

# **SUNWAY<sup>®</sup>**

## **CONSTRUCTION**

**UNLOCKING  
THE TOOLS  
FOR SUCCESS**



## UNLOCKING THE TOOLS FOR SUCCESS

**Akin to a toolbox,  
Sunway Construction  
comprises various  
components that make up a  
complete and functional entity  
that when used together,  
become the tools for success.**

### VISION

**To be the 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 component, and machinery and logistics with design and 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 values 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.

## 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 honorably.
- 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

**Chairman/Senior Independent**

**Non-Executive Director**

Dato' Ir Goh Chye Koon

**Managing Director**

**Non-Independent Executive Director**

Chung Soo Kiong

**Non-Independent Non-Executive Director**

Dato' Chew Chee Kin

Datuk Kwan Foh Kwai

Evan Cheah Yean Shin

**Independent Non-Executive Director**

Dato' Siow Kim Lun

Dato' Dr Ir Johari Bin Basri

Tan Sri Datuk Dr Rebecca Fatima Sta Maria

### AUDIT COMMITTEE

Dato' Siow Kim Lun (Chairman)

Dato' Ir Goh Chye Koon

Dato' Dr Ir Johari Bin Basri

Tan Sri Datuk Dr Rebecca Fatima Sta Maria

Evan Cheah Yean Shin

### NOMINATION COMMITTEE

Dato' Ir Goh Chye Koon (Chairman)

Dato' Siow Kim Lun

Dato' Dr Ir Johari Bin Basri

Dato' Chew Chee Kin

### REMUNERATION COMMITTEE

Dato' Chew Chee Kin (Chairman)

Dato' Ir Goh Chye Koon

Dato' Siow Kim Lun

Dato' Dr Ir Johari Bin Basri

### 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 (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 (AF : 0206)

Chartered Accountants

### SOLICITORS

Azman Davidson & Co

Wong Kian Kheong Advocates

& Solicitors

### PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad

Standard Chartered Bank

Malaysia Berhad

### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia

Securities Berhad

### WEBSITE ADDRESS

**W** [www.sunwayconstruction.com.my](http://www.sunwayconstruction.com.my)

**E** [enquiriesuncon@sunway.com.my](mailto:enquiriesuncon@sunway.com.my)

### INVESTOR RELATIONS

**Ng Bee Lien**

**E** [irsuncongroup@sunway.com.my](mailto:irsuncongroup@sunway.com.my)

**T** (603) 5639 9645

**F** (603) 5639 9530



We are also available through our mobile application. The application can be download from:

- [iTunes Apple Store](#)
- [Google Play Store](#)

## ANNOUNCEMENT OF QUARTERLY RESULT 2016

### 26 May 2016

Announcement of the unaudited consolidated results for the 1<sup>st</sup> quarter ended 31 March 2016

### 25 August 2016

Announcement of the unaudited consolidated results for the 2<sup>nd</sup> quarter ended 30 June 2016

### 22 November 2016

Announcement of the unaudited consolidated results for the 3<sup>rd</sup> quarter ended 30 September 2016

### 23 February 2017

Announcement of the unaudited consolidated results for the 4<sup>th</sup> quarter ended 31 December 2016

## PROPOSED ANNOUNCEMENT OF QUARTERLY RESULT 2017

### 25 May 2017

Announcement of the unaudited consolidated results for the 1<sup>st</sup> quarter ended 31 March 2017

### 24 August 2017

Announcement of the unaudited consolidated results for the 2<sup>nd</sup> quarter ending 30 June 2017

### 20 November 2017

Announcement of the unaudited consolidated results for the 3<sup>rd</sup> quarter ending 30 September 2017

### To Be Confirmed

Announcement of the unaudited consolidated results for the 4<sup>th</sup> quarter ending 31 December 2017

## DIVIDEND

### 1<sup>st</sup> Interim Dividend of 2.5 Cents Per Share

1<sup>st</sup> interim dividend of 2.5 cents per ordinary share for the financial year ended 31 December 2016

#### 1 September 2016

Announcement of the notice of entitlement and payment

#### 20 September 2016

Date of entitlement

#### 29 September 2016

Date of payment

### 2<sup>nd</sup> Interim Dividend of 2.5 Cents Per Share

2<sup>nd</sup> interim dividend of 2.5 cents per ordinary share for the financial year ended 31 December 2016

#### 8 March 2017

Announcement of the notice of entitlement and payment

#### 23 March 2017

Date of entitlement

#### 20 April 2017

Date of payment

## ANNUAL REPORT & ANNUAL GENERAL MEETING

### 28 April 2017

Date of notice of 3<sup>rd</sup> Annual General Meeting and date of issuance of Annual Report 2016

### 15 June 2017

Date of 3<sup>rd</sup> Annual General Meeting

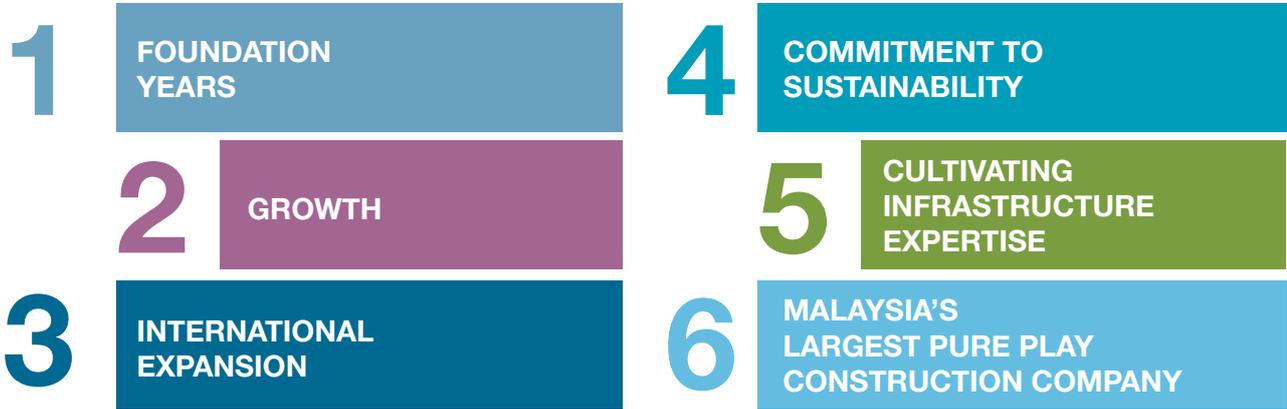
## Financial Calendar

# 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.

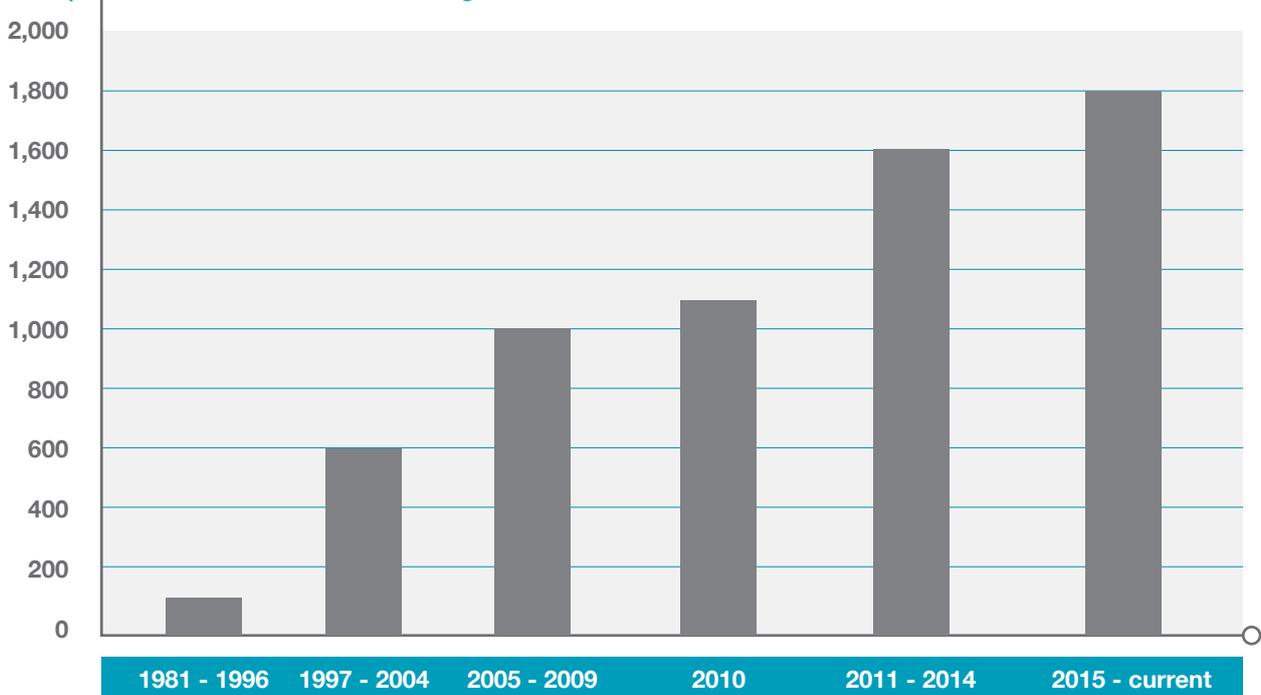
Since 1981, we have undertaken more than RM23 billion worth of projects across six countries. Our company and culture are built on more than three decades of leadership and a relentless adherence to our values, the core of which are Integrity, Humility and Excellence. These values are what drive our 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. The graph below depicts SunCon's growth which can be categorised in 6 phases.



Average Turnover (RM'million)

Average Turnover of SunCon from 1981 - Current



1981 - 1996 Foundation Years    1997 - 2004 Growth    2005 - 2009 International Expansion    2010 Commitment to Sustainability    2011 - 2014 Cultivating Infrastructure Expertise    2015 - current Malaysia's Largest Pure Play Construction Company



**35** years of excellence.



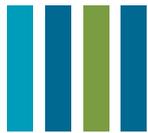
Projects in the following countries:

- Trinidad & Tobago
- Taiwan • Singapore
- United Arab Emirates
- India • Malaysia

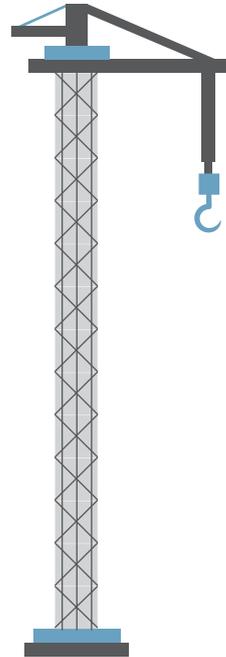
**No.1** pure play contractor in the Bursa Malaysia.

Market capitalisation more than

**RM2 billion.**



**5** Core business segment  
End to end building solutions provider.



Fleet of machines comprising:

**27** Boring Rigs,

**20** Tower Cranes,

**11** Crawler Cranes,

**25** Hydraulic Excavators,

**5** Launching Girders,

**64,000m<sup>2</sup>** System Formwork.



**2,025** employees.

Invested in **cutting edge VDC** since



**2010** with approximately

**RM24 million**

invested to-date.



**RM23,000,000,000** turnover recorded to-date.

**1<sup>st</sup>** Construction company in Malaysia to be included in the **FTSE4Good Index.**



FTSE4Good

# Project Milestones

## FOUNDATION YEARS 1981 – 1996

**June 1981**

Carpark and road resurfacing for shophouse complex owned by Selangor Properties Bhd in Bukit Damansara

**1985**

Construction of Highway Centre, Petaling Jaya.

Construction of Subang Interchange from the Federal Highway to Subang Jaya

**1989**

Infrastructure works in Section 6, 11, 12 and 13 Shah Alam.

**31 July 1989**

Single-storey medium cost houses, Phase 1A, Bandar Sunway

**30 September 1989**

Construction of earlier abandoned Jetty and Public Amenities, Kuah, Langkawi

**November 1991**

Commenced construction of Menara Sunway, Sunway Construction's corporate HQ (RM56 million for Phase 1 and Phase 2)



Menara Sunway, Bandar Sunway

**November 1992**

Completed the access road to Pulau Lumut and South Connection, Port Klang



Access Road to Pulau Lumut and South Connection, Port Klang

**January 1996**

Completed our 1<sup>st</sup> hotel development – Sunway Lagoon Resort Hotel (RM161 million)

**November 1996**

Completed our 1<sup>st</sup> mall development – Sunway Pyramid Shopping and Convention Centre (RM209 million)

## GROWTH

1997 – 2004

### September 1997

Completed our 1<sup>st</sup> design and build project utilising precast technology – Short Term Car Park, KLIA (RM171 million)

### June 1999

Completed our 1<sup>st</sup> medical centre – Sunway Medical Centre

### July 1999

Completed our 1<sup>st</sup> international project – Provision of Construction Management Services for the Combined Cycle Power Plant (960 MW) Project, Hai-Fu, Taiwan

### June 2001

1<sup>st</sup> venture into India – Belgaum Bypass, for the National Highways Authority of India (97.6 crores)



Short Term Car Park, Kuala Lumpur International Airport, Sepang

### 30 September 2002

Completed the Ministry of Finance Building, our 1<sup>st</sup> government building in Putrajaya (design and build) (RM139 million)



Ministry of Finance, Putrajaya

### 11 June 2004

Completed our 1<sup>st</sup> turnkey project – Kajang-SILK Highway (RM1.05 billion)



Kajang SILK Highway, Kuala Lumpur

## Project Milestones • cont'd

### INTERNATIONAL EXPANSION

2005 – 2009

#### March 2005

Completed our 1<sup>st</sup> iconic design and build project – Kuala Lumpur Convention Centre (RM549 million)



Kuala Lumpur Convention Centre, Kuala Lumpur

#### May 2005

1<sup>st</sup> venture into Trinidad and Tobago – Ministry of Legal Affairs Tower (TT369 million)



Ministry of Legal Affairs Tower, Trinidad and Tobago

#### July 2005

Awards by ASEAN Development Bank aided projects by National Highway Authority of India East-West Corridor roadworks, Rajasthan, India (287 crores) East-West Corridor roadworks, Uttar Pradesh, India (415 crores)



Khalisindh River Bridge, Rajasthan, India

#### October 2006

1<sup>st</sup> venture into the Middle East – Al Reem Island Development, Abu Dhabi, on a joint venture with a Malaysian consortium (AED1.33 billion)

#### June 2007

Awarded our 1<sup>st</sup> public housing development project with Singapore Housing Development Board, City View at Boon Keng (SGD23 million)

Completed our 1<sup>st</sup> education institution – Monash University Malaysia Campus (RM119 million)

#### August 2007

7th and final project in India. Cochin Port Connectivity Vallapadam, Cochin, India (330 crores)

#### September 2007

Awarded Ministry of Housing and Local Government and Ministry of Women, Family and Community Development Building in Putrajaya (RM520 million)



#### November 2008

Awarded our single largest overseas contract to date (AED1.88 billion) - Rihan Heights, Abu Dhabi

Completed our 1<sup>st</sup> high-tech manufacturing facility on a fast-track design and build approach – Spirit Aerosystems Facility, Subang (RM120 million, completed in 11 months)



Spirit Aerosystems Facility, Subang

## COMMITMENT TO SUSTAINABILITY

2010

### 2010

1<sup>st</sup> construction company in Malaysia to implement Virtual Design and Construction (VDC)

### May 2010

Piling for The Pinnacle @ Sunway, Bandar Sunway (RM88 million)



Construction of The Pinnacle @ Bandar Sunway

## CULTIVATING INFRASTRUCTURE EXPERTISE

2011 - 2014

### October 2011

First Light-Rail project – LRT Package B, Kelana Jaya Line Extension (RM569 million)



BRT Line : SunU - Monash Station, Bandar Sunway

### December 2011

Largest piling works by Sunway Geotechnics – Sunway Velocity Phase 3 (RM290.5 million)

### February 2012

Piling works by Sunway Geotechnics – Sunway Velocity Shopping Mall (RM179 million)

### June 2012

1<sup>st</sup> Mass Rapid Transit project – KVMRT V4, Section 17 Petaling Jaya to Semantan Portal (RM1.2 billion)

### March 2013

Awarded Malaysia's 1<sup>st</sup> elevated Bus Rapid Transit - BRT Sunway Line (RM452 million)

### 2014

Precast division, Sunway Concrete Products (S) Pte Ltd produced its first 3D precast bathroom units (PBU) and had subsequently secured 3 PBUs project in 2015

### October 2014

MEP works for Pasar Seni MRT Station, Kuala Lumpur (RM23.4 million)

## MALAYSIA'S LARGEST PURE PLAY CONSTRUCTION COMPANY

2015 - CURRENT

### September 2015

1<sup>st</sup> single largest local project – Parcel F, Putrajaya (RM1.6 billion)

### April 2016

Mass Rapid Transit Line 2 : Sungai Buloh Serdang - Putrajaya (Package V201) (RM1.2 billion)



<b>SUNWAY CONSTRUCTION</b>	<b>14</b>
SunCon in Calendar: Corporate Events	16
SunCon in Calendar: Social Events	18
Corporate Profile	20
Group Corporate Structure	23
Awards and Accolades	24
Shareholders' Letter (Chairman's Statement)	26



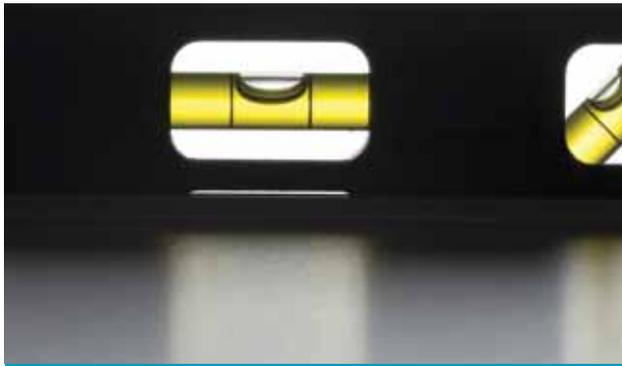
<b>EXEMPLARY LEADERSHIP</b>	<b>30</b>
Profile of Board of Directors	32
Profile of Key Senior Management	37



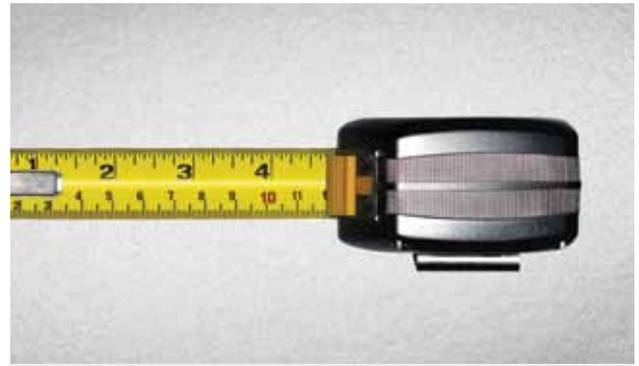
<b>MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT</b>	<b>44</b>
Review of Group's Business and Operations	46
Business Objectives and Strategies	48
Business Risk	54
Review of Financial Results	57
Value Added Statement	63
Review of Share Performance	64
Capital Management	65
Future Prospects	66
Dividend Policy	67



<b>SUSTAINABILITY</b>	<b>68</b>
About This Sustainability Statement	70
Stakeholder Engagement	72
Our Improved Approach to Materiality	74
Sustainability Performance	77
Economic	80
Environmental	89
Social: Labour & Decent Work	103
Social: Human Rights	120
Social: Society	123
Social: Product Responsibility	125
Sustainable Development Goals	135



<b>GOVERNANCE WITH INTEGRITY</b>	<b>136</b>
Corporate Governance Statement	138
Audit Committee Report	154
Statement on Risk Management and Internal Control	160
Additional Compliance Information	164
Investor Relations	166



<b>FINANCIALS</b>	<b>170</b>
Directors' Report	172
Statement by Directors	180
Statutory Declaration	181
Independent Auditors' Report	182
Income Statements	186
Statements of Comprehensive Income	187
Statements of Financial Position	188
Statements of Changes in Equity	190
Statements of Cash Flows	192
Notes on the Financial Statements	195
Supplementary Information	253



<b>SHAREHOLDINGS INFORMATION</b>	<b>254</b>
Directors' Interest in Shares and Options Over Ordinary Shares	256
Analysis of Shareholdings	257



<b>ANNUAL GENERAL MEETING</b>	<b>260</b>
Notice of 3 <sup>rd</sup> Annual General Meeting - Proxy Form	262
Corporate Directory	269

# Sketching Out A Plan



All good plans begin with an outline. A pencil is a tool that helps note down all that needs to be done before any plan gets set into motion.

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SunCon in Calendar: Corporate Events	16
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# SunCon in Calendar

## CALENDAR OF SIGNIFICANT EVENTS

## CORPORATE EVENTS



**31 March 2016**  
Townhall with MD on Foreign Workers  
(Legalisation and Accreditation)



**21 January 2016**  
Sunway Construction Annual Dinner at  
Sunway Pyramid Convention Centre



**4 April 2016**  
Appreciation Dinner for Former Senior  
Managing Director, Datuk Kwan Foh Kwai



**7 May 2016**  
Sunway Construction Managers'  
Conference at Sunway Putra Hotel



**9 June 2016**  
Sunway Construction Group Berhad  
2<sup>nd</sup> Annual General Meeting at  
Sunway Resort Hotel & Spa



**25 July 2016**

Deputy Minister of Health Malaysia, YB Dato' Seri Dr Hilmi bin Haji Yahaya attended Communication for Behavioral Impact (COMBI) Programme at Parcel F, Putrajaya



**21 - 23 August 2016**

19<sup>th</sup> Conference and Exhibition on Occupational Safety & Health (COSH) at Putrajaya International Convention Centre



**9 - 10 August 2016**

Parcel F Environmental, Safety and Health (ESH) Campaign



**8 September 2016**

Bursa Bull Charge (1<sup>st</sup> Place in CEO's Run Women Category - Lim Siaw Hua)



**29 September 2016**

Sunway Safety Week



**22 October 2016**

Gotong-Royong at MRT V4 and MRT V201 in Conjunction with Malaysia Environment Day



## SunCon in Calendar • cont'd



### CALENDAR OF SIGNIFICANT EVENTS

### SOCIAL EVENTS

## FEBRUARY

### Arena of Youth

The Arena of Youth offers a programme with a difference; for Malaysia's youth to express their ideas. The competition tasks students to develop creative solutions to real-world problems. It also tested their knowledge of construction-related disciplines to the best of their capabilities. This competition was organised by CIDB in conjunction with their 20th-anniversary celebrations. Our support on this programme is in-line with our business strategy. SunCon supported the competition's goal of harnessing students' skills and creativity in construction-related fields as they are the next generation of builders in Malaysia. We acted as mentors and helped to guide students from the following 4 assigned schools:

- SMK Sg Ara Bayan Lepas, Penang
- SMK Kompleks Sultan Abu Bakar, Johor
- SMK Ampang Pecah, Selangor
- SM Sains Sultan Haji Ahmad Shah, Pahang



## APRIL

### SunCon Academy

On 3 April 2016, students of UTAR Kampar campus were welcomed to Sunway Medical Centre 3 and Sunway Geo Retails and Flexi Suites project sites in Bandar Sunway. Students were exposed to various types of work including specialist installation, special hospital work, retaining wall work, car park construction, daily manpower recording, brick wall installation, steel structure and roofing. We hope these site visits will enable students to prepare themselves and ease transition to working life easier.

## MARCH

### UTAR Structural Earthquake Stability 2.0 Competition

We sponsored the Structural Earthquake Stability (SES) Competition 2.0. This intra-university and inter-university competition was organised by the Institution of Engineers Malaysia (IEM) and the Institution of Civil Engineers (ICE) Student Chapter of UTAR.



### National Cancer Society Malaysia's (NCSM) Dinner

NCSM is the oldest cancer-related not-for-profit organisation in Malaysia. It provides medical care through its extensive range of cancer screening services and support for those afflicted by this disease. We sponsored the NCSM's 50th Anniversary Gala Charity Dinner and are proud to be part of realising their vision "Living in a World without Cancer".



## MAY

### Sekolah Kebangsaan St Mary's Hospitality and Culinary Arts Centre (HCAC)

Sekolah Kebangsaan St Mary is an all girls mission school partially funded by the government and Per Capital Grant (PCG). In May 2016, SunCon was approached by the school for a donation to build HCAC. The centre aims to address systemic poverty in the lower socio-economic group around the school which has rewarded social problems resulted. We hope our contributions will help students who are not academically inclined to acquire hospitality and culinary skills.

### Persatuan Keluarga Polis (PERKEP)

We were involved in various 'outreach' programmes organised by PERKEP in 2016. Initiatives included engagement with the less fortunate and providing relief and recovery assistance to communities affected by disasters.

### Floria Diraja, Putrajaya

SunCon became the collaborative partner with Perbadanan Putrajaya (PPJ), supported by the Kementerian Wilayah Persekutuan, in organising the FLORIA Diraja Putrajaya 2016. The event was held from 27 May to 4 June 2016 at Anjung Floria, Precinct 4, Putrajaya. Our sponsorship went towards the building and maintenance costs of the Royal Garden of Johor in the compound of Istana Besar, Johor.



## JULY

### Engineering & IT Leadership Programme (EILP 2016)

SunCon's second consecutive year as the main sponsor of EILP, is a joint initiative by Monash University Malaysia's School of Engineering and its selected industry partners.

### Royal Institution of Surveyors Malaysia (RISM) Charity Run

SunCon was one of the sponsors in the RISM Charity Run 2016.



## AUGUST

### Kinta Valley Wind Orchestra (KVWO)

SunCon sponsored in the Jeffrey Cheah Foundation (JCF)'s fourth charity recital by the Perak's only community orchestra, the Kinta Valley Wind Orchestra (KVWO). Proceeds went to the JCF Community Scholarship, which benefit marginalised youths from economically-challenging circumstances.

