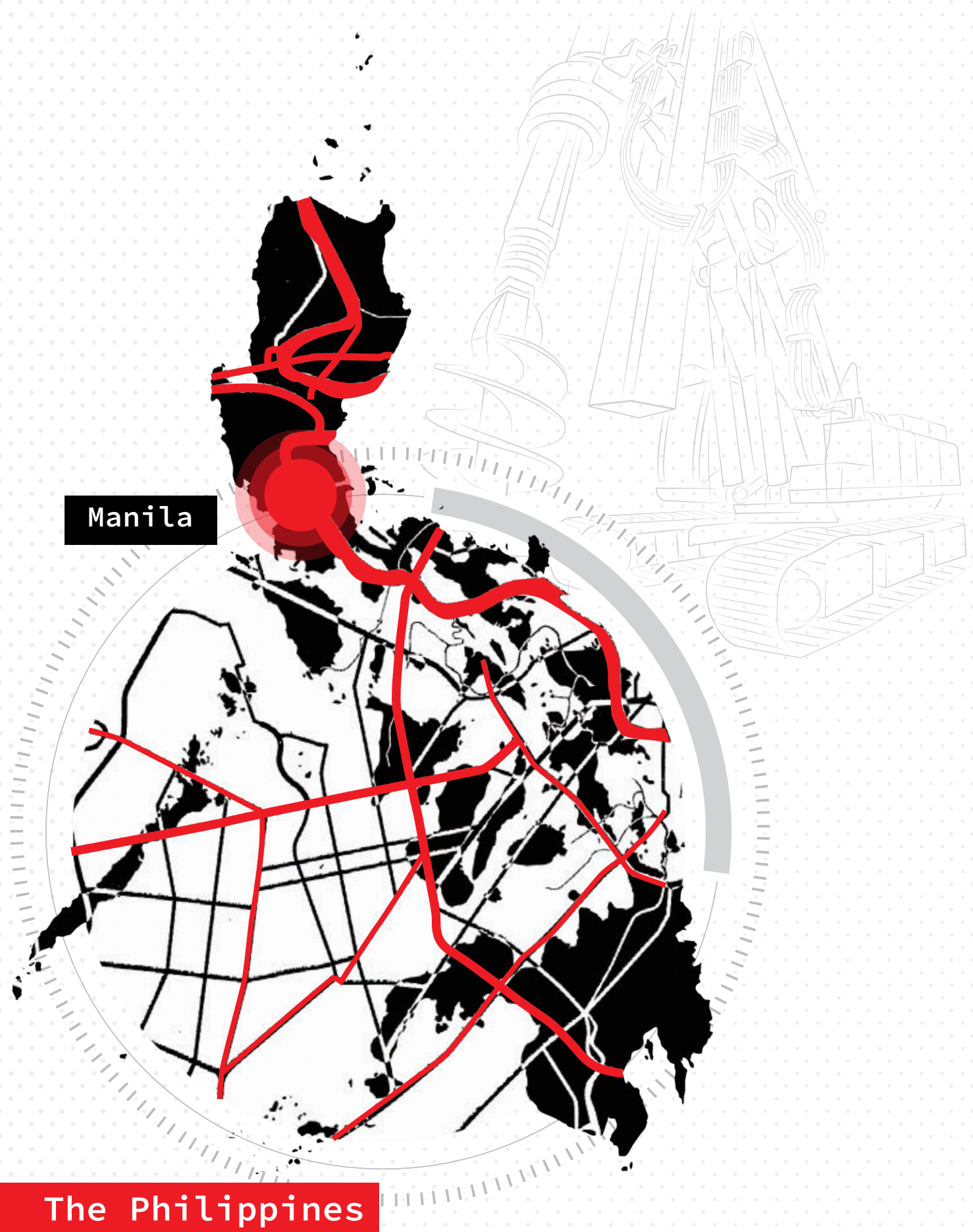
43. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The Coronavirus disease 2019 "COVID-19" pandemic has interrupted the movement of people and goods throughout the world, and many levels of government are instituting restrictions on individuals and businesses, including Malaysia, where majority of the Group's operations are located. In relation to this, the Government of Malaysia issued a Federal Government Gazette on 18 March 2020 imposing a Movement Control Order ('MCO') effective from 18 March 2020 to 31 March 2020 arising from the COVID-19 pandemic. The MCO was extended for two (2) weeks consecutively on 25 March 2020 and 10 April 2020 until 14 April 2020 and 28 April 2020 respectively, followed by another announcement on 23 April 2020 on further extension of the MCO for another two (2) weeks until 12 May 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 *Events after the Reporting Period* and therefore, judgements and assumptions used in the preparation of the financial statements of the Group for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