### Lestari Junior Football Club (LJFC) In 1MCC U14 Championship

SunCon supported the Football Association of Malaysia (FAM) by sponsoring the Under-14 Kuala Lumpur/Selangor Football League in August 2016 with the aim of reuniting and nurturing young talents.

# Corporate Profile

## 1981 - 1996



Early Days of the Group : Laying the Foundation for Future Growth

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. The project was valued at RM21,000 and was completed in two days. Subsequently, we undertook smaller infrastructure projects, and grew our portfolio with residential and commercial projects in Bandar Sunway. In 1992, we established our precast division in Malaysia and following that, we set-up our precast division in Singapore in 1994. We also established our engineering, plant and machinery, and geotechnical divisions.

### FOUNDATION YEARS

## 1997 - 2004

### GROWTH

On 12 June 1997, we listed Sungei Way Construction Sdn Bhd on the Main Board of the then 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 the Builder of the Year award by the Malaysian Construction Industry Excellence Award, our first of three.



Awards and Accolades from The Malaysian Construction Industry Excellence Awards

## 2005 - 2009



Rihan Heights, Abu Dhabi

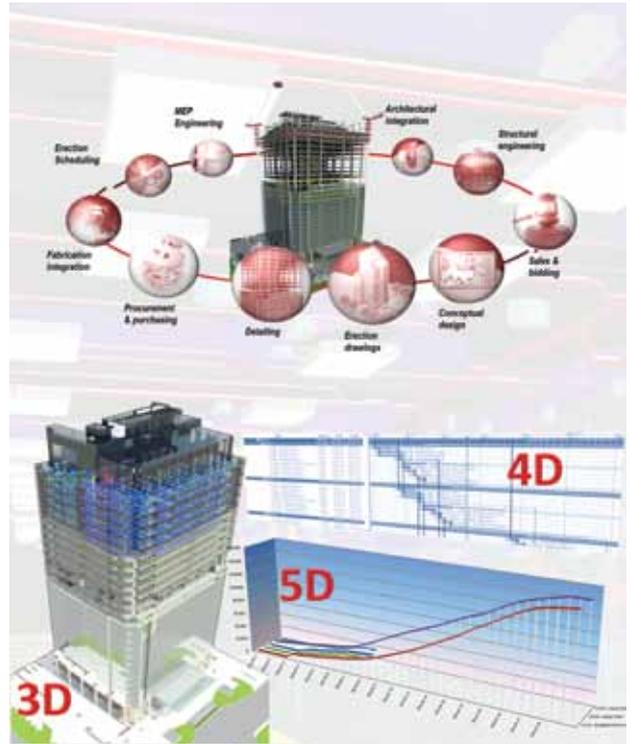
Having built our reputation nationwide, we had then undertaken international projects to gain international exposure in four countries over a short span of four years. In Trinidad and Tobago, we constructed a tower for the Ministry of Legal Affairs; in India we worked to construct roadworks for the National Highway Authority of India and the Cochin Port Connectivity Vallapadam; in Singapore we constructed a public housing development project with the Singapore Housing Development Board; in the United Arab Emirates, we constructed two projects, namely Al-Reem Island and Rihan Heights.

## INTERNATIONAL EXPANSION

## 2010

### COMMITTING TO SUSTAINABILITY

Moving to digitise the construction process for Total Quality Management (TQM) to further improve the sustainability of our processes and business operations, we implemented Virtual Design and Construction (VDC) in 2010 and launched our journey towards TQM in the same year. We were the first in Malaysia to integrate VDC technology into our construction processes. SunCon now embraces 3D (design), 4D (time), 5D (costing) and latest 6D (project life management) to ensure seamless transfer of information and data between project partners by working with CCT International, a leading provider of 3D Construction Management and Control solutions.



Building Information Modelling (BIM) Integration

## Corporate Profile • cont'd

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. We were awarded our first rail project, the Kelana Jaya Line Light Rail Transit (LRT) Extension Package B in 2011. In 2012 we secured our first Mass Rapid Transit (MRT) Project – Sg Buloh – Kajang Package V4 from Section 17 Petaling Jaya to Semantan Portal.

In 2013, we were contracted to construct Malaysia's first Bus Rapid Transit (BRT-Sunway Line).

### 2011 - 2014

## CULTIVATING INFRASTRUCTURE EXPERTISE



Mass Rapid Transit (MRT) Project – Sg Buloh – Kajang Package V4 from Section 17 Petaling Jaya to Semantan Portal

### 2015 – CURRENT

## MALAYSIA'S LARGEST PURE PLAY CONSTRUCTION COMPANY

We are now an integrated construction group with capabilities to provide integrated services and products across different phases of construction, from design to completion. Our integrated business allows us to optimise resources across our different business units and provide customers with integrated solutions from initial planning and design, feasibility studies and surveys, project management, construction, construction supervision, and machinery and logistics. Our

provision of foundation and geotechnical engineering services; mechanical, electrical and plumbing services; and manufacturing and sale of precast concrete products business complete our service offering as an end to end total construction solution provider. We are also supported by a large fleet of construction machinery and equipment under the machinery and logistics division. In 2015, the listing of SunCon further enhanced

Sunway's brand recognition and visibility among existing and potential customers and is anticipated to propel us in winning more contracts locally and abroad. Our share prices had steadily increased, with investors being partial to our pure play feature, strong orderbook and net cash balance sheet. In April 2016, SunCon was amongst the first to be awarded the MRT Line 2: Package V201 Sungai Buloh to Persiaran Dagang.

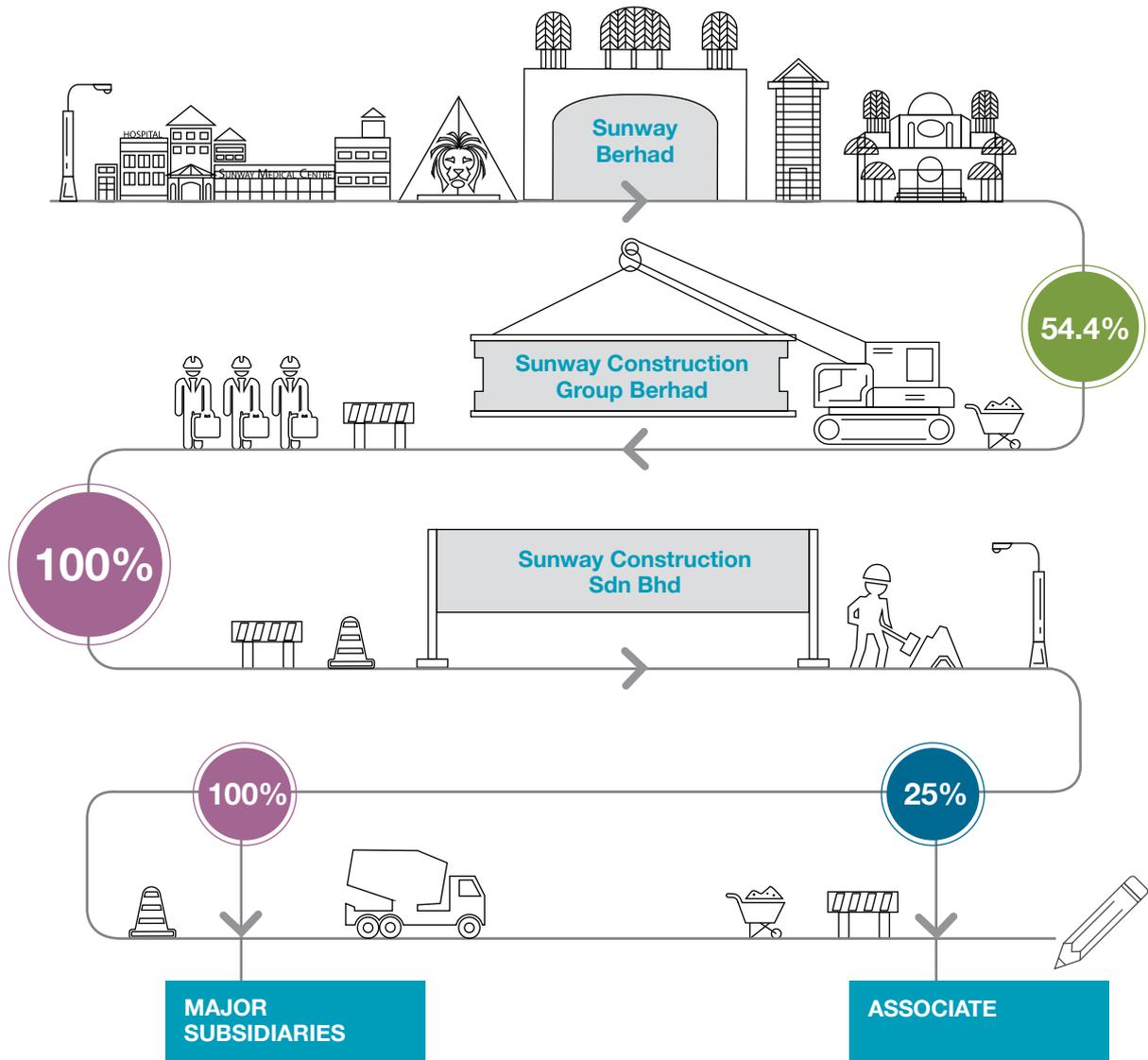


The Peak @ Toa Payoh, Singapore



Precast Yard, Singapore

# Group Corporate Structure



## Malaysia

- Sunway Engineering Sdn Bhd
- Sunway Geotechnics (M) Sdn Bhd
- Sunway Machinery Sdn Bhd
- Sunway Precast Industries Sdn Bhd
- Sunway Concrete Products (M) Sdn Bhd
- Sunway Facade Network Sdn Bhd\*

## Singapore

- Sunway Concrete Products (S) Pte Ltd

## Abu Dhabi

- Sunway Innopave Sdn Bhd (branch)
- Sunway Builders Sdn Bhd (branch)

## India

- Sunway Construction India Pte Ltd

- ISZL Consortium

\*60% of ownership interest held by Group.

## Awards and Accolades

**Alpha Southeast Asia**  
Best IPO for Retail  
Investors of the Year  
2015 in Southeast Asia

**Singapore Successful  
Brand 2015/2016**  
Elite Category – 2016  
*Sunway Concrete  
Products (S) Pte Ltd*

**Malaysia Investor Relations  
Association (MIRA) – 2016**  
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)

**The Electrical and  
Electronics Association  
of Malaysia (TEEAM)**  
Malaysia's Best  
Contractor in the  
Infrastructure Category  
- 2016  
*Sunway Engineering  
Sdn Bhd*

**2 February 2016**



Sunway Construction had in January 2016 been awarded the Best IPO for Retail Investors of the Year 2015 in Southeast Asia from the 9th Annual Best Deals & Solution Awards. Despite the volatile economic conditions in Malaysia during 2015, Sunway Construction's IPO has been described as "cleverly priced, enabling investors to walk away with profits post-listing".

SunCon's IPO was the largest construction sector IPO in Southeast Asia since 2012, the second largest IPO in Malaysia 2015 and largest pure play construction company listed on Bursa Malaysia by revenue.

**26 February 2016**



Sunway Construction's subsidiary Sunway Concrete Products(S) Pte Ltd had successfully bagged the Singapore Successful Brand 2015/2016 Elite Category award. This win has further increased brand recognition for Sunway Concrete Products as the precast industry has been very competitive in brand building in Singapore.

The award has not only increased our branding but also built up our reputation in producing quality products and services exceeding our clients' expectations, while adhering to industry regulations and safety standards.

**21 July 2016**



Sunway Construction Group Berhad bagged three awards at the Malaysian Investor Relations Association (MIRA) award ceremony. The wins are a testament to the Sunway Construction Group's management and board's commitment to build a strong relationship with our investing community right from the start.

Sunway Construction Group Berhad Managing Director, Mr Chung Soo Kiong said "We are humbled by the community's recognition and would like to take this opportunity to thank them for their support for Sunway Construction."

**27 August 2016**



The Electrical and Electronics Association of Malaysia (TEEAM) had awarded Sunway Engineering as Malaysia's best contractor in the Infrastructure category at its 64<sup>th</sup> anniversary dinner. This is also the third time TEEAM recognised Sunway Engineering Sdn Bhd for its exemplary services.

**Asean Federation of Electrical Engineering Contractors (AFEEC) Malaysia's Best Electrical Contractor for Infrastructure Category – 2016**  
**Sunway Engineering Sdn Bhd**

**The International Road Federation's Global Road Achievement Awards (GRAA) Urban Planning and Mobility Award BRT Sunway Line – 2016**

**National Annual Corporate Report Awards (NACRA 2016) Certificate of Merit – 2016**

**Minority Shareholder Watchdog Group (MSWG) Industry Excellence Award, Property and Construction Category – 2016**



**28 September 2016      18 October 2016      1 December 2016      15 December 2016**



Sunway Engineering Sdn Bhd being one of the subsidiaries of Sunway Construction Group had bagged an award from The Electrical and Electronics Association of Malaysia (TEEAM) for Asean Federation of Electrical Engineering Contractors (AFEEC). AFEEC consists of members from Indonesia, Singapore, Malaysia, Philippines and Thailand and we are proud to receive the award as Malaysia's Best Electrical Contractor for Infrastructure category in 2016.



Sunway Construction's Bus Rapid Transit (BRT) – Sunway Line project bagged the Urban Planning and Mobility Award at the 2016 International Road Federation (IRF) Global Road Achievement Awards. The Award ceremony recognised 12 innovative projects from around the world, demonstrating leadership across major road and highway disciplines. The selection was made by an international panel of senior road development specialists. The 5.4km BRT-Sunway Line is Malaysia's first elevated BRT project that runs across seven stations and has a Park n' Ride facility. Sunway Construction had completed the project, from design to finish, within a challenging 27 months, 3 weeks ahead of schedule. Sunway Construction Group Berhad Deputy Managing Director, Mr Liew Kok Wing, said *"We are humbled to be recognised by an international and prestigious panel of judges to be one of the 2016 IRF GRAA winners. The BRT- Sunway Line project demonstrates the best of our capabilities as an integrated design and build contractor for the buildings and infrastructure project."*



Sunway Construction Group Berhad clinched a certificate of Merit from National Annual Corporate Report Awards (NACRA) for its first annual report for year 2015 after being listed on Main Market of Bursa Malaysia in July 2015. NACRA aims to promote greater and more effective communication by organisations through timely, informative, factual, and reader friendly annual reports, and promote higher standards of corporate governance.



Sunway Construction Group Berhad received a prestigious award at the Malaysia-ASEAN Corporate Governance 2016 Awards.

The award, presented by the Minority Shareholder Watchdog Group (MSWG), took place at the Sime Darby Convention Centre in Kuala Lumpur.

The award received by Sunway Construction was the Industry Excellence Award, under the Property and Construction Category. Sunway Construction is currently ranked 17<sup>th</sup> in the List of Top 100 companies for overall Corporate Governance and Performance.

Sunway Construction Group Berhad Chief Financial Officer, Ms Ng Bee Lien, received the award on behalf of Sunway Construction from MSWG Chairman, YBhg Tan Sri Dato' Seri Dr Sulaiman bin Mahbob and MSWG Chief Executive Officer, Rita Benoy Bushon.

## Shareholders' Letter



**Dato' Ir Goh Chye Koon**  
Chairman

Senior Independent  
Non-Executive Director

- Successfully clinched RM2.7 billion worth of project in 2016
- Outstanding orderbook of RM4.8 billion
- Commenced operations at Iskandar plant with capacity of 51,000m<sup>3</sup>
- Completed and handed over 7 projects worth over RM2.8 billion
- Obtained 5 star SCORE Rating for Sunway Engineering Sdn Bhd
- Target for 2017: new orders amounting RM2 billion



The year 2016 marks our 35<sup>th</sup> year in pursuit of construction excellence. Over this period we have transformed SunCon from a small construction outfit into Malaysia's largest pure play construction company, with significant impact on our nation's development trajectory. We have much to celebrate in our 35<sup>th</sup> year. Despite the challenging business landscape, we have continued to perform well in 2016.

Over the past 35 years, we have honed our expertise across complex, first-of-a-kind projects and successfully delivered them to our Malaysian and international clients. Our experience, end-to-end expertise, digitisation, and high standards for quality and safety will prepare us for our next stage of growth, which is to explore opportunities within the ASEAN region, a market comprising 600 million people. As Malaysia's leading builder, SunCon is strategically-positioned to support ASEAN's Master Plan on Connectivity and tap into the potential \$60 billion in annual investments for development in the form of roads, rail, power, water and other critical infrastructure. We have earmarked Indonesia as emerging markets for our services, where there is a huge potential for infrastructure growth.

SunCon strives to be the best, and we believe the only way to achieve that is by continuing to deliver extraordinary results for our customers, partners, and shareholders. We will continue to promise certainty of delivery in an uncertain world bolstered by some of the most experienced and high-performing teams in our industry and take pride in the long-term progress and economic growth our projects create around the world.

Following SunCon's successful listing on 28 July 2015, we are now fully committed to do what we had set out to do. We intend to fulfill our commitment to deliver value in a sustainable manner, creating long-term value for our stakeholders.



Kelana Jaya Line Light Rail Transit (LRT) Extension  
Package B – Subang Alam Station



Senai Plant, Johor

### A Positive Outlook For The Construction Sector

Despite global economic uncertainties impacted by the outcome of Brexit and the United States (US) presidential elections, coupled with the tepid sentiments domestically; the construction industry has demonstrated remarkable performance in 2016 with a growth of 7.4%(2015: 8.2%). This is led by infrastructure category in line with the government's focus to improve public transportation under the 11th Malaysian Plan 2016-2020. We expect this uptrend to continue in 2017, buoyed by sustained development expenditure for infrastructure and rural development as outlined in the Budget 2017.

### New Projects Strengthening Our Construction Orderbook

SunCon clinched RM2.7 billion worth of projects in this financial year, above our targeted RM2.5 billion which brings our outstanding orderbook at year end to RM4.8 billion including newly awarded jobs in January 2017.

We continue to be the construction proxy and we are pleased that SunCon was amongst the first to be awarded the Project Mass Rapid Transit Line 2 (MRT2) : Sungai Buloh – Serdang – Putrajaya (Package V201) MRT V201 based on our track-record of successful deliveries.



Piling Work at Mass Rapid Transit Line 2 – Package V201  
Sungai Buloh to Persiaran Dagang

MRT V201 from Sungai Buloh to Persiaran Dagang of RM1.2 billion spans 4.9km in length and has 60 months completion period. This project comprises 142 piers and 890 bored piles.

The project also involves the relocation of 180km of fibre-optic telecommunications cables, 21.5km underground high-tension cables and 5.4km water pipes. The project exploits our full capabilities as a Group – we will mobilise our civil engineering team to build the pier works, foundation and geotechnical team to handle the drilling of bored piles, and mechanical electrical team to relocate all the underground facilities.

From Sunway Berhad, we have also secured in excess of RM900 million worth of jobs including the construction of hospitals in Bandar Sunway and Sunway Velocity, Kuala Lumpur.

This brings a steady stream of bedrock orders to SunCon to cushion any construction cycles. We add value to Sunway Berhad by being involved in the design and construction stages from the onset to ensure timeliness and quality delivery whilst optimising cost for the entire Group.

### Consolidation of Our Precast Operations

Under the precast division, we have received new orders worth RM115 million bringing the outstanding orderbook to RM245 million. We have commenced operations of our Iskandar plant with capacity of 51,000m<sup>3</sup> per annum and we are presently in the midst of adding four production lines to the existing five, almost doubling our production capacity for 2017. We will close our Tampines plant in April 2017 as planned whilst our Senai and Iskandar plants are now ready to take over to support the Singapore precast market.

## Shareholder's Letter • cont'd



### Sustaining Delivery of Excellence

2016 saw significant milestones under construction as we completed and handed over a total of 7 projects worth over RM2.8 billion.

Projects	RM (Million)
Kelana Jaya Line Light Rail Transit (LRT) Extension Package B which was opened to the public on 30 June 2016.	569
Mass Rapid Transit (MRT) Project – Sg Buloh – Kajang Package V4 from Section 17 Petaling Jaya to Semantan Portal which started operation on 16 Dec 2016 with very good reviews from the public.	1,173
Sunway Velocity Shopping Mall in Kuala Lumpur with approximately 1 million sq. ft. of lettable area. This mall was opened to public on 8 Dec 2016 and was a roaring success.	350
Sunway Geo Retail and Flexi Suites in Bandar Sunway which has a 3.5 floors of semi-basement car park area, 31 units of 3-storey shop commercial units and 228 units of flexi-suites (Level 4 to 7) and an office tower comprising 17 floor of office space of approx. 22,000m <sup>2</sup> .	153
112 units of residential houses in Sunway Lenang Phase 1A in Johor together with amenities.	96
Afiniti Medini mixed development project in Iskandar.	283
Sunway Clio Hotel which was handed over in February 2016 and opened to public on 19 Feb 2016.	193

### Building Our Brand

SunCon has clinched numerous awards in 2016, attesting to our leadership in our industry, and strength of our corporate governance.

- Best IPO for retail investors of the year 2015 in Southeast Asia organised by Alpha Southeast Asia.
- Singapore Successful Brand 2015/2016 Elite Category for our precast division under Sunway Concrete Products (S) Pte Ltd.
- 3 awards under the Investor Relations MIRA 2016 recognising SunCon's effort in investor relations.
- The Electrical and Electronics Association of Malaysia (TEEAM) recognised Sunway Engineering as Malaysia's best contractor in the Infrastructure category at its 64<sup>th</sup> anniversary dinner. This is also the third time TEEAM has recognised Sunway Engineering for its exemplary services. Sunway Engineering also received Malaysia's Best Electrical Contractor Award in the Industrial/Commercial category in 2016, 2015 and 2013 from the Asean Federation of Electrical Engineering Contractors (AFEEC).
- Urban Planning and Mobility Award under the International Road Federation Global Road Achievement 2016 Awards in recognition of our BRT- Sunway project.
- Certificate of Merit under NACRA award for our 2015 Annual Report.
- Industry Excellence award under Property and Construction category organised by the Minority Shareholder Watchdog Group. SunCon was listed 17<sup>th</sup> out of top 100 companies for overall good corporate governance and performance.
- Continued inclusion in the prestigious FTSE4Good Index as the only construction company being included in the limited list of 42 amongst the listed companies under Bursa.

In addition, our subsidiary, Sunway Engineering has successfully renewed its 5-star rating under Construction Industry Development Board's (CIDB) SCORE Programme 2016. However, due to the strict financial assessment requirements, our other subsidiary, Sunway Construction Sdn Bhd had only managed to obtain 4-Star rating. To-date there are only 5 companies which have the highest 5-star SCORE rating from a pool of over 6,000 contractors with G7 licences. The SCORE Programme (also known as Penilaian Keupayaan dan Kemampuan Kontraktor) is developed by CIDB Malaysia, in collaboration with SME Corp, with an aim to provide an effective gauge of local contractors' strengths through a stringent and comprehensive rating system.



Datuk Kwan Foh Kwai's Conferral Ceremony

The SCORE programme is an ongoing effort by CIDB Malaysia to raise the profile of the local construction industry and provides a basis for the development of Malaysian contractors by identifying areas for improvement. The assessment is conducted every year to promote competition among contractors and to enable them to determine the level of performance and growth of companies through the comparison of results of each annual SCORE released. Under the SCORE Programme, CIDB-registered construction companies are assessed on parameters such as management strength, technical expertise, business performance and best practices.

#### Priorities For 2017

In 2017, SunCon will continue to work on delivering and executing the projects within our outstanding orderbook of RM4.8 billion, which will give us earnings visibility for more than two years. We will target new orders amounting to RM2 billion, maintain our safety and quality targets to ensure sustainable growth. We will continue to empower and improve productivity of our employees.

#### ACKNOWLEDGEMENT

On behalf of the Board of Directors, we are honoured and pleased to be working to drive SunCon forward with a highly competent, ambitious and motivated management team.

We would like to welcome Tan Sri Datuk Dr Rebecca Fatima Sta Maria to our Board. She joined us on 3 August 2016 after retiring from her illustrious career as the Secretary-General of the Ministry of International Trade and Industry on 2 July 2016. As a woman, she will bring balance to this male dominated industry and much diversity to the Board. Her deep experience in international trade, human resources and social welfare, will benefit the Board when we debate on various strategic issues.

We would also like to congratulate Datuk Kwan Foh Kwai on being conferred the Darjah Kebesaran Jasa Negara (PJN), which carries the title 'Datuk'. Datuk Kwan Foh Kwai on 31 December 2015 decided to take a back seat from active management of SunCon from his position as Senior Managing Director. Since then, he has been re-designated as a Non-Independent Non-Executive Director and in 2016, Datuk Kwan is still contributing as an advisor to the Group to ensure a smooth transition to the new management team. Datuk Kwan will remain as our advisor for year 2017. His depth and breadth of the construction industry will continue to provide us with good insights to guide our key strategic decisions.

With the appointment of Mr Chung Soo Kiong as the Managing Director on 1 November 2015, Mr Liew Kok Wing was appointed as Deputy Managing Director on January 2016. Mr Liew holds a Master of Civil Engineering from National University of Singapore. Prior to this, he was actively leading the Civil and Infrastructure team and has experience in managing our construction work in India. He also has experience in Geotechnical and Building construction works and this will bring around a well-rounded skill and knowledge in his management. We congratulate and welcome Mr Liew Kok Wing to his new leadership role. I am pleased to note that the team has continued to work cohesively as both Mr Chung and Mr Liew have been with the Group for more than 20 years.

As we celebrate our 35<sup>th</sup> year, I wish to extend my sincere appreciation to our management and valued employees for their dedication and commitment to the Group as well as for continuously challenging the status quo to reach for greater heights.

To our valued stakeholders, valued customers, suppliers, business partners, bankers, shareholders and respective government authorities our gratitude goes to you for your unwavering support for SunCon.

**DATO' IR GOH CHYE KOON**  
CHAIRMAN



Hammering  
in Greatness

A leader is integral in nailing down decisions that will result in a fruitful project. Akin to that, a hammer’s task is to ensure that all nails are hammered in seamlessly according to plan.

<b>EXEMPLARY LEADERSHIP</b>	<b>30</b>
Profile of Board of Directors	32
Profile of Key Senior Management	37

## Profile of Board of Directors



**DATO' IR GOH  
CHYE KOON**

67, MALE,  
MALAYSIAN

Chairman

Senior Independent  
Non-Executive Director

Dato' Ir Goh graduated with a Bachelor of Engineering (Hons) degree in Civil Engineering from the University of Malaya in 1973. He is a Professional Engineer (P.Eng) and a Member of the Institution of Engineers Malaysia (MIEM).

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.

Dato' Ir Goh is currently an Advisory Peer Group Member of the School of Science and Technology at Wawasan Open University since 2010.

Dato' Ir Goh was appointed to the Board of the Company on 17 October 2014 and he also serves as Chairman of Nomination Committee as well as a member of Audit Committee and Remuneration Committee. He has no directorship in other public companies in Malaysia.



**DATO' SIOW  
KIM LUN**

66, MALE,  
MALAYSIAN

Independent  
Non-Executive Director

Dato' Siow graduated with a Master in Business Administration from the Catholic University of Leuven in Belgium in 1981 and holds a Bachelor of Economics (Hons) degree from Universiti Kebangsaan Malaysia, which he obtained in 1978. He has also attended the Advanced Management Program at the Harvard Business School in 1997.

Dato' Siow began his career in investment banking with Malaysian International Merchant Bankers Berhad (now known as Hong Leong Investment Bank 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.

Dato' Siow is currently a board member of Kumpulan Wang Persaraan (Diperbadankan) and MainStreet Advisers Sdn Bhd. He is also a member of the Land Public Transport Commission.

Dato' Siow was appointed to the Board of the Company on 17 October 2014 and he also serves as Chairman of Audit Committee as well as a member of Nomination Committee and Remuneration Committee.

His directorships in other public companies include Citibank Berhad, UMW Holdings Berhad, EITA Resources Berhad, Hong Leong Assurance Berhad and EcoWorld International Berhad.

**CHUNG SOO KIONG**

50, MALE,  
MALAYSIAN

Managing Director  
Non-Independent  
Executive Director

Mr Chung graduated with a Bachelor of Science (Hons) degree in Quantity Surveying from the University of Abertay Dundee in 1995 and also holds a Diploma in Building (Technology) from Tunku Abdul Rahman College, which he obtained in 1990.

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. He was responsible for carrying out pre- and post-contract works for various projects, including the KL International Airport Project, Plaza Pelangi Shopping Complex in Johor Bahru and DBKL-Pernas Sogo Commercial Development/Shopping Complex.

In 1997, he joined Sunway Construction Sdn Bhd and served as the Contract Manager of Business Development & Marketing Department. His role includes overall management of the contracts administration and operations, develops action plans to review pre- and post-contract related matters of various projects,

responsible for the overall management of business research and development activities in order to achieve growth and profitability, develops strategies to identify and venture into potential new businesses or markets, and continuously improve the policy and procedure with regard to business research and development. 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.

Mr Chung was the 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. Mr Chung has over 20 years of experience in the construction sector.

Mr Chung was appointed to the Board of the Company on 1 November 2015. He has no directorship in other public companies in Malaysia.

**DATO' CHEW CHEE KIN**

71, MALE,  
MALAYSIAN

Non-Independent  
Non-Executive Director

Dato' Chew graduated with a Bachelor of Economics (Hons) degree from the University of Malaya in 1974. He had attended the Program in Management Development at Harvard Business School in 1980.

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, he was designated as the President of Sunway Berhad. He has more than 30 years of experience in general management, quarrying, construction, building materials, trading and manufacturing businesses.

Dato' Chew was appointed to the Board of the Company on 17 October 2014 and he also serves as Chairman of Remuneration Committee as well as a member of Nomination Committee.

His directorships in other public companies are Sunway Berhad and Gopeng Berhad.

## Profile of Board of Directors • cont'd



**EVAN CHEAH  
YEAN SHIN**  
37, MALE,  
MALAYSIAN  
Non-Independent  
Non-Executive Director

Mr Evan Cheah graduated with a Bachelor of Commerce Degree and Bachelor of Business System Degree from Monash University in 2001.

He 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 as to be the Executive Director of Sunway Mas, a property development company within Sunway Group, in charge of operation matters.

In 2011, Evan Cheah 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 and Quarry & Information Technology businesses.

Effective 1 March 2015, he 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.

Evan Cheah is a Chartered Financial Analyst Charterholder, a Certified Practising Accountant, and a Member of Malaysian Institute of Accountants.

Evan Cheah was appointed to the Board of the Company on 18 September 2014 and he also serves as a member of Audit Committee. He has no directorship in other public companies in Malaysia.



**DATO' DR IR JOHARI  
BIN BASRI**  
62, MALE,  
MALAYSIAN  
Independent  
Non-Executive Director

Dato' Dr Ir Johari graduated with a Bachelor of Engineering in Mechanical Engineering from University Technology Malaysia in 1977 and obtained his MSc. in Terotechnology from Manchester University, United Kingdom in 1984 and PhD. in Process Safety from the University of Sheffield, United Kingdom in 1997.

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

ten (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.

He 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' Dr Ir Johari is a Fellow of the Institute of Engineers Malaysia (IEM), Associate Fellow of The Institution of Chemical Engineer (U.K), a Professional Engineer registered with the Board of Engineers Malaysia, and a life member of The Malaysian Society for Occupational Safety and Health (MSOSH).

Dato' Dr Ir Johari was appointed to the Board of the Company on 17 October 2014 and he also serves as a member of the Audit Committee, Nomination Committee and Remuneration Committee. He has no directorship in other public companies in Malaysia.



**DATUK KWAN  
FOH KWAI**

**65, MALE,  
MALAYSIAN**

**Non-Independent  
Non-Executive Director**

Datuk Kwan graduated with a Bachelor of Engineering (Hons) degree from the University of Malaya in 1977.

He has over 40 years of extensive experience working in the construction industry, both in the public and private sectors.

Datuk Kwan began his career as a Contract Engineer in 1977 with the Department of Public Works, Ministry of Works for three years and was attached to the East-West Highway project. In 1980, he moved to Promet Construction Sdn Bhd as its Site Manager. Following this, he joined Alam Baru Sdn Bhd, a Class "A" Contractor, as General Manager from 1984 to 1986. He joined Taisei Corporation of Japan from 1986 to 1996 and his last position was General Manager of Taisei (Malaysia) Sdn Bhd

On 1 October 1996, he joined Sungei Way Construction Berhad as an Executive Director. In June 2001, he was promoted to Managing Director of Sunway Construction Berhad, which was delisted from Bursa Malaysia Securities Berhad and converted to a private limited company in 2004. He was

appointed as the Senior Managing Director of Sunway Construction Group Berhad on 6 November 2014. Datuk Kwan was the Senior Managing Director of the Company until his retirement on 31 December 2015. He remains as a Board member of the Company and was redesignated as Non-Independent Non-Executive Director.

Datuk Kwan served as the President of Master Builders Association of Malaysia for the term 2010 – 2012 and as its Immediate Past President for the term of 2012 to 2016. He is also a Member of The Institution of Engineers, Malaysia. He is a Fellow Member of the Chartered Institute of Building and a Board Member of International Federation of Asian & Western Pacific Contractors' Association (IFAWPCA). Datuk Kwan is also the Chairman of the Board of Governors of SMJK Yuk Choy, Ipoh, Perak.

Datuk Kwan was appointed to the Board of the Company on 18 September 2014. He has no directorship in other public companies in Malaysia.



**TAN SRI DATUK  
DR REBECCA  
FATIMA STA MARIA**

**59, FEMALE,  
MALAYSIAN**

**Independent  
Non-Executive Director**

Tan Sri Dr Rebecca graduated from the University of Malaya in 1980 with a Bachelor of Arts (Honours) in English Literature. She received a Diploma in Public Administration from the National Institute of Public Administration (INTAN), Malaysia in 1981. She also has an M.S. (Counselling) from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia) in 1992. Subsequently, Tan Sri Dr Rebecca obtained her Ph.D from the University of Georgia in Athens in 2000.

Tan Sri Dr Rebecca began her career in the Malaysian Administrative and Diplomatic Service in 1981 and served in various capacities in the then Ministry of Trade and Industry. In the course of her civil service career, she had a brief stint as the Chief Administration and Procurement Officer of the ASEAN Plant Quarantine and Training Centre, and contributed to human capital development at the INTAN.

She retired as the Secretary-General of the Ministry of International Trade and Industry (MITI Sec-Gen) on 2 July 2016. As MITI Sec-Gen, a post she was appointed to in December 2010, she provided oversight for the formulation and implementation of Malaysia's

international trade policies and positions. This involved Malaysia's participation in bilateral, regional (ASEAN, APEC, OIC) and multilateral fora (World Trade Organisation), as well as bilateral and regional trade negotiations. On the regional front, she played a key role in ASEAN economic integration and chaired the ASEAN Senior Economic Officials Meeting as well as the ASEAN High Level Task Force for Economic Integration. In the academic field, in April 2000, she was awarded the Malcolm Knowles Award for the best PhD dissertation in 2000 in the field of Human Resource Development by the American Academy of Human Resource Development. She was also awarded "Professional Achievement Awards by School of Education, University of Georgia (2013)".

Tan Sri Dr Rebecca currently serves on the Board of Trustees of MyKasih Foundation, and a Council Member of the Institute for Democracy and Economic Affairs (IDEAS).

Tan Sri Dr Rebecca was appointed to the Board of the Company on 3 August 2016 and she also serves as a member of the Audit Committee. Her directorships in other public companies are RHB Bank Berhad, Hartalega Holdings Berhad and Lafarge Malaysia Berhad.

## Profile of Board of Directors • cont'd

### DIRECTORS

#### Family Relationship with Director and/or Major Shareholder

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). Both Tan Sri Dr Jeffrey Cheah and Ms Sarena Cheah are the major shareholders of SunCon. Tan Sri Dr Jeffrey Cheah and Ms Sarena Cheah are the directors of Sunway Berhad (Sunway), 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

Evan Cheah is a director of Sunway GD Foundation Engineering Co Ltd (SGFE), Shanghai Xinhetai Construction Ltd and Sunway GD Foundation Engineering Technical Advisory (Shanghai) Co Ltd (collectively referred

to as "SGFE Group"). SGFE Group is principally involved in construction and piling services which is a similar business as SunCon Group. Evan Cheah is a major shareholder of Sunway whereby Sunway has an equity interest of 60% in SGFE.

Dato' Chew Chee Kin is the President and Director of Sunway. He is a Director of Shanghai Xinhetai Construction Ltd, which is part of the SGFE Group.

Save as disclosed above, none of the other Directors has any conflict of interest with SunCon Group.

#### Conviction for Offences

None of the Directors has any conviction for offences within the past 5 years other than traffic offences, if any.

#### Attendance of Board Meetings

The attendance of the Directors at Board Meetings held during the financial year ended 31 December 2016 is disclosed in the Corporate Governance Statement.



Kelana Jaya Line Light Rail Transit (LRT) Package B – Putra Heights Station

## Profile of Key Senior Management



**LIEW KOK WING**  
48, MALE, MALAYSIAN  
Deputy Managing Director



**NG BEE LIEN**  
44, FEMALE, MALAYSIAN  
Chief Financial Officer

Mr Liew graduated with a Bachelor of Engineering (Hons) degree in Civil Engineering in 1993 from the National University of Singapore and also holds a Master of Science Degree in Civil Engineering from the National University of Singapore.

Mr Liew began his career with L & M Geotechnics Singapore in 1993 as a Project Engineer managing specialist geotechnical engineering works at various construction projects in Singapore and Thailand. In 1996, he left to join Taylor Woodrow Projects (M) Bhd as a Geotechnical Engineer before joining Sunway Construction Sdn Bhd (SunCon), a subsidiary of the Company.

From November 1996 to March 1998, he served as the Senior Geotechnical Engineer in SunCon, where he was involved in geotechnical works for various projects undertaken by SunCon in Malaysia. He then joined Nishimatsu Construction Company as a Senior Engineer in April 1998 for an MRT tunnel construction project in Singapore.

He rejoined SunCon in 2000 and was promoted during the course of overseeing various projects undertaken by the Group in Malaysia and India to the position of Senior General Manager – Civil, heading the Civil Engineering Division, a position he has held since 2013.

Mr Liew was promoted as the Deputy Managing Director of the Group on 1 January 2016. He has more than 23 years of experience in the construction sector with 19 years under the Group. He has a well-rounded exposure in Civil and Infrastructure works, Foundation and Geotechnical Engineering, and Building works.

He has no directorship in other public companies in Malaysia.

Ms Ng graduated with a Bachelor of Commerce majoring in Finance from the University of Western Australia in 1994 and is a Chartered Accountant with the Malaysian Institute of Accountants (MIA).

She worked as an auditor with Ernst & Young during the period from 1994 to 1997 and her last held position was Audit Senior Executive. Thereafter, she joined Muhibbah Engineering (M) Bhd in 1997 where she served as Accountant. In 2005, she joined Sunway Construction Sdn Bhd as Senior Manager. Subsequently, she was promoted to Assistant General Manager and General Manager, a position that she has held since 2011. Ms Ng has then been promoted to Senior General Manager of Finance effective May 2015.

Ms Ng was promoted as the Chief Financial Officer (CFO) of Sunway Construction Group Berhad on 1 January 2016. She has over 22 years of working experience in finance and audit, with over 18 years of such working experience specifically in the construction sector.

She has no directorship in other public companies in Malaysia.



## Profile of Key Senior Management • cont'd



**KWONG TZYY EN**  
57, MALE, SINGAPOREAN  
Executive Director  
*Precast Division*

Mr Kwong holds the academic qualification of General Certificate of Education (GCE) 'A' Levels, which he obtained in 1978.

Mr Kwong held the position of Managing Director in Huey Long Construction Co. from 1981 to 1988, where he specialised in underground telecom piping. In 1989, he joined Spandeck Engineering Pte Ltd and served as the Production Manager overseeing the supply of precast components for both HDB and private projects. Thereafter, he held the position of Senior Production Manager at L & M Precast Pte Ltd from 1992 to 2000 and Hanson Precast Pte Ltd from 2000 to 2001. He joined Sunway Concrete Products (S) Pte Ltd (Sunway Concrete Products (S)), a subsidiary of the Company, in 2001.

Since then, Mr Kwong has held various positions based primarily in Singapore during his tenure of almost 16 years with Sunway Construction Group. Mr Kwong was promoted as the Executive Director – Precast Division of the Group on 1 January 2016. His responsibilities include marketing and contracts, the overall planning, organising and overseeing the operations of Sunway Concrete Products (S). Mr Kwong has more than 22 years of experience in the construction sector, particularly in the area of the precast concrete industry.

He has no directorship in other public companies in Malaysia.



**THOMAS SAMUEL A/L CT SAMUEL**  
57, MALE, MALAYSIAN  
Executive Director  
*Geotechnical Division*

Mr Thomas Samuel graduated with a Bachelor of Engineering (Hons) degree from the University of Malaya in 1983. Subsequently in 2002, he graduated with a Master's Degree in Business Administration from Heriot Watt University.

Mr Thomas Samuel 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 26 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 stabilization of road and rail embankments.

On 15 January 2015, Mr Thomas Samuel joined Sunway Geotechnics (M) Sdn Bhd, taking charge of entire Geotechnical Division.

Mr Thomas Samuel was the immediate past Vice President of the Master Builders Association of Malaysia (MBAM), where he has been an active council member since 2008.

He has no directorship in other public companies in Malaysia.



**WONG KWAN SONG, RICHARD**  
52, MALE, MALAYSIAN  
Executive Director  
*Building Division*

Mr Wong graduated with a Bachelor of Engineering (Hons) degree in Civil Engineering from the University of Portsmouth in 1999. He had earlier obtained a Certificate in Technology (Building) from Tunku Abdul Rahman College in 1986.

He started his career in 1987 at Syarikat Pembinaan Lee Chin Leong Sdn Bhd, where he served as a Site Supervisor. He joined Syarikat Pembinaan YTL Sdn Bhd in 1988 where he worked as a Site Supervisor, before joining Sunway Construction Sdn Bhd (SunCon) in 1989. From 1989 to 1995, he oversaw various construction projects. 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 15 years tenure with the Group, from Project Manager to Senior General Manager.

Mr Wong has over 29 years of experience in the building and construction industry. His experience ranges from low-rise residential homes to large scale shopping complexes, service apartments, hotels and office buildings. Mr Wong was promoted as the Executive Director – Building Division of the Group on 1 January 2016. His role includes overseeing the overall planning and coordination of construction projects from conceptualisation, design, construction through to completion within established budgets, schedules and quality standards.

He has no directorship in other public companies in Malaysia.



**AKIRA YABE**  
60, MALE, JAPANESE  
Director  
*Special Projects*

Mr Yabe graduated with a Bachelor of Science & Engineering degree from Waseda University in 1979. He is a Professional Engineer, Japan (P.E. Jp – Civil Engineering and Comprehensive Technical Management), Registered Architect (1<sup>st</sup> Class), Registered Construction Engineer (1<sup>st</sup> Class) and Japan Concrete Institute (JCI) Authorised Chief Concrete Engineer.

Mr Yabe began his career with Taisei Corporation in 1979 as a Construction Engineer, where he was assigned to work in different branch offices on project basis. He held various positions during his almost 30 year tenure at Taisei Corporation, including Construction Engineer, Senior Construction Engineer, Deputy Project Manager and Project Manager, in Japan, Malaysia and Egypt. In 2008, he joined Yamashita Sekkei and served as a Manager in the Technical Direction Office. Thereafter, he joined Sunway Construction Sdn Bhd in 2010, where he was subsequently promoted to the position of Director – Quality Environmental Safety & Health in year 2012 before assuming the position of Director – Total Quality Management (Centre of Excellence) in 2013.

Mr Yabe was appointed as Director – Special Projects of the Group on 1 January 2016. He has over 37 years of experience in the building and construction industry.

He has no directorship in other public companies in Malaysia.



**KHOR WEI MOON**  
62, MALE, MALAYSIAN  
Director  
*Technical & Design*

Mr Khor holds a Bachelor of Civil Engineering with honours from the University of Melbourne, Australia. He is a registered Professional Engineer with the Board of Engineers Malaysia. He is also a fellow member of the Institution of Engineers Malaysia and a member of the Institution of Engineers Australia.

Mr Khor began his career as an Engineer with a consulting firm, Esa Jurutera Perunding, which he joined in 1977. Subsequently, he formed a consulting firm, namely SA Jurutera Perunding in 1988. Thereafter, he joined Sunway Construction Sdn Bhd (SunCon) in 1997 as Senior General Manager – Technical (Design). In 2001, he acted as the Technical Director for the SILK Highway (Highway) project for 3 years. Upon completion of the Highway in 2004, his role was further extended to oversee the operations and maintenance of the Highway and was then promoted as Chief Operations Officer of Sunway Infrastructure Berhad till 2006. He rejoined SunCon on 1 January 2008 as Director – Technical (Design). In the beginning of 2010, he was appointed to spearhead the Building Information Modelling (BIM) and Virtual Design Construction (VDC) initiatives within SunCon Group.

Mr Khor has over 39 years of extensive working experience in civil and structural engineering and business development in the construction industry.

He has no directorship in other public companies in Malaysia.



**TAN IN TUAN**  
60, MALE, MALAYSIAN  
Director  
*Technical (Planning)*

Mr Tan graduated with a Bachelor of Science (Hons) degree in Civil Engineering in 1982 from the University of Glasgow, Scotland.

He began his career with EEMAL Construction as a Project Engineer, where he was involved in various Civil and Building projects in Malaysia from 1982 to 1988.

In 1988, he joined Taisei Corporation as a Senior Engineer. He was involved in various projects undertaken by Taisei in Singapore and Malaysia which includes apartments, offices, hotels and shopping malls. He served as a Senior Engineer, Chief Engineer, Site Manager and Project Manager in Taisei from 1988 to 1997.

He joined Sunway Construction Sdn Bhd, a subsidiary of the Company, in 1997 as an Assistant General Manager where he headed the Building Division. He was involved in projects undertaken by the Group in Malaysia, Taiwan, Trinidad and Tobago, and Abu Dhabi.

He was appointed as the Director-Technical (Planning) of the Group on 1 January 2016. He has more than 34 years of experience in the construction sector with 19 years under the Group.

He has no directorship in any public companies in Malaysia.

## Profile of Key Senior Management • cont'd



**YIP LAI HUN**

50, FEMALE, MALAYSIAN

Director

*Supply Chain & Contracts Management*

Ms Yip holds a Diploma in Technology (Building) and a Certificate in Technology (Architecture) from Tunku Abdul Rahman College, which she obtained in 1990 and 1987 respectively.

Ms Yip began her career in 1990 as an Assistant Quantity Surveyor in MBF Builders Sdn Bhd and in 1991, she joined Rinota Construction Sdn Bhd where she served as a Quantity Surveyor. She then worked as a Quantity Surveyor with J.V. NLC Construction (Nishimatshu - Lum Chang) from 1992 to 1993. Subsequently, she joined Sunway Construction Sdn Bhd, a subsidiary of the Company in 1993 and she has held various positions during her 23 years tenure with the Group and was promoted to Senior General Manager - Supply Chain & Contracts Management (SCCM) since 2013.

Ms Yip was promoted as the Director - SCCM of the Group on 1 January 2016. With the benefit of more than 26 years of experience in tendering, subcontracting, contracts administration, ICT system development and maintenance, quantity surveying and implementing Quality Environmental Safety and Health (QESH) Management System, Ms Yip is responsible for overseeing the supply chain and contracts management functions of the Group.

She has no directorship in other public companies in Malaysia.



**ERIC TAN CHEE HIN**

44, MALE, MALAYSIAN

Senior General Manager

*MEP Division*

Mr Eric Tan graduated with a Bachelor of Engineering degree in Mechanical Engineering from Universiti Sains Malaysia in 1996 and subsequently obtained a Master of Business Administration degree in 2001 from The Nottingham Trent University. He is a registered professional engineer with practicing certificate of the Board of Engineers Malaysia, and a registered GBI (Green Building Index) Facilitator and competent GBI Commissioning Specialist (CxS) with GreenBuilding Index Sdn Bhd

He 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, a subsidiary of the Company and has held various positions during his tenure of almost 17 years with Sunway Construction Group. He was then promoted as the Senior General Manager – MEP Division of the Group on 1 November 2014.

Mr Eric Tan has over 20 years of experience in construction design and engineering, and oversees the design management and mechanical, electrical and plumbing engineering (MEP) operations of the Group.

He has no directorship in other public companies in Malaysia.



**MAJOR (R) LEONG YEE KEONG**

56, MALE, MALAYSIAN

Senior General Manager

*Environmental, Safety & Health*

Major Leong is a competent Safety and Health Officer registered with DOSH. He holds a NIOSH Certificate in OSH and NEBOSH International General Certificate (IGC) and a Diploma in OSH Management. He is currently pursuing his Master in Occupational Safety & Health and Risk Management from Open University Malaysia.

Major Leong served in the Malaysian Armed Forces from 1979 to 1993 and had served in East and West Malaysia at various military organisations. At the end of his military service, he joined Universal Concrete Products Berhad (UCP) as their HR Manager and later transferred to its Geotechnical Division as a Project Manager cum Safety Manager from 1994 to 2007. Amongst the notable projects he completed were the Tasik Raban bridge in Lenggong Perak, NKVE 3<sup>rd</sup> Lane Widening and the Electrified Double Track from Kampar to Ipoh.

In 2008, Major Leong joined Sunway Construction Sdn Bhd as Senior Manager, Environmental, Safety and Health (ESH). He was involved in the construction of Rihan Heights, Abu Dhabi heading the overall ESH management and implementation. He was promoted during the course of overseeing the many projects undertaken by the Group to the positions of Assistant General Manager in 2011 and General Manager in 2013. In 2015, he was then promoted as the Senior General Manager – ESH, a position which he has held till now.

He has no directorship in other public companies in Malaysia.

**TAN KIM YOKE**

59, MALE, MALAYSIAN

Senior General Manager  
*Commercial & Business Development*

Mr Tan joined Sungei Way Quarry & Construction Sdn Bhd (which is now known as Sunway Construction Sdn Bhd (SunCon), a subsidiary of the Company) in the year 1982 as a Site Supervisor. He was later promoted to Site Agent, since then he has completed various projects and served the Group till 1991. He then joined Pembinaan JBBS Sdn Bhd, as Project Director and completed the civil works of the Rawang – Sungai Selangor Section of the North – South Highway under Shimizu in 1992. He rejoined SunCon in 1992 as Senior General Manger and was involved in various projects implementation.

From 1999 till 2007, he headed SunCon's operation in India and completed 7 Packages of National Highways. Upon completion, he was posted back to Malaysia to head the Business Development.

He then joined Soma Enterprise Ltd. India, from 2008 till 2013 as Project Director and was involved in the Chennai Metro line and also Chennai Elevated Tollways. In 2013, he was appointed as Project Director to head the Pagoh Education Hub in Johor for Pelangi Wira (M) Sdn Bhd and completed the works in 2015.

Mr Tan, again, rejoined SunCon in October 2015 and headed the Commercial & Business Development till now.

He has no directorship in other public companies in Malaysia.

**KONG HEONG FOOK**

51, MALE, MALAYSIAN

General Manager  
*Machinery Division*

Mr Kong obtained an Advance Diploma in Automotive Technology from Department of Skills Development Malaysia in year 2015. He had earlier obtained his Diploma in Supervisory Management from Malaysian Institute of Management (MIM) in 1994 and Certificate in Automotive and also Diesel Technician from Ungku Omar Poltytechnics Ipoh in 1985. Mr Kong is currently pursuing Master of Art in International Business offered by York St John University, United Kingdom.