Not with standing that, the Group anticipates that the effects of COVID-19 would be recognised in the financial statements for the financial year ending 31 December 2020. The effects of COVID-19 would potentially impact the judgements and assumptions used in the preparation of the financial statements for the financial year ending 31 December 2020, such as expected credit losses of financial assets, fair value measurements of financial instruments, write down of inventories to net realisable value and impairment assessments of assets (property, plant and equipment, goodwill and investments in subsidiaries, associates and joint ventures)

As at the date of the authorisation of the financial statements, the COVID-19 pandemic and the MCO since 18 March 2020 have significant financial impact to the Group. In view of the lack of visibility on the end date of the COVID-19 pandemic and the MCO, the Group is not able to estimate the full potential financial impact as at the date of the authorisation of the financial statements. The Group will only recognise the financial impact in the financial statements for the financial year ending 31 December 2020.



SHAREHOLDING INFORMATION

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Directors' Interest in Shares

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Analysis of Shareholdings

A STABLE FOUNDATION FOR THRIVING STAKEHOLDERS

Just like the Foundation & Geotechnical engineers who ensure the stability of the grounds where we construct our structures, SunCon personnel and investors form the stable and efficient core of our organisational infrastructure.

With such stability, SunCon can expect an increase in productivity and improved site safety at all our developments – including projects in countries such as The Philippines.

By achieving great profitability, we can provide steady dividends for our esteemed investors.

DIRECTORS’ INTERESTS IN SHARES

AS AT 20 MARCH 2020

Directors’ Interest In The Company

Sunway Construction Group Berhad

Ordinary Shares		
Direct interest	No.	%
Dato' Ir Goh Chye Koon	5,000	#
Chung Soo Kiong	200,046	0.02
Evan Cheah Yean Shin	13,435	#
Deemed interest		
Evan Cheah Yean Shin ^a	841,282,318	65.25

Directors’ Interest In Intermediate Holding Company

Sunway Berhad

Ordinary Shares		
Direct interest	No.	%
Dato' Ir Goh Chye Koon	120,201	#
Dato' Chew Chee Kin	21,038,466	0.43
Evan Cheah Yean Shin	4,195,196	0.09
Chung Soo Kiong	950,095	0.02
Deemed interest		
Dato' Chew Chee Kin ^b	1,564,862	0.03
Evan Cheah Yean Shin ^c	3,052,123,911	62.27

Warrants 2017/2024		
Direct interest	No.	%
Dato' Ir Goh Chye Koon	15,150	#
Dato' Chew Chee Kin	2,651,647	0.42
Evan Cheah Yean Shin	528,754	0.08
Chung Soo Kiong	135,000	0.02
Deemed interest		
Dato' Chew Chee Kin ^b	197,232	0.03
Evan Cheah Yean Shin ^d	440,177,741	69.87

Directors’ Interest In Penultimate Holding Company

Sungei Way Corporation Sdn Bhd

Warrants 2017/2024		
Deemed interest	No.	%
Evan Cheah Yean Shin ^e	10,000,000	100.00

Number of non-cumulative convertible redeemable preference shares		
Deemed interest	No.	%
Evan Cheah Yean Shin ^f	284,000,000	100.00

Directors’ Interest In Ultimate Holding Company

Active Equity Sdn Bhd

Ordinary Shares		
Direct interest	No.	%
Evan Cheah Yean Shin	25,500	15.00
Deemed interest		
Evan Cheah Yean Shin ^f	102,000	60.00

Directors’ Interests In Related Company

Sunway Global Limited

Ordinary Shares of HKD1.00 each		
Direct interest	No.	%
Dato’ Chew Chee Kin	689,183	0.24

- NOTES:
- # Negligible
- ^a Deemed interest by virtue of Section 8 of the Companies Act 2016 (“Act”) held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad, Sunway Holdings Sdn Bhd and parent.
- ^b Deemed interest held through spouse.
- ^c Deemed interest by virtue of Section 8 of the Act held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Jef-San Enterprise Sdn Bhd and parent.
- ^d Deemed interest by virtue of Section 8 of the Act held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd and parent.
- ^e Deemed interest by virtue of Section 8 of the Act held through Active Equity Sdn Bhd and parent.
- ^f Deemed interest held through parent.