Mr Kong began his career as Automotive Technician at Automotive Corporation Malaysia in 1986. He joined Auto Bavaria Sdn Bhd in 1989 and Pilecon Engineering Bhd (PEB) in 1991 as Technical Instructor. He has then promoted to Plant Manager in 1995. Mr Kong joined Megah Sewa Sdn Bhd (subsidiary of Gamuda Engineering Sdn Bhd) in year 2000 as Plant Manager.

Mr Kong joined Sunway Machinery Sdn Bhd in year 2005, as General Manager and later in year 2011 transferred to Sunway Construction Sdn Bhd.

Mr Kong has over 25 years of experience in the construction plant and machinery industry covering plant fleet managements, workshop operation store yard management and consumable part inventory majoring in 3 fields mainly Geotechnics and Foundation machine, earthwork machine and high rise building machines.

He has no directorship in other public companies in Malaysia.

**SUBBA RAO**

49, MALE, MALAYSIAN

General Manager  
*Operations, Civil Division*

Mr Subba Rao is currently pursuing his Executive Bachelor in Construction Management from Open University of Malaysia.

He started his career in 1986 at LFY Construction Sdn Bhd. In 1989 he left the company and joined Sunway Construction Sdn Bhd (SunCon) as Site Supervisor. From 1990 to 1991, he left SunCon and joined Pembinaan Nescaya Sdn Bhd and thereafter re-joined SunCon in 1991. He was then promoted several times during his 26 years tenure with the Group. The positions that he had held included Senior Site Supervisor, Site Foreman, Site Agent, Deputy Manager - Project, Manager - Project, Senior Manager - Project, Assistant General Manager – Operations. Mr Subba Rao has over 31 years of experience in the building, civil infrastructure works and construction industry. His experience ranges from construction of Maktab Perguruan Islam Bangi, Tafe College, low-rise residential homes in Bandar Sunway to large scale office building, Gemas Army Camp and Balung Palm Oil Mill in Sabah and lately the Mass Rapid Rail (MRT) project. He was posted to India for 11 years, where he was involved in 7 major highway projects ranging from 40 to 80 kilometres in length of each projects.

Mr Subba Rao was promoted to General Manager – Operations, Civil Division of the Group on 1 January 2016. His role includes overseeing the overall planning and coordination of construction projects from conceptualisation, design, construction through to completion within established budgets, schedules and quality standards.

He has no directorship in other public companies in Malaysia.

## Profile of Key Senior Management • cont'd

### KEY SENIOR MANAGEMENT

#### Family Relationship with Director and/or Major Shareholder

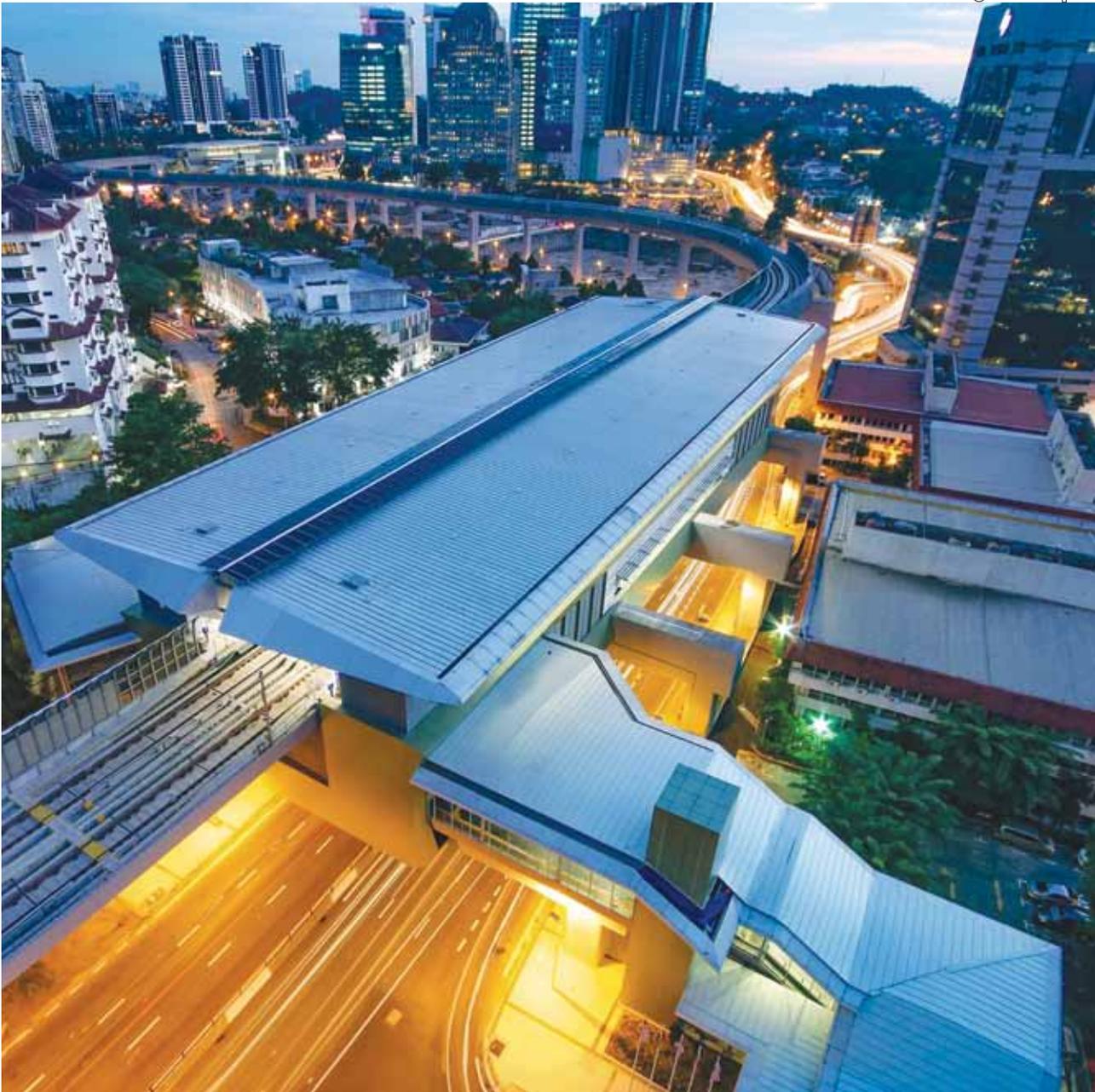
None of the Key Senior Management has any family relationship with any director and/or major shareholder of Sunway Construction Group Berhad (SunCon).

#### Conflict of Interest

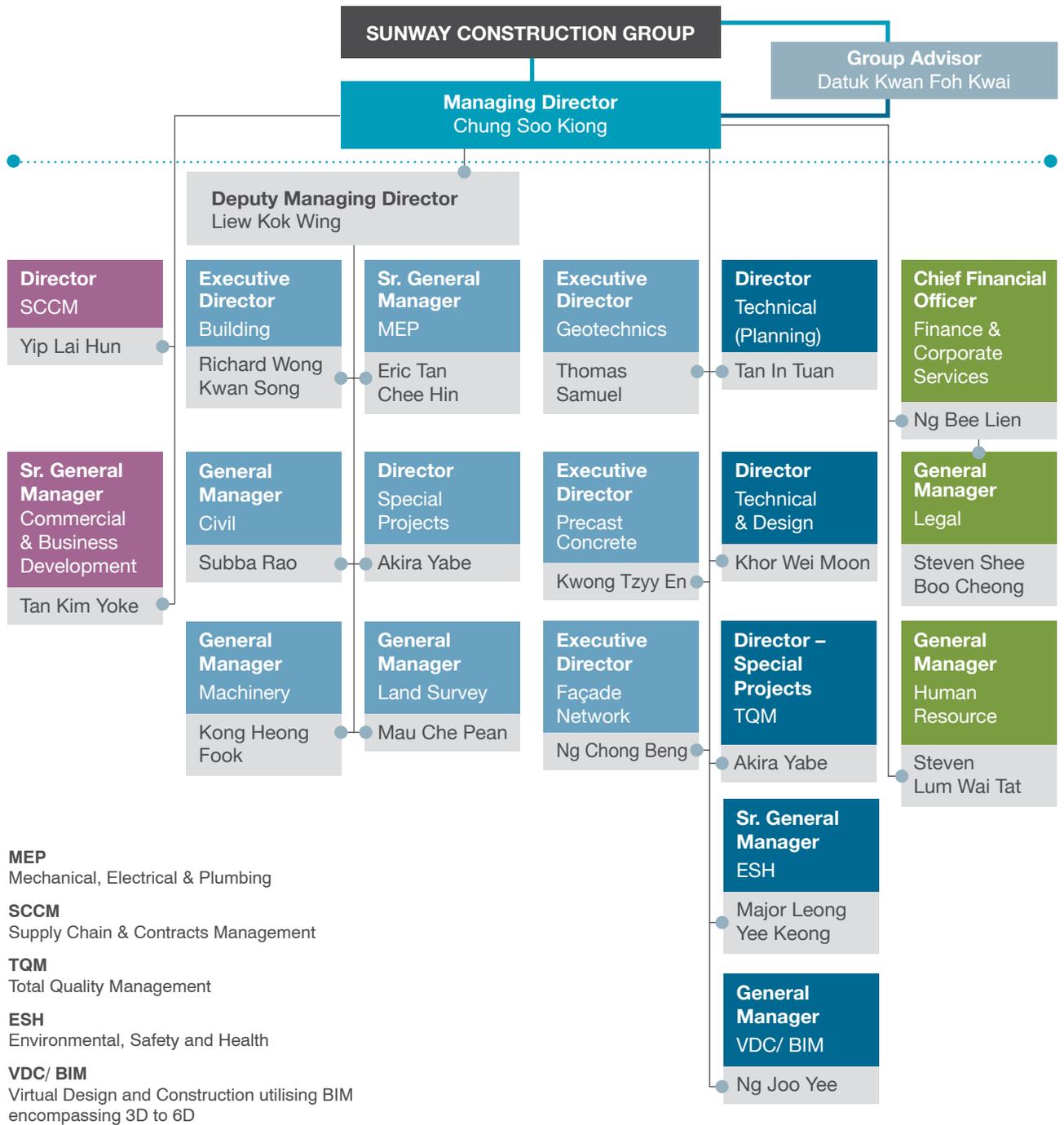
None of the Key Senior Management has any conflict of interest with SunCon Group.

#### Conviction for Offences

None of the Key Senior Management has any conviction for offences within the past 5 years other than traffic offences, if any.



Mass Rapid Transit (MRT) Project – Sg Buloh – Kajang Package V4: Semantan Station



**Commercial**

Strategic Business Planning;  
Business Development; Pre/Post Contract Management.

**Centre of Excellence for Operations**

Strategic Operations Planning; Design & Delivery of Integrated Solutions; Project Risk Management; VDC/BIM.

**Unit Profit Centres/ Operations**

Delivery Of Project/ Operational Excellence To Business Stakeholders;  
Delivery Of Operational Support Services & Assets.

**Corporate Sustainability & Organisation Development**

Policy Setting; Corporate Services; Business Risk Management;  
Organisation Development.



Tightening  
The Grip On  
The Future

Clear objectives result in definite positive results. An adjustable tool that is used for gripping and turning, a wrench is a significant tool to have to achieve the desired result.

<b>MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT</b>	<b>44</b>
Review of Group's Business and Operations	46
Business Objectives and Strategies	48
Business Risk	54
Review of Financial Results	57
Value Added Statement	63
Review of Share Performance	64
Capital Management	65
Future Prospects	66
Dividend Policy	67

# Review of Group's Business and Operations

Our Group Structure is categorised into 5 core businesses:



## Building Construction Services\*

Provides design and construction services for residential, commercial, institutional and purpose-built or specialty buildings. Commenced with VDC in 2010 strengthening our design and built capabilities. We mainly specialise in special purpose building and our track-record includes national landmarks such as the Kuala Lumpur Convention Centre, Traders Hotel, Kuala Lumpur, Pinewood Iskandar Malaysia Studio, Johor, Legoland Malaysia Theme Park and Sunway Pyramid Shopping Mall, Bandar Sunway.



## Civil/Infrastructure Construction Services\*

Provides civil/infrastructure construction services. We have participated in various roads, highways, airports and runways, bridges and rail transportation infrastructure projects. We are the only contractor nationwide with experience in MRT, LRT and BRT development in the Klang Valley.



## Foundation and Geotechnical Engineering Services\*

Core services include design and build of earth retaining systems and provider of piling solutions. Our primary expertise is in bored piling and we have drilled bored piles to the depth of some 105 metres by 2.2 metres in diameter.



## Mechanical, Electrical and Plumbing Services\*

Provides mechanical, electrical and plumbing services, and specialised engineering solutions. Our notable projects include the second largest gas district cooling plant in the world built for Putrajaya and the Bio-XCell Biotechnology Park in Nusajaya, Johor.



## Manufacturing and Sale of Precast Concrete Products

Develops, designs, manufactures and supplies precast concrete products with manufacturing plants located in Iskandar and Senai in Johor, Malaysia. We are amongst the first to be awarded the license to precast prefabricated bathroom units (PBU) and our jobs are predominantly HDB related in Singapore. Our precast business has been in operations since 1994.

\*These 4 core businesses are grouped under the construction segment under our Financial Analysis.

SunCon is a total integrated construction group offering a comprehensive range of services. We pride ourselves in being the largest pure play construction player in the market with activities solely-related to construction. We have been in operations for 35 years and our brand name is synonymous with quality and a good track-record. We now operate predominantly in Malaysia and Singapore, although we have ventured as far as Trinidad and Tobago in the Caribbean. We completed seven highway projects in India from 2001 to 2010, and completed two residential and mixed commercial condominiums in Abu Dhabi from 2006 to 2010. We own a number of plants and a wide-range of machinery. Our plant and machinery includes 27 boring rigs, 20 tower cranes, 11 crawler cranes, 25 hydraulic excavators, 5 launching girders and 64,000 square metres of formwork systems are managed internally. Our Machinery Division is duly accredited to conduct training for operators and is an integral part of the way we manage our

construction activities. We have planned a plant renewal programme and as such the majority of our machines are less than 10 years old, as this will further promote the usability and minimise adverse environmental effect.

**Note:**

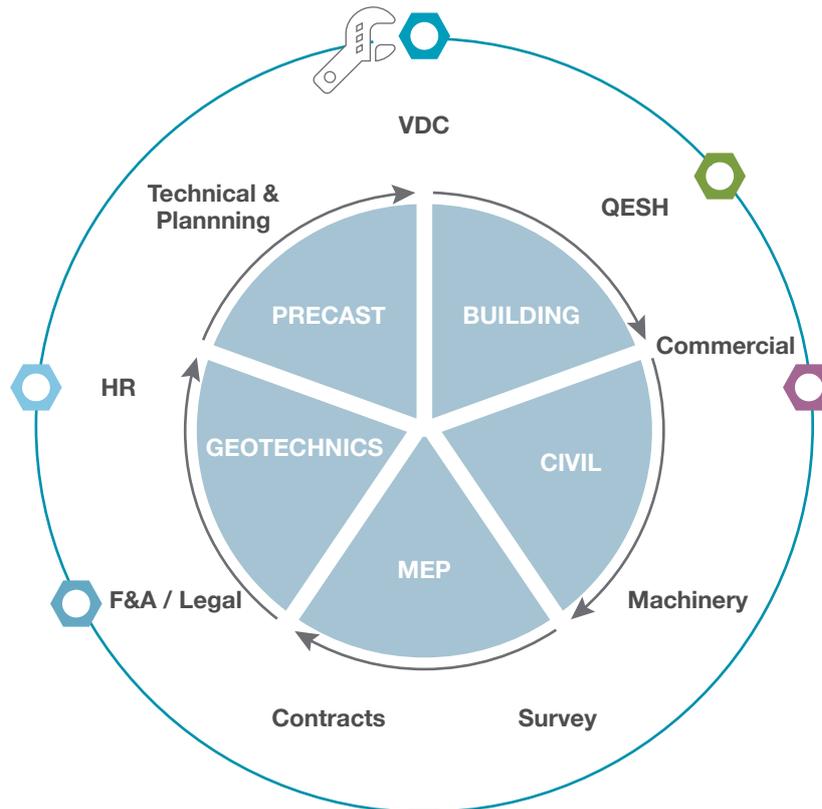
More **Machinery Division** initiatives and details can be found under our Sustainability Report Section of this annual report.

Another important component of our organisation differentiating us from our peers is our VDC department, a journey that we started since 2010.

**Note:**

More **VDC** details can be found under our Sustainability Report Section of this annual report.

In addition to the above, we have other centres of excellence supporting our operations as depicted below:



-  Human Resource
-  Finance & Corporate Services
-  Virtual Design And Construction Utilising BIM Encompassing 3D to 6D
-  Quality, Environmental, Safety and Health
-  Strategy, Client Relations and Tenders

# Business Objectives and Strategies

Since our operations commenced in 1981, SunCon has clocked in a turnover of more than RM23 billion. In line with our Vision and Mission, we strive to be:



Sunway Geo Retail and Flexi Suites in Bandar Sunway

## Business Objectives:



- 1** The Top 3 Construction and Engineering Company in Malaysia
- 2** Sustainability through Environmental, Safety and Health
- 3** Sustainable through Employees as our Key Assets
- 4** Sustainability through Quality and Innovation

### The Top 3 Construction and Engineering Company in Malaysia

SunCon is amongst the top three construction players in Malaysia and the largest listed pure play construction group. We intend to focus on our core disciplines, and to provide end-to-end construction solutions. The interests of our shareholders are important and as such we have put great emphasis on investor relations to ensure full transparency. In line with this goal, we have put in place key measurements to benchmark ourselves, including a minimum **“yearly orderbook replenishment of RM2 billion and a Return of Capital Employed (ROCE) above 20%.”** The ratios attained are recorded under the Financial Highlights of this section in the annual report.

Target	Status
Top 3 Construction and Engineering Company in Malaysia	Achieved - top 3 in turnover and PBT
Yearly replenishment of orderbook of RM2 billion	Achieved - FYE 2016 secured RM2.7 billion
ROCE above 20%	Achieved - FYE 2016 recorded 57%

### Sustainability through Environmental, Safety and Health

SunCon does not compromise on the Environmental, Safety and Health (ESH) of our workers and nor do we compromise quality for profit. We are in business for the long-run and this is evident in our 35<sup>th</sup> year in operations. The many accolades we have won are a testament to SunCon’s ethos in shaping the future of construction. We have introduced 2 major initiatives in increasing the safety awareness of all employees since 2012, being the yearly safety week campaign and Sunway Safety Merit System (SSMS) to ensure safety commitments are practised across all sites with continuous efforts. SSMS is a system where inspections will be carried out every month at each project site based on the list of criteria measuring site preventive measure on ESH and feedbacks will be provided during each inspection.

As a testament to SunCon’s sustainability efforts, we have been re-affirmed as a constituent company in the FTSE4Good Index Series on 23 December 2016. The Index is a leading indicator used by investors to measure a company’s environmental, social and governance practices (ESG). The inclusion of SunCon in the Index demonstrates our commitment to balancing profitability and sustainability, which fulfills the well-defined ESG criteria. To date, we are the only Malaysian construction company recognised under FTSE4 Good Index and among the 42 listed in the FTSE4 Good Index out of Bursa’s 921 listed companies.



Entrance of Sunway Medical Center 3

**“Our targets under this are zero life loss and SHASSIC 5-star at our project site.”**

**Note:**

More **Environmental, Safety and Health** initiatives and write up can be found under our Sustainability Report Section of this annual report.

**Sustainable through Employees as Our Key Assets**

Talent is the key asset of a service industry, more so for construction companies. Apart from material costs and sub-contractors’ costs, our talent is the other major cost. We have collaborated with our host communities, governments and TalentCorp to identify potential, high-calibre candidates, scholars graduate from overseas to fill in vacancies. We also ensure there are equal opportunities to hire the best talent as our hiring policy does not discriminate against any individuals and this includes people from underprivileged groups. SunCon has more than 2,000 employees (including 576 numbers of foreign workers). Managing our team well whilst ensuring they have career progression is what we aspire to do. Our employees are being recruited by other construction firms due to the current high demand for talents. We take this positively as it indicates that SunCon is a good training ground.

Despite this, our attrition rate is still below the industry average. We have built a strong foundation within our talent pool, with long-serving employees providing skilled training for the next generation of SunCon’s leaders. Our people are digitally-skilled to complement the integration of VDC in

our operations. We celebrate diversity and promote work life balance through flexi-hours for women, create social events for team-building, ensure proper communication amongst our project teams through several town halls to enable the proliferation of our vision and mission.

**“We continue to benchmark the productivity of our employees to a target of 12 times revenue per employee as part of our KAIZEN initiatives.”**

In addition, we conduct employee engagement surveys to ensure our initiatives are productive and beneficial in increasing overall employee satisfaction.

**“Our target is an engagement score of 65%.”**

**Note:**

More **Human Resource** initiatives and write up can be found under our Sustainability Report Section of this annual report.

**Sustainability through Quality and Innovation**

We innovate the way we do business by incorporating the latest Information Technology (IT). Coupled with our VDC / BIM capabilities, we are at the forefront in the utilisation of IT in our construction activities as our ultimate aim is to reduce wastage, improve cycle time and accelerate project progress. The Sunway Velocity Mall completed in December 2016 is one of the projects utilising this capability in design-and-build. The biggest ongoing project secured based on our capabilities in VDC is the Parcel F, Putrajaya.

# Business Objectives and Strategies • cont'd



Aerial View of International School of Kuala Lumpur (ISKL)

In addition to this innovation, we ensure our sites are ISO compliant. This is achieved through the practice of the spirit of Continuous Improvement (KAIZEN) amongst the management and employees. With a host of different initiatives in perpetuating the culture of continuous quality improvements, the KAIZEN conference enables employees to update the areas for improvement on an annual basis.

We have practised this since 2014. We believe quality plays a primary role in determining cost-efficiencies and providing customer satisfaction which leads to the success of a company.

To achieve this, we are reinforcing the importance of quality through our monthly Sunway Quality Merit System (SQMS) since first quarter of 2014. Under this system, assessments are based on QCLASSIC requirements and ISO 9001 standards and inspections are carried out on a monthly basis at each project site. With this system, we hope that we can continuously deliver quality products to our customers and hence increase and maintain their confidence level in SunCon brand.



CLP at Sunway Iskandar, Sakura Residence Prefabricated Home



Pier Work at MRT V201



Aerial View of Parcel F, Putrajaya Project

**“We continue to benchmark ourselves and push our limits by elevating our quality standards each year to achieve CONQUAS and QCLASSIC scores above industry average of 75%. In Singapore under our precast segment, our CONQUAS score by Information of Construction Quality (IQUAS) can be as high as 100% due to more precise quality stemming from the usage of IBS.”**

In 2016, we achieved a total **“training record of 3,365 man-days”**. We encourage knowledge-sharing as part of our corporate culture. In 2016, there are 39 visits carried out by the Operations team to share new and different construction methods and good practices across the organisation through our internal Cross Learning Program (CLP) as this has been in practice since 2012.

**“ Overall, we aim to nurture our employees to be future leaders who are well-equipped with sufficient knowledge and experience in the construction industry.”**

**Note:**

More **Quality** initiatives and write up can be found under our Sustainability Report Section of this annual report.



Aerial View of the Construction Work at Sunway Medical Centre 4

## Business Objectives and Strategies • cont'd



Aerial View of KLCC North East Car Park (KLCC NEC)

### Global Presence

After our final international project in Abu Dhabi was completed in year 2010, we have pooled all our resources back to Malaysia. Our only international presence currently is in Singapore under our precast segment which has been in operations since 1994. Under this segment, we have been actively involved in supplying precast components for HDB and private sector projects. Malaysia remains our main focus due to the high budget allocation for infrastructure works in the likes of the Light Rapid Transit Package 2 and Mass Rapid Transit Package 1 which were rolled out and awarded in 2011 and 2012 respectively.

Our decision to converge our resources in Malaysia is also due to the declining oil price. From the high oil price exceeding USD150 per barrel in 2008 during the award of our second project in Abu Dhabi (Rihan Heights project), prices had started declining in 2014 to below USD30 per barrel early of 2016.

Opportunities for large-scale international ventures are now scarce and limited. We have commenced preliminary studies on venturing into the ASEAN region. While SunCon is cautious in selecting its clients, partners and projects, we

are also cognisant of the need to expand geographically in order to sustain and grow our operations in the near future. We are ready for future ventures as we have achieved good traction from our earlier international projects.

We are exploring our options abroad and have shortlisted Indonesia as potential country to which we can export our expertise. SunCon, first saw opportunities outside of Malaysian borders in the mid-90s. This move was pivotal in transforming the Group from a local player to a Group that has global experience. Because of this, we are confident we are well-prepared for any geographical expansion as the team has international exposure.

Indonesia has been selected for our expansion purpose because of their need for better infrastructure. Indonesia's infrastructure needs, coupled with President Jokowi's investment friendly policies make Indonesia an attractive target market for contractors who have built upon their strengths as we have. Opportunities abound as a number of projects in Indonesia are still in the planning stages and are yet to be awarded. We are in the midst of exploring these prospects.



Archway to Sunway Development from Tuas under the Proposed Coastal Highway Southern Link (CHSL) Project

## Business Strategies Summary:



# Business Risk

In managing risk, the Board has established a statement for risk management and internal control systems in order to identify potential risks. We have also designed strategies to mitigate these risks. Below are some of the key market risks identified with the potential to affect SunCon and some of the measures we have taken to minimise their impacts during 2016 and 2017 going forward.

**Note:**

Detailed procedures and processes of the risk management can be found under **Governance with Integrity** under the Statement on Risk Management and Internal Control.