ANALYSIS OF SHAREHOLDINGS AS AT 20 MARCH 2020

Issued Share : 1,292,900,010 ordinary shares
Treasury shares : 3,540,900 ordinary shares
Class of Shares : Ordinary shares
Voting Rights : One vote per ordinary share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	No. of Shareholders	No. of Shares Held	No. of Shareholdings
Less than 100	3,608	26.17	166,924	0.01
100 - 1,000	6,135	44.50	2,278,755	0.18
1,001 - 10,000	3,065	22.23	12,184,360	0.94
10,001 - 100,000	763	5.54	23,241,384	1.80
100,001 - 64,644,999 (Less than 5% of total number of issued shares)	209	1.52	535,113,444	41.50
64,645,000 (5% and above of the total number of issued shares)	6	0.04	716,374,243	55.56
	13,786	100.00	1,289,359,110*	100.00

Notes:

* Exclude a total of 3,540,900 treasury shares retained by the Company as per record of depositors as at 20 March 2020.

Thirty Largest Shareholders as per Record of Depositors

	Name of Shareholders	No. of Shares	%
1	RHB Nominees (Tempatan) Sdn Bhd - Malaysian Trustees Berhad Pledged Securities Account for Sunway Holdings Sdn Bhd-T8	251,000,000	19.47
2	RHB Nominees (Tempatan) Sdn Bhd - Malaysian Trustees Berhad Pledged Securities Account for Sunway Holdings Sdn Bhd-T6	115,800,000	8.98
3	HSBC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Sunway Holdings Sdn Bhd	115,000,000	8.92
4	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account-Sumitomo Mitsui Banking Corporation Malaysia Berhad For Sunway Holdings Sdn Bhd	95,000,000	7.37
5	RHB Nominees (Tempatan) Sdn Bhd - Malaysian Trustees Berhad Pledged Securities Account for Sunway Holdings Sdn Bhd	70,100,000	5.44
6	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	69,474,243	5.39
7	Sunway Holdings Sdn Bhd	56,632,609	4.39
8	Sungei Way Corporation Sdn Bhd	55,520,000	4.31
9	Sungei Way Corporation Sdn Bhd	50,205,817	3.89
10	Amanahraya Trustees Berhad - Amanah Saham Bumiputera	42,559,600	3.30
11	Amanahraya Trustees Berhad - Amanah Saham Bumiputera 2	28,755,100	2.23
12	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt An for AIA Bhd	26,966,400	2.09
13	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (NOMURA)	20,547,700	1.59
14	HSBC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Sungei Way Corporation Sdn Bhd	13,000,000	1.01
15	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Sungei Way Corporation Sdn Bhd	11,300,000	0.88

Thirty Largest Shareholders as per Record of Depositors

	Name of Shareholders	No. of Shares	%
16	Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (LSF)	11,271,400	0.87
17	CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Commerce Trustee Berhad - Kenanga Growth Fund	10,786,200	0.84
18	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (AMUNDI)	9,529,100	0.74
19	Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling AO	7,703,872	0.60
20	Cartaban Nominees (Asing) Sdn Bhd - Exempt An for State Street Bank & Trust Company (West CLT OD67)	6,757,490	0.52
21	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	6,745,934	0.52
22	Lean Hoen Sew	6,691,200	0.52
23	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-Cap Fund	6,563,300	0.51
24	Permodalan Nasional Berhad	6,076,000	0.47
25	Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	5,885,700	0.46
26	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (RHBISLAMIC)	5,716,300	0.44
27	Amanahraya Trustees Berhad - Public Islamic Optimal Growth Fund	5,666,500	0.44
28	Maybank Nominees (Tempatan) Sdn Bhd - National Trust Fund (IFM Eastspring) (410140)	5,430,800	0.42
29	Amanahraya Trustees Berhad - Amanah Saham Bumiputera 3 - Didik	5,053,900	0.39
30	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	4,586,800	0.36