In 2016, SunCon has three major significant risks - the price fluctuation of raw materials in particular steel bar prices, dependency on foreign workers, and the safety of our project sites affecting our workers and the general public.



## Materials Price Trend

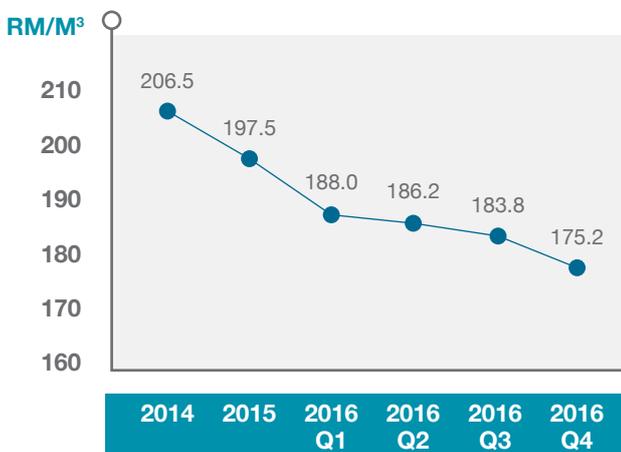
**1 Steel Bar (Y16MM - Y32MM) : Average Purchase Price (2014 - 2016)**



**2 Steel Wire Mesh (A6 - B8) : Average Purchase Price (2014 - 2016)**



**3 Ready Mixed Concrete Average Purchase Price For G30N (2014 - 2016)**



**4 Forex rate USD/RM (Closing Rate)**





Afiniti Medini Mixed Development Project in Iskandar Puteri, Johor

### Volatility In Steel Bar Prices

In 2016 steel bar prices were highly volatile after Chinese New Year, going up as high as RM2,269 per tonne at the end of April. The increase of more than 50% in price since January 2016 was mainly due to the shutting down and reduction of capacity of our local steel millers due to the unfair competition from Chinese steel players who sold below cost price. Nevertheless, steel bar prices have since then started to stabilise at a more reasonable rate of RM1,838 per tonne after mid-2016.

Effective 26 September 2016 onwards, the Malaysia Government had announced that all imported steel would be imposed a safeguard duty of 13.9% for steel coils and 13.4% for steel bars. This has resulted in price rising again to RM2,215 per tonne as of December 2016. Steel bar prices in Malaysia are more expensive in comparison to neighbouring Singapore. In order to manage the volatility in price, we have hedged our requirements for the first half of 2017 with our supplier.

**“In addition, a significant portion of our steel requirements have pass through clause with our clients. As a result, SunCon is able to ring fence our project margins and manage costs more effectively”.**

### Dependency On Foreign Workers

In May 2016, Government of Malaysia had lifted the freeze on the hiring of foreign workers for construction sector which was facing a major shortage of workers. This was after a scare in February 2016 as a result of temporary freezing of all foreign workers. In addition to this, our levy for foreign workers increased from RM1,250 to RM1,850 in April 2016 after dialogue sessions with industry stakeholders. The initial proposed increase was to RM2,500 per worker. We thank the Government of Malaysia for hearing out the challenges which industry players face and as a result, both the freeze and increase in levy were implemented fairly. SunCon will

continue to manage this challenge. With effect from October 2016, the government through the immigration department reiterated its stance on illegal workers as they will begin to confiscate and freeze the assets of employees harbouring illegal immigrant under Section 56(1) of the Immigration Act.

Effective 1 January 2017, the Government of Malaysia made a surprise announcement that requires industry players to pay foreign workers levy under the Employer Mandatory Committee (EMC) with the aim of increasing employers' responsibility for their foreign workers. The implementation of this new policy will hit industries that are heavily dependent on foreign workers. Prior to this, it is a current industry practice for wages of foreign workers to be deducted by employer to bear the cost of annual levy charges. With the new policy implementation, it is expected that the Group has to pay a levy of RM1,850 for each foreign worker hired and this will have an impact over the operating cost and net cash flow position.

Industry players have expressed their concerns over this matter as there were no engagements prior to the announcement made by Government. The impact on existing jobs is expected to be minimal as we have ring fenced our cost from subcontract works that have been firm without a pass through clause on changes in Government policy. For new jobs, construction players, will have no alternative but to price in this additional cost in our future tenders. The impact on this will be on our own pool of direct workers which will cost an additional RM1.1 million every year. Through the industry players appeal, this ruling was subsequently deferred to 2018 by the Government on 12 January 2017 as there was a need of a proper ecosystem under the newly introduced Employer Mandatory Commitment to resolve issues involving foreign workers.

## Business Risk • cont'd

**“SunCon currently has its own pool of 576 workers as at end Dec 2016, and this will reduce our reliance on subcontractors”**, while improving our productivity as trade expertise learned from one project will benefit subsequent projects. We can also see improved productivity as foreign workers can stay up to maximum of 10 years with us. We also pay our workers according to their skill sets and promote them once they have the right competencies.

### Safety and Health

The current state of health and safety in the construction industry is not encouraging as the Fatality Rate (per 100,000 workers) for 2015 was 10.94; higher than the five-year-average (2011 – 2015) of 8.17.

According to Department of Occupational Safety and Health Malaysia (DOSH)'s 2014 statistics, only 9% of the 13.5 million workers in the country are involved in the construction industry but an alarming 21% of fatal injuries were recorded (Source: DOSH, Construction Safety Division, 3/2016).

The recent spate of highly-publicised accidents involving injuries to civilians has further eroded the public's confidence in good health and safety practices in construction industry.

**“The construction industry has experienced mounting pressure on the occupational health and safety front in the recent years, due to the rising number of major infrastructure projects”**, the aging of heavy machineries, as well as the lack of skilled workers, all of which have contributed to a number of major accidents on project sites.

More construction projects are incorporating Industrialised Building System (IBS), and contractors are using more heavy machinery such as cranes, tower cranes and other lifting equipment to assemble building components on site. Furthermore, the shortage of competent crane and tower crane operators may give rise to the hiring of illegal operators, hence, increasing safety risks. As the country continues to align itself towards Vision 2020 as a developed nation, major national construction projects such as MRT, LRT, HSR, Pan-Borneo Highway, TRX and many more, health and safety issues are a major concern and this needs to be continually addressed and improved. It is pertinent that safety measures at construction sites should be incentivised and regarded as part of the profit balance, instead of being seen as a cost.

Employers should also regularly identify hazards, assess risks and work on risk mitigation controls before the start of any construction activities while employees must also be properly trained to execute safety measures throughout their tasks based on the current benchmarks – MS 1722 and OHSAS 18001. All contractors must aim to create awareness, enhance workers' knowledge and change the existing mind-set towards construction safety. This can be done through increasing the frequency of courses on safety procedures, re-training and other construction related courses.

To reinforce awareness and knowledge, SunCon places importance by providing recognition of best practices to individuals who champion them.

The Master Builders Association Malaysia (MBAM) has also urged the government to reduce import duties for heavy construction machineries and create more incentives to be disbursed to industry players who adopt and implement the use of Industrialised Building System (IBS) and Building Information Modelling (BIM).

This has significant implications as mechanisation is the way forward for the construction industry to reduce dependency on the use of foreign labour and to increase productivity and safety in the industry.

### Other Related Risk

SunCon will continue to manage and mitigate these three major risks area alongside other challenges. In addition, we face the usual encounters of many design changes through the project, slow finalisation of variation orders, prolongation claims, meeting tight deadlines, the many administrative paper works required to meet the expectation of our client. Other risks related to our operations (not-exhaustive) are:

- a) Reliance on approval, licences and permits as our construction permits are subject to renewal after expiration.
- b) Project risk on delay / cancellation of projects.
- c) Dispute with clients on scope or quality of works.
- d) Unfavourable economic conditions affecting our ability to secure jobs.
- e) Dependency on the services of our subcontractors.
- f) Dependency on Directors and Key Management.
- g) Competitive risks involved in securing projects.

## Review of Financial Results



### Financial Highlights

	FINANCIAL YEAR ENDED			QUARTER ENDED			
	2016 RM'000	2015 RM'000	2014 RM'000	Mar '16 RM'000	June '16 RM'000	Sept '16 RM'000	Dec '16 RM'000
<b>CONDENSED INCOME STATEMENT</b>							
Revenue	1,788,844	1,916,859	1,880,707	424,351	430,290	381,054	553,149
Profit before tax	153,677	140,750	139,324	37,521	38,114	40,396	37,646
Income tax expense	(30,039)	(13,012)	(26,495)	(8,466)	(6,804)	(9,116)	(5,653)
Profit net of tax	123,638	127,738	112,829	29,055	31,310	31,280	31,993
Non-controlling interest	(119)	(574)	(25)	-	(45)	(145)	71
Profit attributable to owners of the parent	123,519	127,164	112,804	29,055	31,265	31,135	32,064
Net profit from discontinued operations	-	-	50,339	-	-	-	-
<b>Total net profit to owners of the parent</b>	<b>123,519</b>	<b>127,164</b>	<b>163,143</b>	<b>29,055</b>	<b>31,265</b>	<b>31,135</b>	<b>32,064</b>

	FINANCIAL YEAR ENDED			QUARTER ENDED			
	2016 RM'000	2015 RM'000	2014 RM'000	Mar '16 RM'000	June '16 RM'000	Sept '16 RM'000	Dec '16 RM'000
<b>KEY BALANCE SHEET</b>							
Property, plant and equipment	138,381	161,783	175,820	155,810	150,546	146,607	138,381
Other non-current assets	16,729	18,426	38,171	12,135	10,408	12,071	16,729
<b>Total non-current assets</b>	<b>155,110</b>	<b>180,209</b>	<b>213,991</b>	<b>167,945</b>	<b>160,954</b>	<b>158,678</b>	<b>155,110</b>
Trade receivables*	606,692	487,377	606,688	607,894	484,831	448,173	606,692
Cash and bank and placement in funds	465,768	468,477	291,617	328,177	390,110	402,514	465,768
Intercompany	174,443	90,584	70,918	139,033	126,639	148,331	174,443
Other current assets	195,282	170,791	140,984	133,891	147,004	175,310	195,282
<b>Total current assets</b>	<b>1,442,185</b>	<b>1,217,229</b>	<b>1,110,207</b>	<b>1,208,995</b>	<b>1,148,584</b>	<b>1,174,328</b>	<b>1,442,185</b>
<b>TOTAL ASSETS</b>	<b>1,597,295</b>	<b>1,397,438</b>	<b>1,324,198</b>	<b>1,376,940</b>	<b>1,309,538</b>	<b>1,333,006</b>	<b>1,597,295</b>
Trade payables *	577,029	548,836	521,644	669,206	441,367	485,143	577,029
Borrowings and hire purchase / lease	136,515	136,841	135,132	30,258	74,630	71,727	136,515
Intercompany	82,960	53,810	25,245	71,029	147,865	159,949	82,960
Other current liabilities	306,401	202,178	257,611	121,636	183,581	159,232	306,401
<b>Total current liabilities</b>	<b>1,102,905</b>	<b>941,665</b>	<b>939,632</b>	<b>892,129</b>	<b>847,442</b>	<b>876,051</b>	<b>1,102,905</b>
<b>Total non current liabilities</b>	<b>608</b>	<b>4,095</b>	<b>4,354</b>	<b>4,095</b>	<b>3,341</b>	<b>3,008</b>	<b>608</b>
<b>Total equity</b>	<b>493,782</b>	<b>451,678</b>	<b>380,212</b>	<b>480,716</b>	<b>458,755</b>	<b>453,947</b>	<b>493,782</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,597,295</b>	<b>1,397,438</b>	<b>1,324,198</b>	<b>1,376,940</b>	<b>1,309,538</b>	<b>1,333,006</b>	<b>1,597,295</b>

\*Before amount due from/to customers on contracts

## Review of Financial Results • cont'd

### Financial Ratios

	FINANCIAL YEAR ENDED			QUARTER ENDED			
	2016	2015	2014	Mar '16	June '16	Sept '16	Dec '16
<b>PROFITABILITY</b>							
Profit before tax margin (%)	8.6%	7.3%	7.4%	8.8%	8.9%	10.6%	6.8%
Effective tax rate (%)	19.5%	9.2%	19.0%	22.6%	17.9%	22.6%	15.0%
Basic earnings per share (cents)	9.55	9.84	12.62	2.25	2.42	2.41	2.47
Average return on capital employed (ROCE) (%)	57%	52%	28%	-	-	-	-
Average return on equity (ROE) (%)	26%	31%	16%	-	-	-	-

	FINANCIAL YEAR ENDED		
	2016	2015	2014
<b>RETURNS TO SHAREHOLDERS</b>			
Share price - as at listing 28 July 2015 (RM)		1.20	N/A
Share price at closing end of year (RM)	1.70	1.40	N/A
Price-earning ratio (times)	17.8	14.2	N/A
Dividend payout ratio (%)	52%	42%	N/A
Dividend yield (based on opening price) (a)	3.6%	3.3%	N/A
Price appreciation for the year (b)	21.4%	16.7%	N/A
Total shareholders return (a) + (b)	25.0%	20.0%	N/A
Closing price to book value (RM)	4.5	4.0	N/A
Net assets per share (cents)	38	35	196
Market capitalisation RM ('000)	2,197,930	1,810,060	N/A

<b>OPERATIONAL INDICATORS</b>			
	Net Cash Positive		
Net gearing ratio (times)			
Outstanding orderbook RM ('000)	4,780	3,778	2,963
New orderbook secured RM ('000)	2,656	2,601	763
Trade receivables turnover (days)	108	73	92
Trade payables turnover (days)	149	107	92
Inventory turnover (days)	39	37	48
Number of employees @ December	2,025	1,997	2,335
Employee productivity (times)	10	11	10

### Precast Segment Indicators

HDB BTO launched in Singapore (Units)	17,891	15,100	22,455
Precast Division Sales - Private (%)	15.1%	15.3%	4.0%
Precast Division Sales - HDB (%)	84.9%	84.7%	96.0%
Maximum Plant Capacity Per Annum (M³)	245,150	195,000	207,000
Utilisation - Senai Plant (%)	57%	35%	32%
Utilisation - Iskandar Plant (%)	22%	N/A	N/A
Utilisation - Tampines Plant (%)	71%	65%	69%



	FINANCIAL YEAR ENDED			QUARTER ENDED			
	2016 RM'000	2015 RM'000	2014 RM'000	Mar '16 RM'000	June '16 RM'000	Sept '16 RM'000	Dec '16 RM'000
<b>CONDENSED STATEMENT OF CASH FLOWS</b>							
Dividend from joint venture	-	24,841	97,382	-	-	-	-
Other operating cash flows	85,616	214,788	193,545	(28,590)	10,508	16,645	87,053
<b>Total operating cash flows</b>	<b>85,616</b>	<b>239,629</b>	<b>290,927</b>	<b>(28,590)</b>	<b>10,508</b>	<b>16,645</b>	<b>87,053</b>
Acquisition of property, plant & equipment	(19,016)	(38,673)	(45,731)	(3,418)	(4,645)	(6,705)	(4,248)
Disposal of property, plant & equipment	2,055	14,980	7,944	55	896	358	746
Advance received from joint venture	-	-	208,429	-	-	-	-
Disposal of investments	-	-	25,985	-	-	-	-
Placement in funds	78,000	(64,800)	14,350	(7,131)	85,936	-	(805)
Other investing cash flows	11,629	24,559	51,632	(2,022)	64,210	41,184	(91,743)
<b>Total investing cash flows</b>	<b>72,668</b>	<b>(63,934)</b>	<b>262,609</b>	<b>(12,516)</b>	<b>146,397</b>	<b>34,837</b>	<b>(96,050)</b>
Dividend	(84,039)	(70,000)	(427,958)	-	(51,716)	(32,323)	-
Other financing cash flows	(326)	1,599	9,943	(106,583)	(59,060)	100,529	64,788
<b>Total financing cash flows</b>	<b>(84,365)</b>	<b>(68,401)</b>	<b>(418,015)</b>	<b>(106,583)</b>	<b>(110,776)</b>	<b>68,206</b>	<b>64,788</b>

## CASH FLOWS

### Operating Activities

Our Operating cash flows for 2016 is at RM85.6 million compared to our PATMI of RM123.5 million and was significantly lower than Operating cash flows of RM239.6 million and PATMI of RM127.2 million in 2015. In 2015, we had an inflow of RM24.8 million dividend from a joint venture of which profit was recognised earlier. In addition in 2016, we have an ongoing project with a bullet payment mechanism scheme, this project will complete in 2017 and we will receive a lump sum payment then. As a result, our trade receivable turnover in 2016 has increased to 108 days (2015 : 73 days).

2016 cash flows was also affected by some advance monies paid to our subcontractor for fabrication of certain building components of which we have not claimed or received payment yet.

### Investing Activities

Under our Investing cash flows, the net capital expenditure is at RM17.0 million (2015 : RM23.7 million) compared to depreciation and amortisation charges of RM39.1 million. Gross capital expenditure for 2016 amounted to RM19.0 million. This includes RM3.6 million that we invested in our Iskandar Precast Plant and RM3.6 million to integrate our 3D to 5D under VDC improvements and the balance for plant and machinery and motor vehicles. SunCon has

expanded our formwork system to 64,000m<sup>2</sup>, bought additional tower cranes, material hoists and water trucks amongst others. In addition, the bulk of motor vehicles bought are part of the requirements for our client and consultant for MRT V201: Sg Buloh to Persiaran Dagang project. We continue to maintain our fleet of machinery and dispose older plant and machineries with high maintenance cost. In 2017, if our precast division is successful in its bid for Integrated Construction Prefabrication Hub (ICPH), we will see a higher net capital expenditure for the land and factory which will take 3 years to construct.

Apart from capital expenditure, other Investing activities are placement of RM78 million which matured during the year and net amount of RM11.3 million received from Sunway Treasury Sdn Bhd and Sunway Treasury Sukuk Sdn Bhd as part of our treasury management services.

### Financing Activities

Under Financing cash flows, dividend payment of RM84.0 million remains our largest pay out. This is in line with management's commitment to declare at least a minimum of 35% of our PATMI to our shareholders.

## Review of Financial Results • cont'd

Segmental Revenue	2016	%	2015	%	2014	%
Building Construction	1,097,324	73%	931,298	56%	816,717	50%
Civil/Infrastructure	370,434	25%	546,516	33%	632,149	39%
Foundation and Geotechnical Engineering	200,092	13%	293,568	17%	278,267	17%
Mechanical, Electrical and Plumbing	321,656	21%	380,667	23%	305,083	19%
Others	2,086	0%	697	0%	1,211	0%
Consolidated Adj	(489,493)	-32%	(488,730)	-29%	(407,276)	-25%
<b>Total construction</b>	<b>1,502,099</b>		<b>1,664,016</b>		<b>1,626,151</b>	
<b>Total precast</b>	<b>286,745</b>		<b>252,843</b>		<b>254,556</b>	
<b>TOTAL REVENUE</b>	<b>1,788,844</b>		<b>1,916,859</b>		<b>1,880,707</b>	
Major Customer	2016	%	2015	%	2014	%
Syarikat Prasarana Negara Berhad	43,572	3%	239,012	14%	420,741	26%
MMC Gamuda	230,807	15%	235,723	14%	210,289	13%
Cititower Sdn Bhd*	166,495	11%	77,050	5%	110,356	7%
Putrajaya Bina Sdn Bhd	184,619	12%	112,359	7%	-	
In-House	710,624	48%	748,621	45%	704,753	43%
Others	165,982	11%	251,251	15%	180,012	11%
<b>TOTAL CONSTRUCTION REVENUE</b>	<b>1,502,099</b>		<b>1,664,016</b>		<b>1,626,151</b>	
GP Margin - Construction	20.7%		18.0%		17.7%	
GP Margin - Precast	23.9%		35.1%		42.5%	
<b>TOTAL GP MARGIN</b>	<b>21.2%</b>		<b>20.3%</b>		<b>21.0%</b>	

\*KLCC Group of companies

Note: As shown above, majority of SunCon's clients are government linked companies, established companies and in-house.

## REVENUE

### Construction Segment

The construction segment in the current year reported revenue of RM1,502.1 million compared to revenue of RM1,664.0 million in the corresponding preceding financial year. The decrease in revenue by 9.7% was mainly due to both Civil/Infrastructure and Foundation/Geotechnical Engineering divisions. Under the Civil/Infrastructure division, we saw the completion of MRT V4 (viaduct guideway and associated works from Section 17 Petaling Jaya to Semantan Portal) and LRT Package B (Kelana Jaya Line Extension). Both projects were opened to the public respectively on 16 Dec 2016 and 30 June 2016.

In addition, the newly awarded KVMRT V201 awarded on 1 April 2016 did not garner much revenue as there were much preparatory works involved which were not claimable this year. Under Foundation/Geotechnical Engineering Division, the lower revenue was a result of lower orderbook during the year. Mechanical, Electrical

and Plumbing (MEP) also saw a decline as compared to financial year 2015 but as a percentage of total construction work, it is still within range of 21% (2015 : 23%).

In addition, the Group setup a new subsidiary, Sunway Facade Network Sdn Bhd which commenced operations in year 2015 which contributed revenue under the construction segment. This subsidiary has been profitable since its inception.

### Precast Segment

The precast segment in the current year reported revenue of RM286.7 million compared to revenue of RM252.8 million in the corresponding preceding financial year. Precast revenue increased from 2015 to 2016 by 13.4%. This is a result of higher production volumes in 2016.

Segmental Profit Before Tax	2016		2015		2014	
	RM '000	%	RM '000	%	RM '000	%
Construction	95,454	6.4%	63,790	3.8%	40,096	2.5%
Precast	58,223	20.3%	76,960	30.4%	99,228	39.0%
<b>Total profit before tax</b>	<b>153,677</b>	<b>8.6%</b>	<b>140,750</b>	<b>7.3%</b>	<b>139,324</b>	<b>7.4%</b>

## PROFIT BEFORE TAX MARGIN

### Construction Segment

Improvement in margins from 3.8% in 2015 to 6.4% in 2016. In 2015 we have accounted for a loss recognition of a project and adjustment of margin of a project due to acceleration cost whilst waiting for our claims to be evaluated. As a result, in absence of the above, 2016 margins improved coupled with certain projects which were bringing in better margins than anticipated towards the tail end of their project cycle.

### Precast Segment

Margins normalised from 2015 of 30.4% to 20.3%. Higher margins in 2015 was a result of final account for a number of projects. In addition 2015 enjoyed better pricing for jobs secured earlier before the onset of stiffer competition in 2016.

## OTHER INCOME

- a) RM18.9 million (2015: RM12.3 million) is from reversal of allowance for impairment from our associate ISZL Consortium (ISZL) which principal activity was the completion of Al Reem project in Abu Dhabi. This project was completed in 2009 but had outstanding sum to its associate company not received. A settlement agreement with contra property was signed in 2014 and we managed to sell and realise 5 out of 6 units of office floors in 2015, as a result the consortium having received AED81.4 million in cash thus recorded the reversal of allowance of impairment in 2015. We further recognised this reversal of impairment was due to the reassessment of recoverability of the amount due from ISZL for the balance 1 office floor of 16,759sqf and a piece of land of 270,183sqf not sold in our accounts amounting to RM18.9 million.
- b) Accretion of financial assets and financial liabilities (from discounting retention sum due to / from subcontractors and clients) of RM4.3 million compared to 2015 expense of RM4.6 million.

increase correlates with the increased in staff strength by 1.4% to 2,025 employees.

- b) Depreciation and amortisation costs of RM39.1 million (2015 : RM41.9 million) is lower compared to 2015 due to lower net capital expenditure as explained under cash flows - investing activities.
- c) Management fees to our intermediate company and service level agreement fees (IT shared service, Finance shared service and HR shared service) remained relatively the same at RM22.7 million (2015 : RM23.9 million).
- d) Rental of land and building increased by 8.8% to RM13.5 million (2015 : RM12.4 million) due to rental of additional storage place in Singapore to cater for its high volume of precast production this year.

## ADMINISTRATIVE AND OTHER EXPENSES

- a) Employee benefits and expenses for both financial year is at relatively the same level and remain the single largest cost amounting to RM173.8 million (2015 : RM172.9 million). Majority of our employees are permanent employees and contract employees consists of 37% of our entire work force. The slight

## TAXATION

The effective tax rates was lower at 9.2% in 2015 as SunCon recognised a one-off deferred tax assets of RM6.9 million from unabsorbed capital allowance and timing differences in depreciation, lower statutory tax rate of 17% by our Singapore subsidiary coupled with utilisation of unabsorbed tax losses from Sunway Precast Industries Sdn Bhd (Plant in Johor) operations during the year. Hence in 2016, the effective tax rate is now at a normalised rate of 19.5% compared to Malaysia's corporate tax rate of 24%.



## Review of Financial Results • cont'd

### BALANCE SHEET

Our Group's balance sheet continue to remain resilient and strong with net positive cash carry of RM329.3 million (2015 : RM331.6 million). This provides a solid footing for SunCon should an attractive Private Finance Initiative (PFI) or a bullet payment scheme project emerges as we are able to bridge such project via internal fundings.