ANALYSIS OF SHAREHOLDINGS AS AT 20 MARCH 2020 (CONT'D)

Substantial Shareholders

	Name of Shareholders	No. of Shares	%
1	Sunway Berhad - Deemed Interest ^a	703,532,609	54.56
2	Sunway Holdings Sdn Bhd	703,532,609	54.56
3	Tan Sri Dato' Seri Dr Jefferey Cheah Fook Ling ^{AO} - Direct Interest - Deemed Interest ^b	7,723,892 833,629,588	0.60 64.65
4	Puan Sri Datin Seri (Dr) Susan Cheah Seok Cheng - Deemed Interest ^c	841,353,480	65.25
5	Sarena Cheah Yean Tih - Direct Interest - Deemed Interest ^d	57,727 841,282,416	* 65.25
6	Evan Cheah Yean Shin - Direct Interest - Deemed Interest ^e	13,435 841,282,318	* 65.25
7	Adrian Cheah Yean Sun - Deemed Interest ^e	841,282,318	65.25
8	Sungei Way Corporation Sdn Bhd - Direct Interest - Deemed Interest ^f	130,025,817 703,532,609	10.08 54.56
9	Active Equity Sdn Bhd - Deemed Interest ^g	833,558,426	64.65
10	Employees Provident Fund Board	110,064,343	8.54

Note:

* Negligible

^a Deemed interest by virtue of Section 8 of the Companies Act 2016 ("Act") held through Sunway Holdings Sdn Bhd.

^b Deemed interest by virtue of Section 8 of the Act held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad, Sunway Holdings Sdn Bhd and children.

^c Deemed interest held through spouse and children.

^d Deemed interest by virtue of Section 8 of the Act held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad, Sunway Holdings Sdn Bhd, spouse and parent.

^e Deemed interest by virtue of Section 8 of the Act held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad, Sunway Holdings Sdn Bhd and parent.

^f Deemed interest by virtue of Section 8 of the Act held through Sunway Berhad and Sunway Holdings Sdn Bhd.

^g Deemed interest by virtue of Section 8 of the Act held through Sungei Way Corporation Sdn Bhd, Sunway Berhad and Sunway Holdings Sdn Bhd.



Sunway Serene, Kelana Jaya



Sunway Big Box Hotel, Johor



Indonesia

WORKING TOGETHER TO PROVIDE DIVERSE SOLUTIONS

With SunCon's extensive pure-play expertise in the industry, we can deliver quality solutions for every aspect of our projects, including mechanical, electrical & plumbing services (MEP).

Our MEP services power the operations of various facilities – from District Cooling Systems to commercial buildings, hospitals, transport infrastructure and many others, as well as essential services to our clients and end-users of the facilities that we build.

This factor has played a key role in the effective collaborations between SunCon's diverse departments, thus, resulting in the successful completion of our projects.

From Kuala Lumpur to countries such as Indonesia, we are all set to deliver top-notch pure-play construction services throughout the region.

CORPORATE DIRECTORY

SUNWAY CONSTRUCTION

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FOUNDATION AND GEOTECHNICAL ENGINEERING SERVICES

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MECHANICAL, ELECTRICAL & PLUMBING SERVICES

SUNWAY ENGINEERING SDN. BHD. 199501012685 (341887-W)
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RENEWABLE ENERGY

SUNWAY PEKAT SOLAR SDN. BHD. 201901022491 (1331820-M)
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MANUFACTURING AND SALE OF PRECAST CONCRETE PRODUCTS

SUNWAY PRECAST INDUSTRIES SDN. BHD. 199201000271 (231775-X)
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Taman Perindustrian Senai
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FORWARD-LOOKING STATEMENTS

This annual report could or may contain certain forward-looking statements that are based on Sunway Construction Group's current expectations or beliefs, as well as assumptions or anticipation of future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expects, estimate, plan, goal, believe, will, may, would, could, potentially, intends or other words of similar expressions. Undue reliance should not be placed solely on any of such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Forward looking statements speak only as of the date they are made, and it should not be assumed that they have been revised or updated in light of changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations and dispositions. The Group undertakes no obligation to revise or update any forward looking statements contained in this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

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SUNWAY®