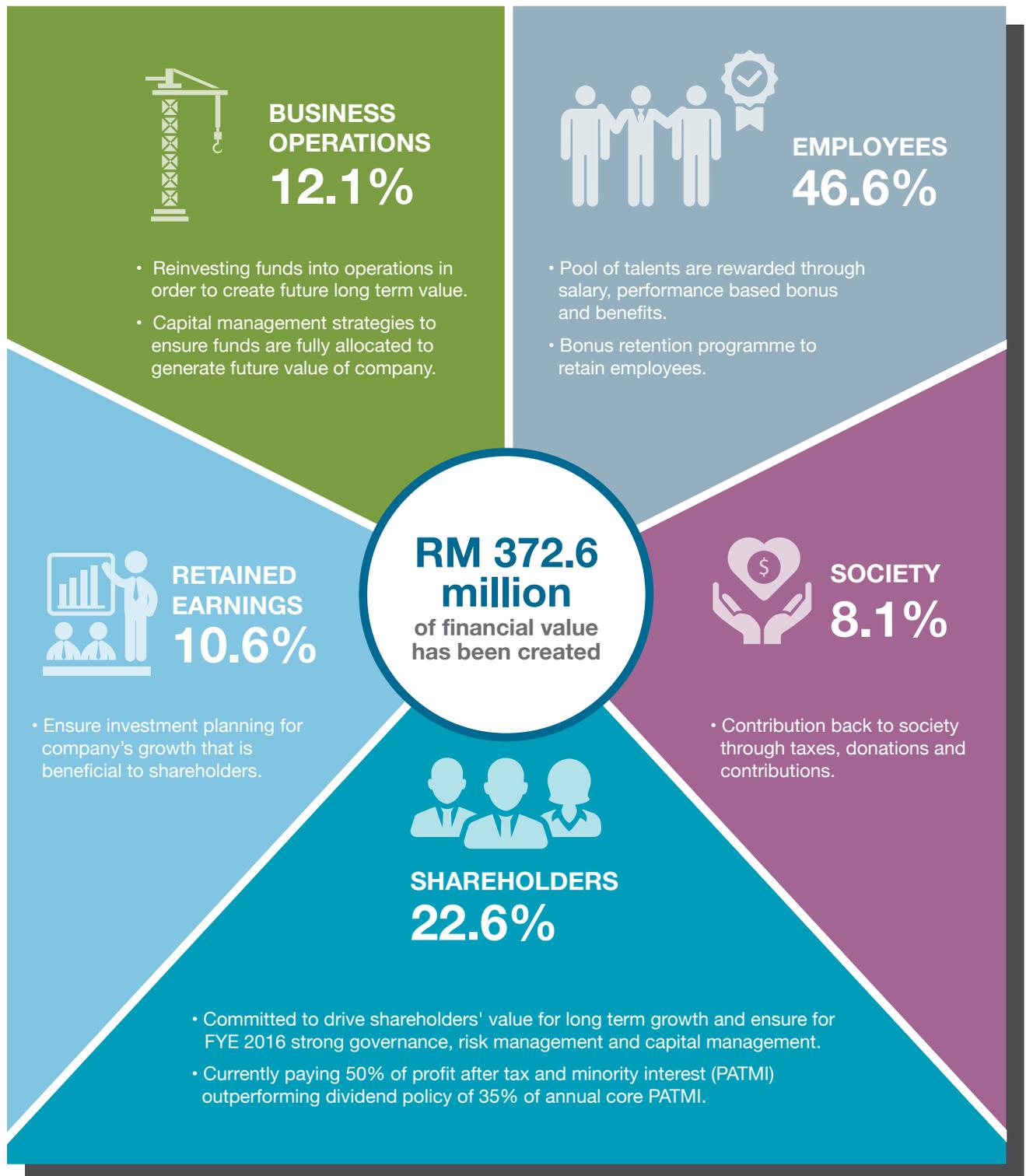
Our Group inventory level under precast division is at optimum stock level of 39 days (2015 : 37 days) as our stocks are basically raw material which we keep at minimum stock level and finished goods are made to order.

Tax payable of RM11.4 million of which majority is due to tax payable under Singapore corporate tax regime for year 2016 under our precast division in Singapore. Under tax recoverable of RM12.7 million, RM4.9 million is due from Inland Revenue Board (IRB) for year 2015 refund and RM5.6 million is tax recoverable from India pending legal proceedings. Included under deferred tax assets in balance sheet of RM10.5 million, we have timing differences from bonus that the Group is paying in 3 years installments as part of employee retention programme and other timing differences.

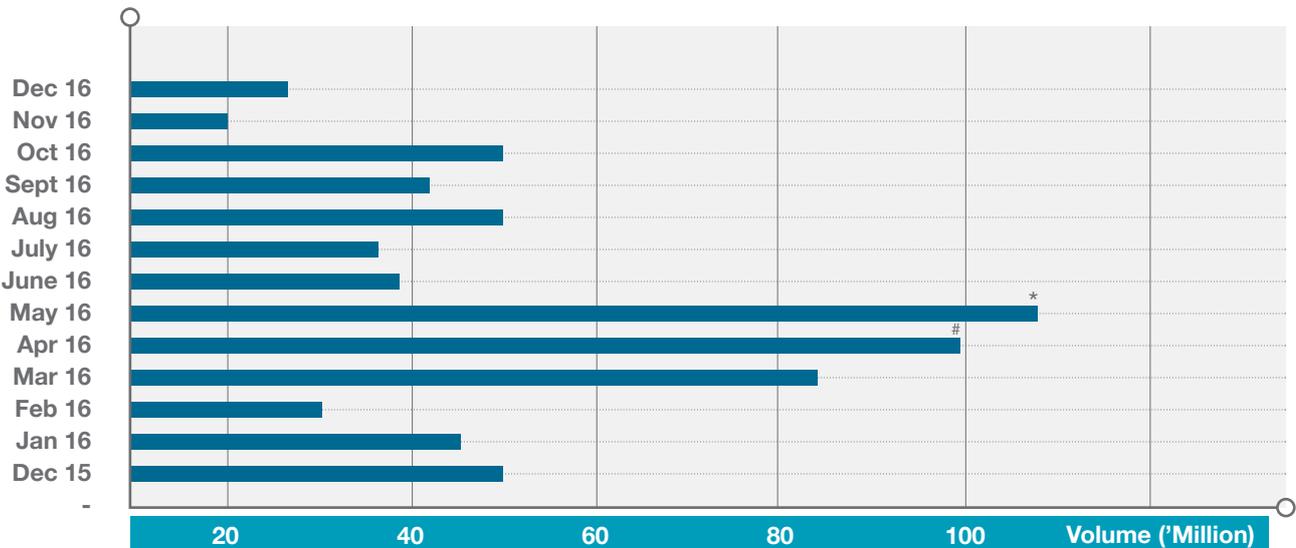
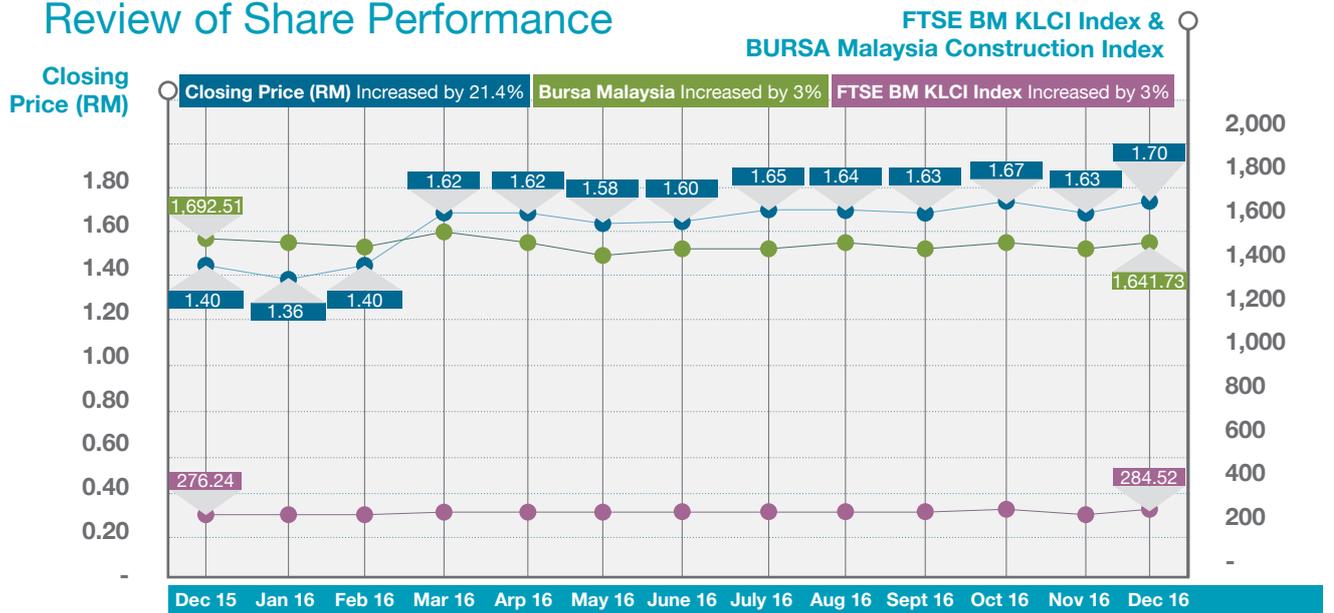


Citrine at the Lakeview, Sunway Iskandar

# Value Added Statement

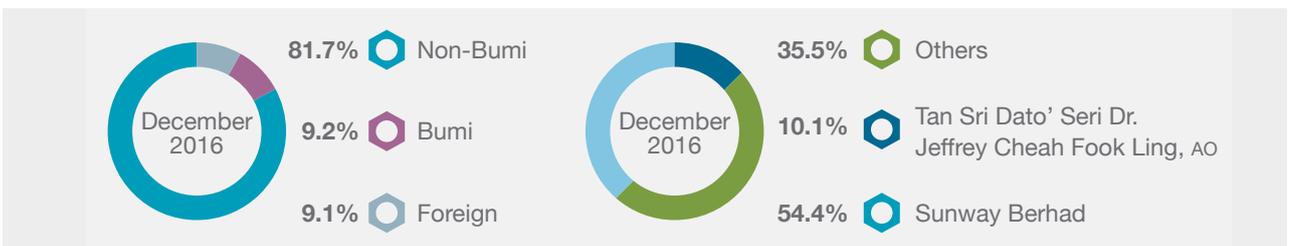


## Review of Share Performance



Since listing at RM1.20 per share, we are pleased to note that the support and trust of our shareholders in the business has propelled the share price from RM1.40 at the beginning of this year to RM1.70 at the end of December 2016.

This represents a more than 21% increase for the year and more than 41% since our listing in 2015. Our share's transactions volume per day average around RM2 million. Our free float of shares is only approximately 35.5% as our holding company and founder already owns 64.5% of our shares.



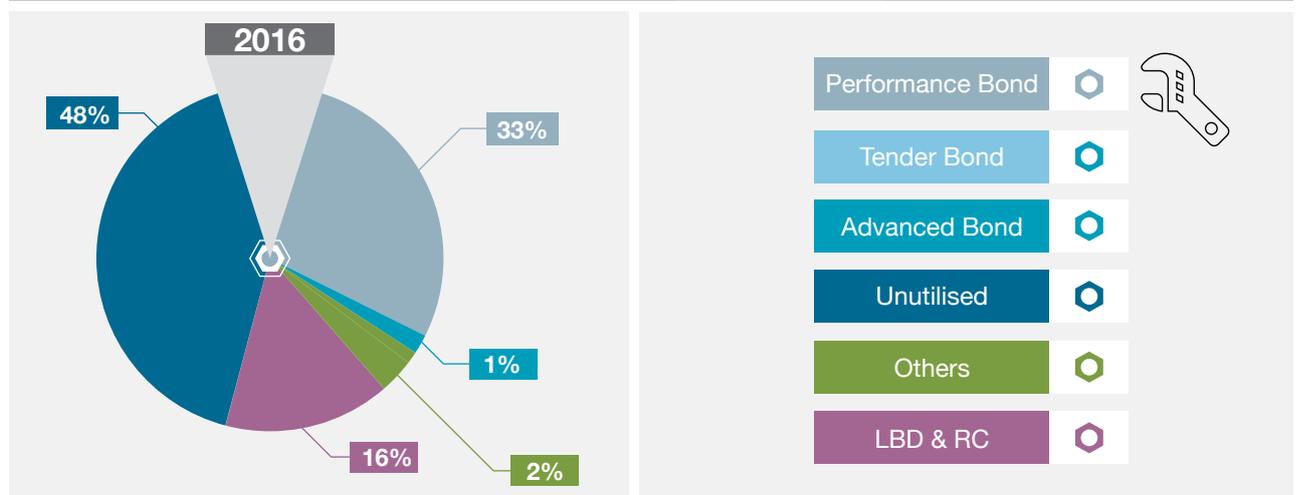
**Note:**

# On 1 April 2016 SunCon's received letter of award from MMC Gamuda KVMRT (PDP SSP) Sdn Bhd on KVMRT V201 from Sungai Buloh to Persiaran Dagang (RM1.2 billion).

\* On 27 May 2016 SunCon was removed as a Shariah-compliant securities by the Securities Commission Malaysia (please see **Investor Relations** section for more information).

# Capital Management

FINANCIAL YEAR ENDED	2016 RM'000	2015 RM'000	2014 RM'000
Term Loan	-	-	208
Bankers Acceptance (BA)	-	-	505
Loan Bill Discounting (LBD)	136,515	86,652	83,839
Revolving Credit (RC)	-	50,189	50,168
<b>TOTAL BORROWINGS</b>	<b>136,515</b>	<b>136,841</b>	<b>134,720</b>
Finance Cost	(6,056)	(3,507)	(3,339)
Finance Income	10,488	8,045	4,055
Net Finance Income/(Loss)	4,432	4,538	716
<b>Net Gearing Ratio (Times)</b>	<b>Net Cash Positive</b>		
Gross Interest Coverage Ratio	25	39	35
<b>WEIGHTED AVERAGE RATE</b>			
Loan Bill Discounting	3.85%	3.95%	3.95%



Sunway Velocity Mall, Kuala Lumpur

## Capital Management • cont'd

SunCon's capital management strategy is to maximise shareholders' wealth by placing excess funds in selected financial institutions which offer the best rate through support services provided by Sunway Treasury Sdn Bhd and its subsidiary, Sunway Treasury Sukuk Sdn Bhd (Sunway Berhad's group of companies) as well as ensuring we get the best borrowing rates. Sunway Treasury's main objective is to optimise internal funds management and to reduce external funding costs.

### We also manage our funds by:

- Monitoring foreign exchange exposure and assessing opportunities to hedge.
- Assessing placement of surplus cash and whether borrowings are required.
- Cash flow management by ensuring minimal bank balance sufficient for day to day operations and excess funds are placed to interest bearing placements.
- Maximise interest rate differential between placement rate and borrowing rate.
- Liasing with bank on annual renewal of facilities and new facilities.

It is always important to ensure that there is sufficient line provided by bank in order to facilitate new jobs secured. Our banking facilities provided by banks are usually for issuance of bank guarantees such as performance bonds, advance bonds, tender bonds, security bonds and loan bill discounting.

### Debt management

The borrowings in year 2016 of RM136.5 million is solely from Loan Bill Discounting as compared to year 2015 of RM136.8 million which comprise Loan Bill Discounting and Revolving Credit of RM86.7 million and RM50.2 million respectively. Projects' monthly progress certificates are being used as an instrument for the Loan Bill Discounting application with an average maturity tenure of 30 to 120 days. There is no net gearing as the Group is able to maintain its positive net cash flow position.

Borrowings are mainly utilised for short term purposes of not exceeding 120 days to manage the turnaround period between our payables and receivables, to support the initial stages of projects and capex plans.

## Future Prospects

2016 is an eventful year, we have clinched a total new orderbook of RM2.7 billion for financial year 2016 which brings our outstanding orderbook to RM4.8 billion after including new award of RM449 million secured in January 2017. Based on this, we are confident 2017 will record positive revenue growth as we target to achieve revenue surpassing the RM2 billion mark for the first time. With the current outstanding orderbook at RM4.8 billion, we have earning visibility of more than 2 years.

Our tender book reached a high of RM35 billion this year as a result of major highways and infrastructure jobs rolled out after Budget 2016 announcement in October 2015 of the RM260 billion development expenditure based on the 11th Malaysia Plan (2016-2020). This bodes well for the growth trajectory of construction industry and most construction related companies have benefitted from the Government's pump priming stemming from the much needed better road infrastructure for the 'rakyat'.

The strong momentum of projects awarded has been sustained in the last few years as Construction sector charted a growth of 7.4% vs 2015 8.2%.



Source: Department of Statistics, Malaysia and Bank Negara Malaysia.

The recently announced Budget 2017 by our Prime Minister on 21 October 2016 continues to implement pro-business strategies. Budget 2017 allocated a sum of RM46 billion for development expenditure which is 2.2% up from the recalibrated Budget 2016. These moves bode well for the

construction players going forward; especially for SunCon which has the right track-record for transportation related infrastructure. Coupled with our strong orderbook, barring unforeseen circumstances,

SunCon expects to perform satisfactorily in the coming year as project implementations and hence, the rate of billings will pick up.

Under the precast division, the outstanding order stands at RM245 million (from SunCon's RM4.8 billion in total). This translates to approximately one year's turnover which is the standard, based on this division's shorter contract duration. Precast selling rates have resulted in selling pressure from stronger competitors. The demand from the Housing Development Board (HDB) Build-To-Order (BTO) launches in year 2017 is expected to remain resilient based on the estimated 17,000 units to be launched as announced by Singapore's National Development Minister. A total of 17,891 BTO units were launched in 2016 [2015 / 2014 launches amounted to 15,100 / 22,455 units].

HDB BTO forms the majority of Precast's business and as such its performance is closely related to the launches by HDB. For capacity building, the management plans to add another 4 lines to the current existing 5 lines for our Iskandar Plant which will lead to almost doubling the capacity for 2017.

On a longer term, we plan to participate on the Integrated Construction and Prefabrication Hub (ICPH) tenders to fully automate our precast process in Singapore to align with the Government of Singapore's intention to steer the industry towards raising productivity. The Building and Construction Authority of Singapore (BCA) had worked with various government agencies to formulate a masterplan for the development of multi-storey and higher density ICPHs on Singapore land with a 30-year lease term. Singapore intends to move more on-site construction activities to off-site prefabrication through the Design for Manufacturing and Assembly (DfMA) approach, Singapore Precasters will then need to build up their DfMA supply capacity and capabilities. To support this, the ICPHs will become the DfMA manufacturing facilities for production of prefabricated components, sub-assemblies and modules, including but not limited to the production of Prefabricated Prefinished Volumetric Construction (PPVC) modules, precast concrete components and prefabricated Mechanical, Electrical & Plumbing (MEP) systems. With this future direction, our capacity in the longer term should increase.

## Dividend Policy

Dividend	Distribution
SunCon's dividend policy	35% of annual core PATMI
2015 dividend pay out	>40% of FYE 2015's PATMI
2016 dividend pay out	>50% of FYE 2016's PATMI

It is the Board's intention to continue to pay good dividends to allow our shareholders to continue to participate in our Group's growth. Our ability to pay dividends is further enhanced by our strong net cash position.

## ACKNOWLEDGEMENT

With this, I would like to thank my team, the board of directors, clients and shareholders for their trust in my leadership as I take on an expanded role. As the fourth generation leader of SunCon, I hope that during the next 5-year review at our 40th anniversary in 2021, we will have much more to share about the successes of SunCon. In my newly appointed capacity as Master Builders Association Malaysia (MBAM) Vice President, Publication and Outreach Committee Chairman, I am honoured to represent the construction industry and will work hard to ensure SunCon's voice as a contractor is duly heard and acted upon. I wish everyone a wonderful 2017!



**CHUNG SOO KIONG**  
**Managing Director**  
 2015 – Current





Driving A  
Difference



The world needs to be protected for tomorrow and the future generation. The screwdriver ensures that screws of various sizes are placed where they should be.

<b>SUSTAINABILITY</b>	<b>68</b>
About This Sustainability Statement	70
Stakeholder Engagement	72
Our Improved Approach to Materiality	74
Sustainability Performance	77
Economic	80
Environmental	89
Social: Labour and Decent Work	103
Social: Human Rights	120
Social: Society	123
Social: Product Responsibility	125
Sustainable Development Goals	135

## About This Sustainability Statement

The following statement discloses our sustainability initiatives conducted in 2016. It provides a clear, comprehensive and transparent representation of the Group's performance in managing the economic, environmental and social aspects of its operations.

Consideration has been given to issues affecting direct and indirect stakeholders, which include employees, shareholders and investors, government authorities, the surrounding community and general public.

This sustainability statement is divided into three main chapters covering our economic, environmental and social initiatives. Social initiatives have been subcategorised into labour practices, society, human rights and product responsibility.

### SCOPE OF THIS REPORT

#### Reporting Period

1 January to 31 December 2016

#### Reporting Cycle

Annually

#### Organisations Covered

This sustainability statement covers Sunway Construction Group Berhad and its active subsidiaries Sunway Construction Sdn Bhd, Sunway Engineering Sdn Bhd, Sunway Geotechnics (M) Sdn Bhd, Sunway Precast Industries Sdn Bhd and Sunway Concrete Products (Singapore) Pte Ltd.

More detailed information on Sunway's divisions and subsidiaries can be found in the Organisational Structure section of this annual report. References to 'SunCon', 'SunCon Group', 'the Group', 'the Company', 'the Organisation' and 'we' refer to Sunway Construction Group Berhad and/or its divisions and subsidiaries.

The data is presented in the most accurate manner possible, using quantitative indicators where relevant. Group data and information are presented whenever possible. However, initiatives and/or data by particular divisions or subsidiaries have been highlighted as indicated in the text.

#### Guidelines

##### Principal Guideline

Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines

##### Additional Guidelines

- Bursa Malaysia's Sustainability Reporting Guide
- Association of Chartered Certified Accountants (ACCA) Malaysia
- Sustainability Reporting Awards (MaSRA) Guidelines for Malaysian Companies
- International Organisation for Standardisation (ISO) 26000:2010 Guidance on Social Responsibility

#### Reliability and Relevance of Information Disclosed

We engaged an external consultant to improve our materiality processes by seeking the views of representatives from all stakeholder groups. This objective study helped identify the most important aspects of sustainability for our stakeholders and the Group.

#### Feedback

**For further information, please contact:**

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## OUR FOCUS



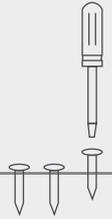
### Quality & Innovation

Our success requires a continuous stream of breakthrough ideas that lead to improved solutions and services.



### Environmental, Safety & Health

We will manage and utilise resources and operations in a manner that protects the safety and health of our people, neighbours, customers and visitors. Our safety, health and environmental responsibilities extend beyond the protection and improvement of our own facilities.



### Ethics & Integrity

We care how results are achieved, demonstrating honest and ethical behaviour in all activities. Maintaining the highest professional and personal standards along with a well-founded reputation for scrupulous dealing are priceless assets.



### Community & Society

A successful business affects the economy of the local community far more than philanthropy. Engaging with key community stakeholders is an important part of sustainable business development.



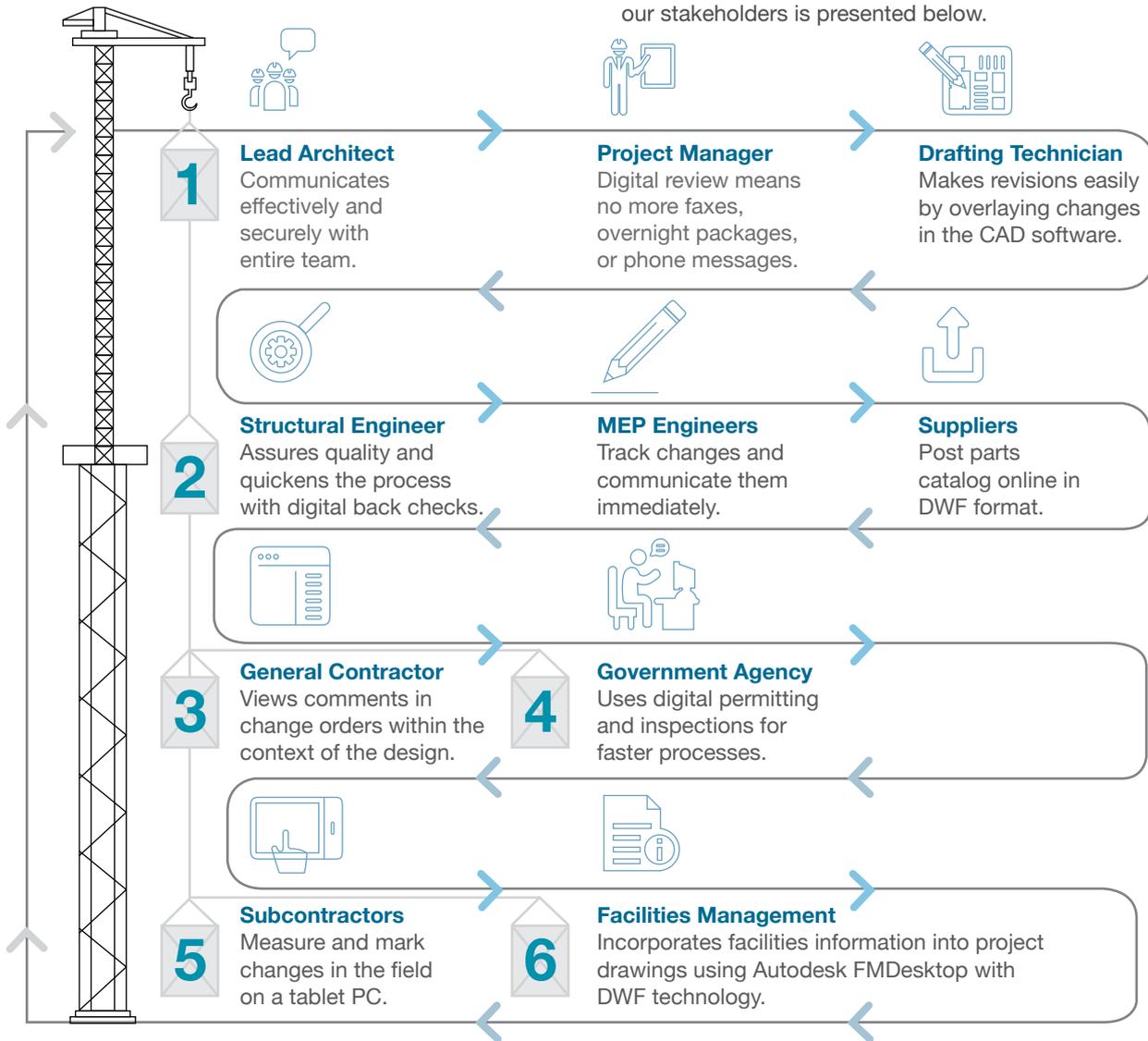
### Our People

We affirm the dignity of people and treat one another with respect. We strive to create an organisational environment in which individuals are fairly treated while being empowered to contribute to the development of the workforce. We do not tolerate any form of harassment or discrimination.

# Stakeholder Engagement

Stakeholder engagement is a critical process that helps us understand our key environmental and social impacts. We use this important tool to identify risks and develop innovative solutions to sustainability challenges. We define stakeholders as people or groups within or outside the Company who are affected by our activities.

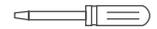
Dealing with our internal and external stakeholders is now more strategic and focused. Our engagement goes beyond addressing emerging issues as we believe transparency in disclosure and corporate performance are closely linked. Focusing on issues most important to our stakeholders helps us foster innovation and develop new business practices. Our model to identify and communicate with our stakeholders is presented below.



Parcel F ESH Campaign



National OSH Profile Survey at KLCC project site



Stakeholder Group	Engagement Method	Highlights
Clients	Customer Satisfaction Surveys	We achieved an average score of 74.3% in the Customer Satisfaction Survey 2016.
	Engagements	The Parcel F ESH Campaign, involving the community and clients, was organised to raise safety awareness of working at height and using hand tools, safely.
Authorities & Regulators	Formal Meetings Presentation	Our compliance with all applicable laws and regulations is continually monitored. We shared SunCon's good practice at a session with leaders from the Building Construction Safety Division and DOSH.
	Engagement Events	Wilayah Persekutuan Health Department held a Communication for Behavioural Impact (COMBI) programme in collaboration with CIDB and Dewan Bandaraya Kuala Lumpur (DBKL) to prevent a dengue outbreak from construction activities in the city. Sunway Velocity Phase 2 was proudly selected as the launch site for the pilot project. We supported the National OSH Profile, a project by the Department of Occupational Safety and Health (DOSH) Malaysia under the 11 <sup>th</sup> Malaysia Plan. We are currently updating our information and analysing all occupational safety and health matters for this initiative. A survey was administered at all construction sites, with approximately 2,000 workers taking part.
Shareholders, Investors, and Analysts	Analysts Briefings, Site Visits	We conducted three site visits and numerous analyst briefings throughout the year to provide an update on our financial performance and latest secured orders.
	Investor Conferences, Roadshows	We participated in various investor conferences and roadshows in Malaysia, Singapore, Hong Kong and Japan to convey SunCon's ideology and provide a better understanding of our business dynamics.
	Quarterly Reports, Corporate Presentations	The Quarterly Report and Corporate Presentations are disseminated to all research analysts and investors via email and posted on our IR website.
	Annual General Meetings	Direct contact with all unitholders during the Annual General Meeting at which all units are entitled to one vote each. Minutes of AGM are posted on our IR website.
Employees	Employees Engagement Surveys Every Three Years	SunCon's overall employee engagement score is 59%.
	Dialogue and Engagement	The National OSH Profile Survey revealed that 88.4% of our construction workers consider their work environment good and are highly motivated.
	Newsletters	Our Safety Caravans training programme inculcates an accident prevention culture by delivering lessons learnt from incidents within SunCon and the general construction industry. Best practices implemented at various construction sites are shared for continuous improvement. Safety alerts, bulletins and other reading materials can be accessed at the ESH Information Corner onsite and through email. Health awareness of Dengue, Zika, ergonomics, heat stress management and working during haze are highlighted along with the importance of improving current techniques and processes in future undertakings. Ultimately, we aim to create a positive safety climate by inculcating an accident prevention culture.
	Training Programmes	Each employee received 2.7 days of training on average.
Suppliers/ Subcontractors & Business Partners	Subcontractors Assessment	We blacklisted six subcontractors for three years for failing to adhere to safety and quality standards.
	Suppliers Assessment	We suspended one supplier for a year for failing to adhere to quality standards.
	MD Townhall Meetings	We conducted an MD Townhall to engage our business partners with a collective vision to ensure quality products are delivered safely, within time and budget and to the desired quality. Management staff and business partners from both the Central and Southern Regions joined representatives from the Construction Industry Development Board (CIDB) and MyEG for a discussion on the fundamentals of the construction industry. The event focused on the workforce, CIDB Green Card Process and Skill Construction Personnel Competency Programme, and Foreign Workers Rehiring and Legislation Processes.
Trade Union & Professional Bodies	Consultation and Negotiations Joint Events Dialogue and Engagement Site Visits	
General Public	Suncon Website	SunCon's IR website won the Best Investor Relations website (Main Board - Mid Cap) on 21 July 2016.
	Annual Reports Quarterly Reports	SunCon clinched Certificate of Merit from NACRA on 1 December 2016. Quarterly reports briefing packs are posted on our IR website.
Media	Press Releases Media Coverage	All press releases and media coverage are captured and posted on our IR website.
Community	Sponsorship and Donations	Our total charitable contributions exceeded RM750,000.

## Our Improved Approach to Materiality

We engage with stakeholders to build their trust, improve our reputation and increase customers' loyalty. Understanding their expectations helps us cater to their needs more effectively. For example, stakeholders' insights are used to develop more attractive products, which in turn, help our business expand.

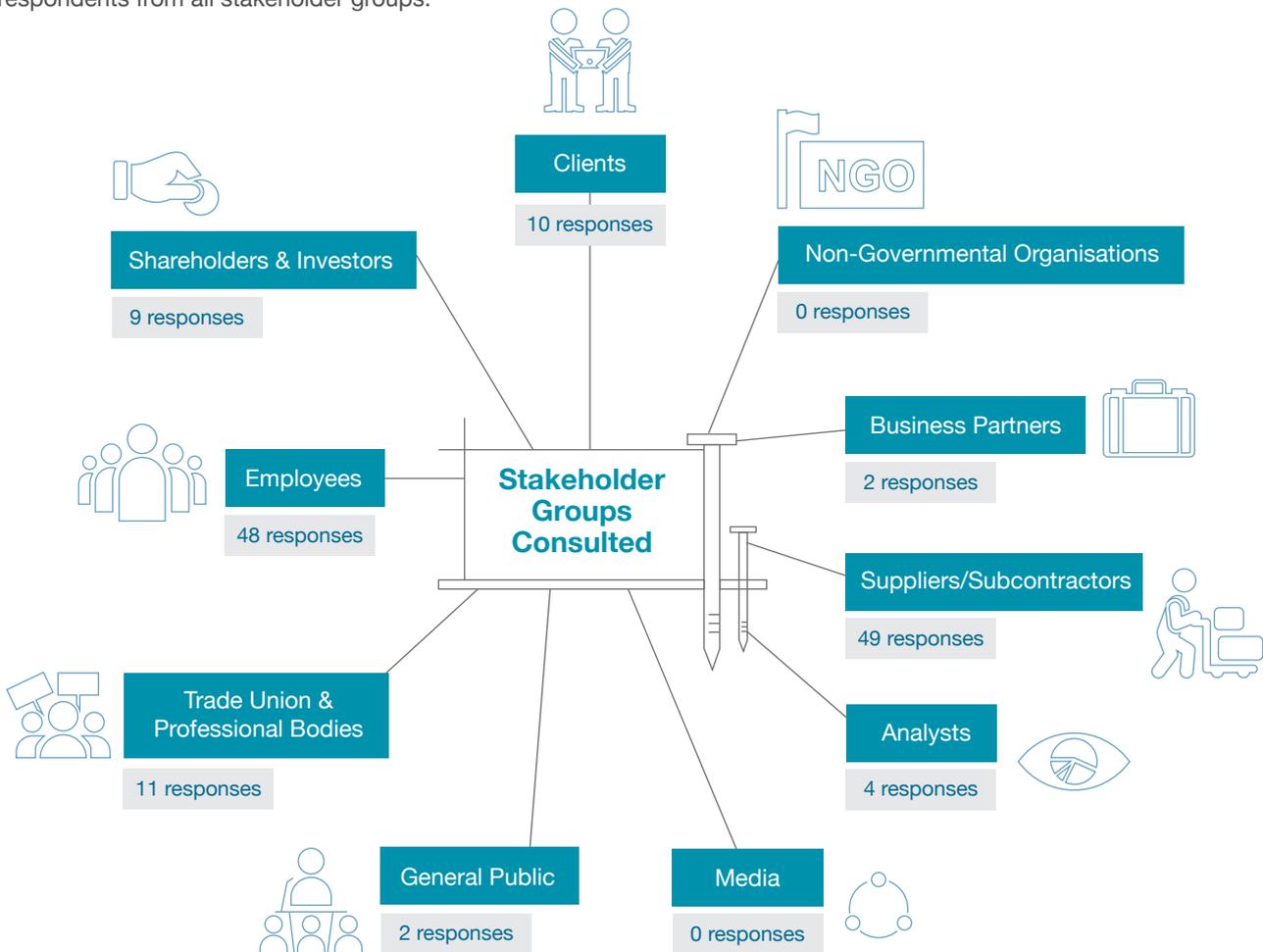
Stakeholder feedback also helps us identify and address emerging risks. We conducted a new improved materiality review in the last quarter of 2016. This primary research assessed the current trends and issues identified by our stakeholders.

We use this analysis to rank issues on their perceived level of importance. Subsequently, the most important issues were disclosed in much greater depth.

We define material issues as those that would likely have a significant impact on SunCon and are relevant to our key stakeholders.

### The Methodology

In 2015, we conducted a comprehensive evaluation of stakeholder concerns through a focus group with senior management and heads of department who deal with stakeholders on a daily basis. In 2016, we felt we could improve this process by consulting the stakeholders directly. We conducted the Sunway Construction Berhad Stakeholders Materiality Survey 2016 in the fourth quarter of 2016. The survey was performed by an external consultant to ensure the objectivity and anonymity of the respondents. The survey form was created and individually sent to our target respondents from all stakeholder groups.



Respondents were asked to rate the importance they placed on 29 economic, environmental and social issues. These issues are summarised in the table below.



# 1

## Economic

Economic & business performance; sustainable procurement & supplier assessment; local hiring; building the nation & infrastructure.

# 2

## Environmental

Responsible sourcing; GHG emissions & climate change; energy; water; environmentally-friendly materials; waste.

# 3 i

## Social: Labour Practices and Decent Work

Occupational safety & health; inclusive workplace; training & career development; recruiting & retaining employees; providing relevant skills; employee engagement & satisfaction.

# ii

## Social: Human Rights

Child & compulsory labour; non-discrimination; good employee/employer relations.

# iii

## Social: Society

Community engagement; stakeholder engagement; bribery & corruption; anti-competition; benefiting local communities; employee volunteerism & charities.

# iv

## Social: Product Responsibility

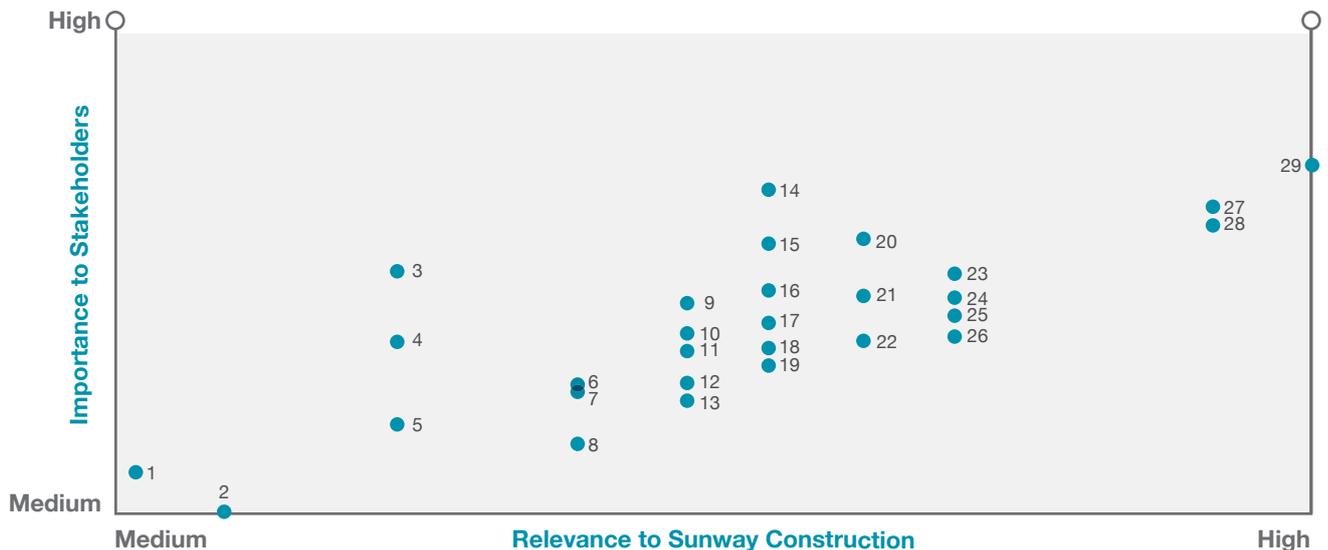
Customer feedback & satisfaction; customer privacy; public safety; quality management.

The respondents were asked to indicate how important they considered each criterion on a scale of one (very unimportant) to four (very important). The sample was naturally skewed with a greater number of responses being received from some stakeholder groups than others. To address this, a separate average score was calculated for each of the 29 areas within each stakeholder group before obtaining a final score from all 10 stakeholder groups.

A similar survey was completed by 12 members of the Board and senior management who represented the views of Sunway Construction.

### Results

Our stakeholder scores were between 3 and 3.74 with SunCon's ranging from 2.92 to 4. All issues are important to a larger or lesser degree. The matrix is presented in the following diagram.



1	Local hiring	10	Water	20	Bribery & corruption
2	Employee volunteerism & charities	11	Providing relevant skills	21	Customer feedback & satisfaction
3	Customer privacy	12	Environmentally-friendly materials	22	Employee engagement & satisfaction
4	Benefiting local communities	13	Anti-competition	23	Waste
5	Community engagement	14	Economic & business performance	24	Recruiting & retaining employees
6	Sustainable procurement & supplier assessment	15	Child & compulsory labour	25	Good employee/employer relations
7	Building the nation & infrastructure	16	Energy	26	Training & career development
8	GHG emissions & climate change	17	Non-discrimination	27	Public safety
9	Responsible sourcing	18	Stakeholder engagement	28	Occupational safety & health
		19	Inclusive workplace	29	Quality management

## Our Improved Approach to Materiality • cont'd

The areas in the top right of the matrix are deemed important to SunCon and its stakeholders. These issues have been reported in greater depth in this statement. However, we have also increased our disclosure of some indicators such as 'GHG emissions & climate change' and 'sustainable procurement & supplier assessment'. Despite being less material overall, the management thought it necessary to address these issues throughout the Company's daily operations as it can have an adverse effect on the community around us.

### SUSTAINABILITY ACHIEVEMENTS

#### Business Conduct

Governance	Codes and Policies	Highlights
Anti-Corruption	Compliance with all relevant regulations and laws	<p>SunCon's zero tolerance to corruption and ethical standards are set out in its Code of Conduct, contractual terms and other governing documents.</p> <p>Directors and employees must strictly comply with all provisions of the Malaysian Anti-Corruption Commission Act (MACC) 2009.</p>
Environmental, Safety and Health	Compliance with all relevant regulations and laws	<p>The nature of our operations creates inevitable risks and hazards for workers and the general public. Air pollution, noise, hazardous materials, water pollution and solid wastes are common byproducts of our processes. SunCon continues to work with the local authorities and government officials to reduce pollution, waste or resources. The Company is subject to ESH protection laws and regulations in Malaysia, the most significant being the:</p> <ul style="list-style-type: none"> <li>• Factory and Machinery Act 1967</li> <li>• Environmental Quality Act 1974</li> <li>• Occupational Safety and Health Act 1994</li> <li>• The Destruction of Disease-Bearing Insects Act, 1975</li> <li>• The Lembaga Pembangunan Industri Pembinaan Malaysia Act, 1994</li> <li>• The Street, Drainage and Building Act, 1974</li> </ul> <p>We are committed to complying with these relevant laws and regulations.</p>
Diversity & Inclusion	Diversity & Inclusion Policy	<p>We continually uphold the Diversity &amp; Inclusion policy through having one female director on the Board and 22.52% of women in the management. Our full Diversity &amp; Inclusion policy can be found on our IR website.</p>
Human Rights	Compliance with all relevant regulations and laws including overtime, child labour, and forced labour	<p>SunCon's human rights policy is summarised in its Code of Conduct and also adheres to the UN Guiding Principles on Business and Human Rights. Our workplace practices are in line with the Malaysia Employment Act 1955, International Labour Standards and the Children and Young Persons (Employment) Act 1966.</p>
Stakeholders' Personal Information and Privacy	Malaysian Personal Data Protection Act 2010	<p>SunCon respects and is committed to protecting stakeholders' personal information and privacy including existing and potential customers, vendors, suppliers, tenants or service providers. The Group has issued a personal data notice to all relevant parties explaining how personal data is collected and handled in accordance with the Malaysian Personal Data Protection Act 2010. Personal data may be in the form of a name, identity card number, CCTV/security recordings, location tracking/GPS information as well as contact, financial, and bank account details.</p> <p>Stakeholders are notified of any amendments to the notice via email and the corporate website.</p>

## Sustainability Performance

Environment	2014	2015	2016
Total water use (m <sup>3</sup> )	338,962	209,673	273,366
Electricity consumption (kWh)	1,413,900	1,603,469	1,594,974
Diesel consumption (Litres)	1,413,900	4,736,493	3,936,814
CO <sub>2</sub> emissions from company-owned vehicles and machinery	19,543.26	12,521.16	10,407.16
CO <sub>2</sub> emissions from purchased electricity	965.69	1,188.17	1181.88
CO <sub>2</sub> emissions from air travel	-	112.43	102.29
Construction waste generated (MT)			
Concrete	-	19,394	7,983.62
Steel	-	4,744	2,477.28
Timber & others	-	-	6,497.64
Material (MT)			
Steel bar	46,260	32,540	37,683
Cement	82,454	78,779	37,153
Aggregate	124,644	117,552	344,863
Sand	129,926	111,809	165,561
Concrete	310,467	421,939	237,439
Timber	655	676	517
Workplace			
EMPLOYEES			
Total number of employees	2,335	1,997	2,025
Executives	38%	42%	40%
Non-executives	62%	58%	60%
Permanent employees	61%	65%	63%
Non-permanent employees	39%	35%	37%
Female	15%	16%	15%
Male	85%	84%	85%
Age group			
<30	44%	36%	37%
30-40	30%	32%	32%
40-50	17%	20%	19%
>50	9%	12%	11%
Number of physically-challenged employees	2	2	2
Total number of JPA graduates under the Scholarship Talent Attraction & Retention (STAR) programme by TalentCorp	1	2	4
Percentage of women in management	23.10%	22.40%	22.52%

## Sustainability Performance • cont'd

Workplace • cont'd	2014	2015	2016
<b>DIVERSITY</b>			
Malay	35%	36%	35%
Foreigners	30%	26%	29%
Chinese	24%	27%	26%
Indian	8%	9%	8%
Others	3%	2%	2%
<b>EMPLOYEE TURNOVER RATES</b>			
By region			
In Malaysia	17%	14%	12%
Outside Malaysia	1%	1%	1%
By Gender			
Female	4%	4%	2%
Male	14%	11%	10%
By Age Group			
<30	8%	7%	5%
30-40	6%	5%	5%
40-50	3%	2%	2%
>50	2%	1%	1%
<b>COMPARISON OF PAY</b>			
Total basic salary for men (RM)	67,119,307.48	55,368,861.03	67,054,157.83
Average annual basic salary for men (RM)	49,081.76	43,676.63	57,701.68
Average number of men paid	1,367.50	1,267.70	1,162.08
Total basic salary for women (RM)	16,996,792.59	14,228,263.04	17,296,738.69
Average annual basic salary for women (RM)	50,837.86	44,855.81	58,765.82
Average number of women paid	334.00	317.00	294.33
Ratio of men to women pay equity	0.97:1	0.97:1	0.98:1
<b>TRAINING</b>			
Employee participation in training	1,332	1,163	1,253
Average attendance per training programme	24	23	15
Average training budget per employee (RM)	1,854.79	2,029.31	800.00
Average man days of training per employee	3.23	3.60	2.70
% of employees with a minimum of 3 man days of training (An employee development target set by management)	38%	39%	32%
<b>SAFETY</b>			
Worked man-hours	16,376,137	14,676,640	16,918,924
Fatal accidents	2	2	2
Lost time injury accidents	5	2	6
Total recordable cases	7	4	8
Accident frequency rate	0.43	0.27	0.47

	Target	Achievements
Environmental Objectives	To achieve zero compounds and fines from federal and local authorities	Zero fines
	Segregate construction waste at designated areas by type of 3R and disposal	All project sites segregate construction wastes
	To achieve a monthly environmental inspection score of 75% and above	Average score of 80.41%
	To organise a yearly 3R campaign at project sites	Four project sites organised yearly 3R campaigns
Safety & Health Objectives	Zero life loss	Two fatal incidents
	Monthly inspection score of 75% and above	Average score of 83.01%
	Accident Frequency Rate (AFR) of less than 0.3	Recorded AFR was 0.47
	Achieve 3 milestones: 3.9 million, 7 million and 10 million company-wide man-hours without a loss time accident	Achieved the second milestone as the highest number of man-hours without lost time injury in 2016 was 8,416,016
Quality	Achieve an Extension of Time (EOT) of less than 10% of the contract period	93% of projects in 2016 achieved an EOT less than 10% of the contract period
	Complete construction activities within budgeted cost	100% of construction projects in 2016 completed construction activities within budgeted cost
	To engage 85% of subcontractors at Grade C and above	89% of subcontractors are rated at Grade C and above for 2015
	To meet the following targets for the annual client/consultant satisfaction survey:	
	• A minimum average score of 70%	Achieved an average score of 74.3%
	• A minimum average score of 90% in the "satisfaction of products and services" category	Recorded a satisfaction rate of 92.2%
	• A minimum response rate of 75	Achieved a response rate of 97.5%
Achieve a CONQUAS/QLASSIC score of 75% for all relevant building projects	Achieved an average QLASSIC score of 73.3%	
Others	Number of employees dismissed due to non-compliance with anti-corruption policy	Zero cases
	Total number of fines in relation to corruption	Zero fines
	Total amount of political contributions	Zero contributions
	Anti-corruption training for employees	All employees are briefed on ethics, corruption and bribery through the Employee Handbook upon joining the Company
	Number of projects achieving GBI or other industry-relevant green building ratings	Three completed and five ongoing

## Economic

The construction industry provides our cities with magnificent buildings; bridges for people to cross rivers and roads; and road networks that allow easy travel between two places. Between 2010 and 2016, GDP from construction in Malaysia averaged at RM9,573.19. Construction sector GDP growth was 7.4% in 2016 compared with 8.2% in 2015.

As a fully-integrated construction company, SunCon provides a full range of design and construction services that significantly advance the national development agenda.

### Highlights

Maintaining **FTSE4Good Index** for two consecutive years

**MBAM Best Site Safety Personnel** Award 2016

**50% growth** in young talents for Virtual Design Construction (VDC)

Developing Putrajaya through **cutting edge technology** in VDC

Research and development to **improve Geotechnical** work processes

## RECOGNITION

We remained in the FTSE4GOOD Index Series following a review in December 2016. The FTSE4Good Bursa Malaysia Index measures ESG practices within the top 200 Malaysian stocks on the FTSE Bursa Malaysia Emas Index based on 14 separate themes. We are proud to be the only Malaysian construction company recognised by the FTSE4Good Index Series to date.

SunCon was also recognised by the ACCA Malaysian Sustainability Reporting Awards (MaSRA) 2016. The sustainability statement in our Annual Report 2015 was shortlisted from the 49 participating organisations.

## DEVELOPING PUTRAJAYA

Putrajaya is the Federal Government’s administrative centre. It was designed to attain greater efficiency for a growing government by housing all ministries in one location. SunCon contributes to this prestigious government project by developing 34 acres of land in Parcel F, Putrajaya. The project, comprising 10 office

tower blocks, podium parking and external works, is ongoing and scheduled to be completed in 2018.

This project was the first in its field to implement Virtual Design and Construction (VDC) from design and construction to facility management (6D). This innovative and integrated approach manages the design, construction and costs using digitisation of information 3D models, resulting in more streamlined design, scheduling, project implementation and fabrication processes.



Parcel F

## PRECAST IS THE WAY TO GO

SunCon ventured into the manufacture of prefabricated bathroom units in Singapore and believes that precast is the most effective construction method. Manufacturing precast components reduces the dependency on foreign labour in the construction industry. Indirectly, safety is improved as fewer hazards are present on the construction site.



Precast Bathroom Units

## SUSTAINABLE PROCUREMENT

Sustainable procurement ensures that the products and services represent value for money, providing greater benefits for society and the economy while degrading the environment as little as possible. The principal raw materials used are generally widely available and sourced from local suppliers.

Our construction commercial and infrastructure development projects consist of five main stages as summarised below.

- Tendering Process**
  - Pre-tendering
  - Tendering and estimating procedure
- Pre-Construction Planning Process**
  - Identifying projects
  - Appointing person in charge
  - Determining applicable legal and other requirements
  - Undertaking Environmental Aspects & Impacts Assessments
- Procurement Process**
  - Procuring materials, consultants and subcontractors
- Construction Process**
  - Inspecting and testing
  - Handling and storage of materials and equipment
  - Performing construction and installation works
  - Carrying out relevant operational controls, environmental, safety and health and other relevant monitoring
  - Conducting site clearing and obtaining Certificate of Practical Completion (CPC)
- Post-construction Process**
  - Demobilising
  - Monitoring project throughout defects liability period
  - Obtaining Certificate of Making Good Defects (CMGD) from client

## E-INVOICING

Supplier e-invoicing was introduced in 2016 to transform the manual supplier invoice handling process into an automated and paperless process solution. E-invoicing also integrates with Sunway’s Enterprise Resource Planning (ERP) system. Suppliers are able to submit an electronic invoice to Sunway companies through this system.

### Benefits of the E-invoice System

### Why E-Invoice?



Environmentally friendly as all invoicing is performed electronically



Paperless



E-workflow approval – approver can review and approve suppliers’ invoices online at any time



Speed, visibility and control



Automatically updates the ERP system which eliminates manual data entry



Minimises data entry errors



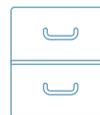
Eliminates possibility of documents being lost in transit and reduces use of storage space



Eliminates manual checking and verification



Invoices can be automatically verified electronically



Supplier self-service - reduces supplier support time



It acts as a supplier portal where suppliers are able to upload invoices and check the payment status



Reduces paper management such as storage and retrieval

## SOCIAL AND ENVIRONMENTALLY-FRIENDLY SUPPLY CHAIN

SunCon minimises the risks associated with procuring from vulnerable sources and follows best practice in line with client expectations. Recently, the responsible sourcing of materials has become increasingly important. SunCon engages with suppliers and subcontractors regularly to improve their knowledge of sustainability issues.

Our projects contribute to a local positive legacy that lasts long after our people leave our construction sites. We provide sustainable opportunities to local communities by engaging with local supply chain partners, employees, industry players, charities and other NGOs that lead to sustained local economic improvement. We know the local impact of our work is important; however, the reliable quantifiable measurement of social and economic impacts presents considerable challenges.

Our environmental conservation policy and practices are communicated through various channels such as the Letter of Award (LOA), regular engagement and training sessions. We reinforce our commitment to social and environmental supply chain to suppliers and subcontractors.

## Economic • cont'd

### Environmental and Social Requirement for SunCon's Direct Workers, Suppliers, Contractors and Subcontractors

#### Compensation Packages Must Comply With:

The Worker's 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 laws

#### Transportation Must Be Provided to and from the Site

All workers must be housed at locations where they can easily access public transportation

#### Fair Remuneration Must Be Provided

That at least covers their living wage

#### Valid Permits to Work

Must be issued before permanent or temporary workers can work in accordance with Malaysian immigration and Labour laws.

#### Overtime

Must be paid to workers

#### Workers Must Not Be Exposed to Hazards or Risks

When carrying out work in addition to being supervised by our safety personnel on site

#### Workers Must Not Degrade the Environment

From potential pollution as far as is practicable and mitigate the potential impacts on the environment

#### Persons Committing Environmental Pollution Offences

Or accidents or dangerous occurrences in the sole opinion of the Site Environment, Safety and Health Committee must be removed from site

#### Reduce the Impact of Their Operations

Measured through emissions released, biodiversity impacts, waste disposed, pollutions and other environmental issues resulting from their operations

#### Share SunCon's Commitment to the Environment

SunCon is committed to using resources efficiently, supporting renewable power and purchasing high quality carbon offsets. SunCon wants suppliers who conduct business in a similar way. Suppliers must work to reduce their consumption of resources including raw materials, energy use and water, throughout all aspects of the project.

### Subcontractor Assessments

Contractors directly employ or engage construction workers or manage construction work; subcontractors comprise individual self-employed workers or businesses that perform, manage or control construction work.

We assess our subcontractors annually to evaluate their adherence to contractual requirements. Subcontractor assessments also ensure they have the skills, knowledge, experience and capability to conduct work safely, at the expected quality without jeopardising the health of fellow workers and members of the public. Subcontractors are graded from A to E. The assessment scoring is summarised in the diagram below.

#### Subcontractor Assessment Rating

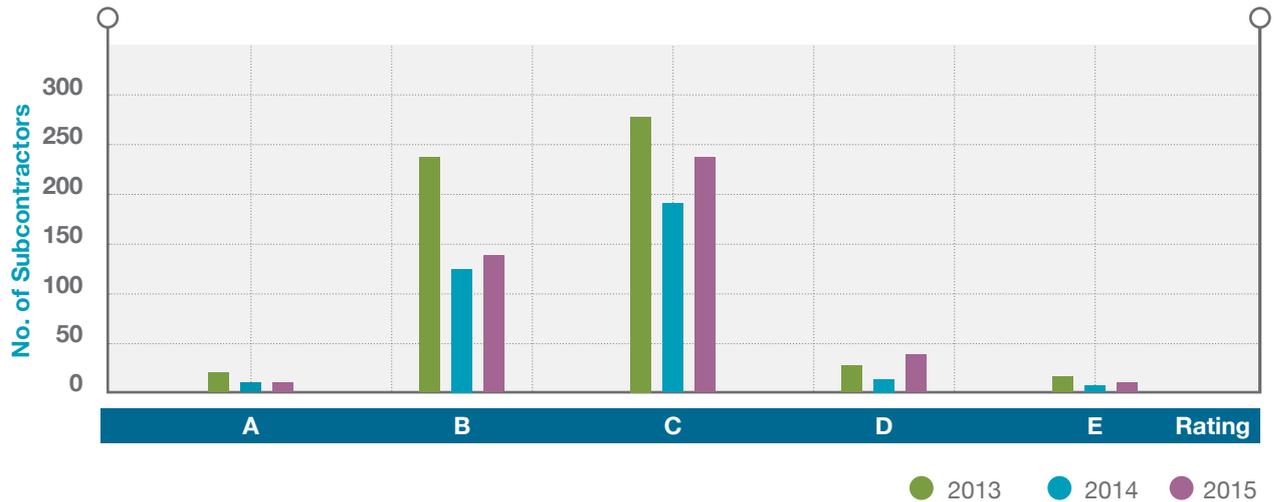
<b>A</b>	<b>OUTSTANDING</b>	<b>80% - 100%</b>
<b>B</b>	<b>EXCEEDS REQUIREMENTS</b>	<b>65% - &lt;80%</b>
<b>C</b>	<b>MEETS REQUIREMENTS</b>	<b>50% - &lt;65%</b>
<b>D</b>	<b>NEEDS IMPROVEMENTS</b>	<b>40% - &lt;50%</b>
<b>E</b>	<b>FAIL</b>	<b>BELOW 40%</b>

#### Criteria For SunCon Assessment

<b>Product Quality</b>	<ul style="list-style-type: none"> <li>Adherence to Specifications/ Contractual Requirements</li> <li>Quality of workmanship</li> <li>QA/QC Follow Up</li> </ul>
<b>Delivery</b>	<ul style="list-style-type: none"> <li>Adherence to Schedule</li> </ul>
<b>Service Quality</b>	<ul style="list-style-type: none"> <li>Planning &amp; Coordination of the Works</li> <li>Cooperation/Coordination with other Subcontractors</li> <li>Availability of Adequate Equipment/Tools</li> <li>Management Support</li> <li>Competency/Quality of Site Representative</li> <li>Quality and Quantity of Workers Provided</li> <li>Timely and accurate claims/invoices submission</li> <li>Overall Productivity</li> </ul>
<b>Safety and Health</b>	<ul style="list-style-type: none"> <li>Compliance with Safety and Environment Requirements</li> <li>Housekeeping at Jobsite (5S Implementations)</li> </ul>

### Subcontractors' Analysis Grading by Year

Subcontractors' scoring 'E' in the moderation are considered to have failed the assessment and are blacklisted for three years. In 2015, six subcontractors were blacklisted due to poor performance in safety, security and workmanship.



### eSupplier Assessment

SunCon evaluates suppliers using a quantitative eSupplier Assessment to ensure the availability of a best in class list of suppliers. We measure suppliers' performance in meeting the following criteria on a scale of one to five.

#### Supplier Assessment Rating

<b>A</b>	<b>EXCELLENT</b>	<b>85% - 100%</b>
<b>B</b>	<b>ABOVE AVERAGE</b>	<b>70% - 84%</b>
<b>C</b>	<b>AVERAGE</b>	<b>50% - 69%</b>
<b>D</b>	<b>BELOW AVERAGE</b>	<b>39% - 49%</b>
<b>E</b>	<b>FAIL</b>	<b>BELOW 39%</b>



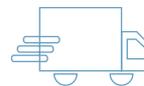
#### Product Quality

Performance, written complaints, response time and wastage.



#### Cost

Pricing, fixed price with provisional quantity, terms of payment and under carriage.



#### Delivery

Delivery performance, delivery quantity, interval time of delivery, urgent requests and written complaints.



#### Service Quality

Problem solving, value added service, quality of service and personnel.



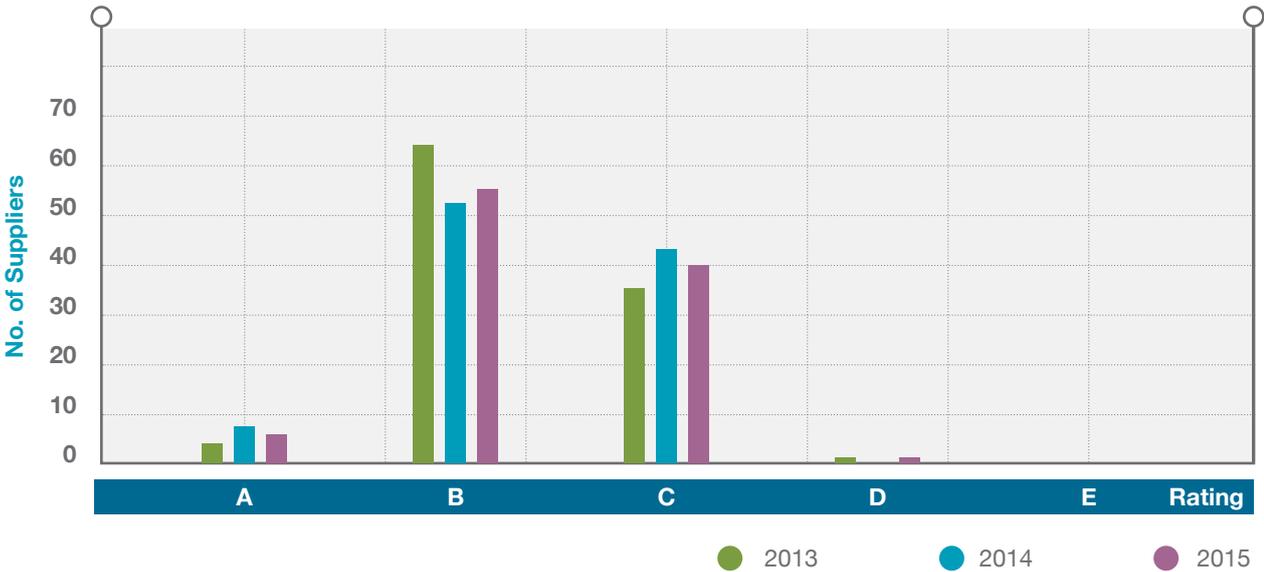
#### Safety and Health

Personal protective equipment, safety precaution and additional protection.

# Economic • cont'd

## Suppliers' Analysis Grading by Year

Suppliers scoring 'D' in the moderation are considered to have failed the assessment and are suspended for a year. No suppliers have been rated 'E' since 2007. In 2015, only one supplier was suspended due to a poor commitment to resolving quality issues.



Any violations of the environmental and social requirements for SunCon's direct workers, suppliers, contractors and subcontractors result in termination, following being evaluated during the assessment.

## ADVANCING THE NATION THROUGH CUTTING-EDGE TECHNOLOGY

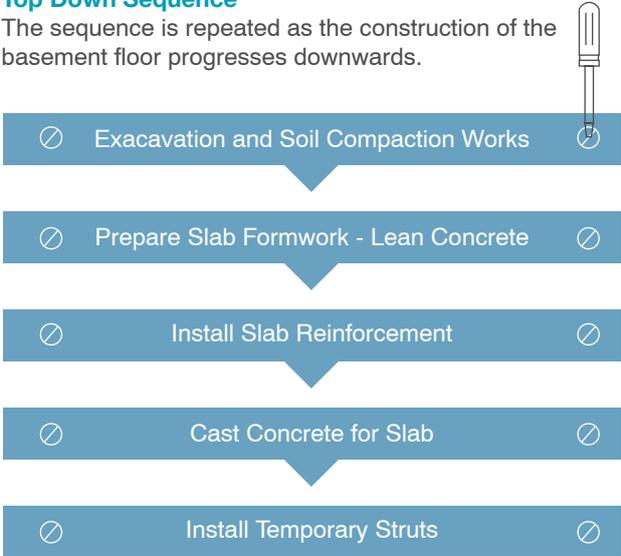
### Top-down Construction Methodology and Deep Basement Excavation

SunCon uses top-down technology in some of its construction projects. This advanced, non-conventional method for substructure construction is chosen over the upward conventional method because of the surrounding existing buildings in the urban area development.

In top-down construction methodology, the permanent substructure is constructed along with the excavation as it progresses deeper into the ground. The process begins with installing bored piles and plunging king posts. Soldier piles with timber lagging are installed as retaining wall systems. The main slab is then constructed downwards, floor by floor, until the base slab followed by the construction of columns and walls upwards from the base slab to the main slab. Each basement concrete slab acts as lateral bracing for the perimeter wall system. Ground level and first basement slabs are poured, with access holes left to allow excavation beneath.

### Top Down Sequence

The sequence is repeated as the construction of the basement floor progresses downwards.



### Bore Pile Management System (BPMS)

The BPMS app was established in August 2015 and piloted on the Parcel F project. The app replaced the conventional manual bored pile log recording method.

BPMS is a data collection method that helps in the evaluation of operator competency and efficiency of both our machines and diesel consumption. Measuring the productivity and efficiency of boring rigs leads to more accurate data being entered during the tender stage for differing ground conditions.

### Secant Bored Pile Wall for Deep Basement Excavation

Over the last three years, a number of projects required deep excavations in difficult ground, below the water table and in urban environments. The use of driven steel sheet piles, contiguous bored piles with jet grout columns or soldier piles methodologies are inappropriate for these sites.

Deep basements have been constructed extensively in Malaysia, especially over the last five years. The underground space is fully utilised for car parks and other uses in the expensive and congested urban area. Recently, there have been a number of incidences where the support system or retaining wall used for deep excavation failed. This can catastrophically affect the serviceability of adjacent structures. Water and sand may seep in, which requires rectification and external road sinking.

Watertightness control is a major disadvantage of contiguous bored pile walls, which has been effectively overcome by using secant piled walls. Other than watertightness, secant piled walls are similar to contiguous bored pile walls. This method consists of boring and concreting primary piles at a centre to centre spacing of slightly less than twice the nominal pile diameter. Secondary piles are bored between the primary piles before the concrete has achieved its full strength. Reinforcement is usually concentrated in secondary piles. The main advantage is providing full temporary protection in sensitive and collapsible soils and ease of basement excavation.

#### How are they constructed?

Secant pile walls are formed by constructing intersecting reinforced concrete piles. Secant piles are constructed by drilling into soil and coring into rock which are reinforced by secondary piles with either steel rebar or steel beams.

Primary piles are installed first with secondary piles being constructed between primary piles once they have gained sufficient strength. Typically, pile overlap is four inches. In a tangent pile wall, there is no pile overlap as the piles are constructed flush to each other.

### Removable Anchor Systems

Ground anchors are designed as a tie back system for deep basement excavation. Ground anchors can be used to help tie back the piles and enhance the lateral resistance.

The use of conventional temporary non-removable anchors can obstruct future adjacent basement excavations. They usually require third party land owner approval, which may be difficult to obtain as they remain in the ground, permanently. The removable anchor system is a temporary removable pre-stressed strand anchor. Once its use and application become redundant, it can be removed from the ground cleanly, quickly and simply. SunCon is now using temporary removable ground anchors, which have a 97% track-record of being removed successfully.

### Virtual Design Construction (VDC) – The Future of Transparency, Integrity and Performance

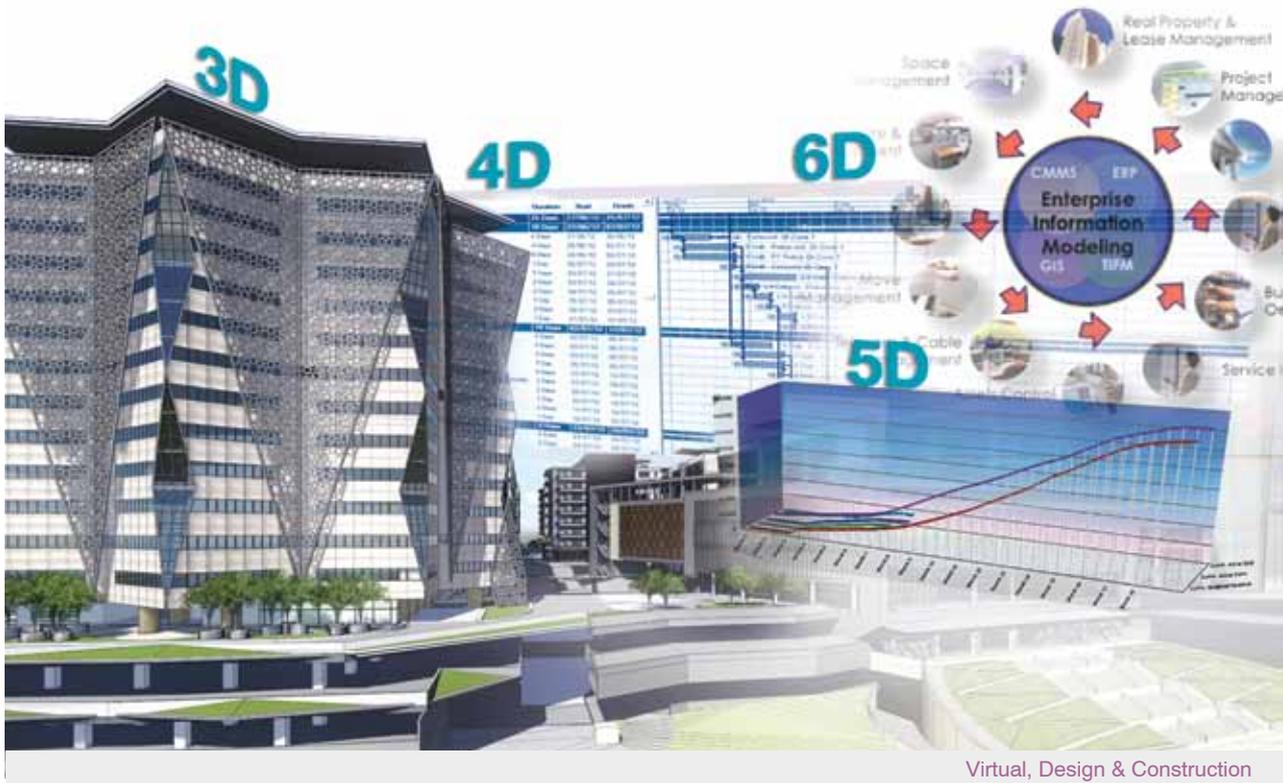
VDC produces a digital model of the building's physical, technical and functional characteristics that allows virtual construction before the physical construction commences.

According to the recent World Economic Forum, VDC is a primary driving force that will transform the construction industry in the next decade. VDC eliminates clashes early in the design stage and effectively coordinates the architecture, structure and MEP trades. 4D modelling simulates project planning and scheduling and helps calculate progress in the physical development and timeline. The 5D model provides more accurate cost budgeting and control.

VDC also shares data and knowledge with all project stakeholders throughout the project lifecycle. Effective communication improves project delivery transparency and efficiency. Essential building information contained in the VDC models comprises spatial information, technical documentation, vendor data and operating guidelines. This information helps propel VDC into 6D facility management, closing the gap between construction and building operations.

Dimension	Added Value
3D	Design
4D	Project planning and scheduling simulation helps to calculate progress in the physical development and timeline
5D	Provides more accurate cost budgeting and control
6D	Enhanced facility management

## Economic • cont'd



SunCon's VDC journey began in 2009 and VDC technology was formally adopted and implemented in 2012, extensively. We have invested over RM20 million to date and VDC is widely implemented in Sunway's property and construction projects. VDC was first employed in The Pinnacle project, followed by Sunway Clio Hotel and Sunway Velocity Shopping Mall. Currently, it is being adopted in Parcel F in Putrajaya and extends to precast RC structures fabrication in Singapore by Sunway Concrete Products. This implementation has increased our competitive edge by helping us create innovative designs and construction solutions that meet challenging demands with increased complexity within a shorter timeframe. Full VDC capabilities will enable faster delivery, cost effective procurement, reduced wastage, increased quality and reliability, and reduced lifecycle costs.

### OUR CONTRIBUTIONS TO THE INDUSTRY

As a leader in turnkey building and infrastructure projects, we often take part in industry discussions. We contribute our expertise in building, civil engineering, geotechnical and M&E solutions, industrial building systems, machinery and logistics during these sessions.

On 23 August 2016, we attended the 19<sup>th</sup> Conference and Exhibition on Occupational Safety and Health (COSH). During this event, we presented a paper on "Sunway Construction Group: Towards ESH Excellence", which highlights our ESH best practices. Sunway Machinery Training Academy also manned a booth at the conference to promote its latest Tower Crane Operator Training School. This new training school aims to improve tower crane operators' specialisation and competency levels.

As part of the Memorandum of Understanding signed by CIDB and SunCon to promote the Quality Assessment System In Construction (QLASSIC), we participated as a presenter and facilitator in the QLASSIC & SHASSIC Roadshow (QSR) Seminars which were organised by CIDB on:

- 30<sup>th</sup> March 2016 in Penang
- 29<sup>th</sup> September 2016 in Ipoh

During the seminar, our representative shared our experience of implementing QLASSIC in our projects. Subsequently, brainstorming sessions were held on obstacles that may be faced when implementing QLASSIC with a group of participants.



## Economic • cont'd

### PUBLIC POLICY DEVELOPMENT AND LOBBYING

SunCon has been actively involved in MBAM over the past few years. MBAM is the oldest organisation representing the Malaysian construction industry and service sector. It helps develop and expand the industry by improving techniques, procedures and methods.

The Company's past and present management have held various positions as council members. The MBAM Committee meets regularly to discuss issues related to the construction industry including climate change mitigation, managing environmental impacts in the supply chain and protecting the human rights of local and foreign workers. Having representatives on the MBAM Committee demonstrates our dedication to promoting and developing the construction industry in Malaysia.

#### SunCon's Past and Present Management Positions Within MBAM

##### Mr Chung Soo Kiong

Managing Director, Sunway Construction Sdn Bhd  
Vice President, Publication and Outreach  
Committee Chairman, MBAM

##### Dato' Ir Tan Kia Loke

Senior Managing Director - Chairman's Office,  
Sunway Berhad  
Honorary Advisor, MBAM

##### Datuk Kwan Foh Kwai

Non-Independent Non-Executive Director, Sunway  
Construction Group Berhad  
Honorary Advisor, MBAM

##### Mr Thomas Samuel

Executive Director, Sunway Geotechnics (M) Sdn Bhd  
Publication and Outreach Committee Deputy  
Chairman, MBAM

##### Mr Tan Kim Yoke

Senior General Manager - Commercial/Business  
Development, Sunway Construction Sdn Bhd  
International Affairs Committee Member, MBAM

##### Mr Steven Shee

General Manager - Legal, Sunway Construction Sdn Bhd  
Deputy Chairman I - Contracts and Practices  
Committee Member, MBAM  
Information and Communication Technology  
Committee Member, MBAM

##### Major (R) Leong Yee Keong

Senior General Manager - Environmental, Safety &  
Health, Sunway Construction Sdn Bhd  
Safety and Health Committee Member, MBAM

#### Memberships in Associations

SunCon is a Construction Industry Development Board (CIDB) Grade '7' contractor. SunCon is also CIDB-registered for procuring Government works and as an internationally-registered contractor.

CIDB promotes and stimulates the development, improvement and expansion of the construction industry. Construction companies are classified according to their technical and financial abilities. Being Grade '7', the highest possible classification, allows SunCon to tender for contracts of unlimited value. This is an important consideration, particularly when vying for government contracts.

Sunway Precast Industries has been granted a licence to manufacture precast concrete in Senai and Iskandar, Johor.

SunCon has the advantage in being able to tap the combined resources of the entire Sunway Group, one of Malaysia's most dynamic and integrated conglomerates. SunCon is able to access the invaluable experience and expertise of the Group's management team, its financial strength and also reliable sources of materials and services from companies within the Group. This synergy adds strength to SunCon's capabilities, providing it with an advantage in terms of competitive pricing, assured quality and shorter project completion periods.

## ECONOMIC

### WHAT TO EXPECT IN 2017

- To remain in the FTSE4Good Index Series.
- To establish the Sunway Construction Sustainability Committee, championed by the Managing Director. The committee will focus on developing a business model that creates shared value at each stage of construction. Consistent with the sustainable development fundamentals in environmental preservation, this approach will enhance social and financial capitals driven by our core values.
- To harvest the investment from the outcome of VDC by quantifying the benefits and setting KPIs.
- To improve value in our supply chain and comply with quality and human rights standards.
- To adopt the precast concept in in-house projects.

## Environmental

Constructing buildings and other infrastructure has a significant impact on the environment. Direct impacts include land use, materials and energy, which result in greenhouse gas emissions and other wastes being produced. The nature of our business adversely affects flora and fauna to some extent. In order to minimise irreversible environmental damage, we have set key targets to prevent environmental pollution, manage construction waste and conserve resources. This is done through systematic environmental aspects-impacts evaluation, implementing operational controls and training.

### Highlights

100% project worksites are conducting **environmental monitoring**

All construction raw materials are sourced from **local suppliers**

**78% cost saving** achieved through reuse initiatives

**3 Green Building** completed and certified and **5 are currently being constructed**

**54%** of our machines are less than 5 years old

Achieved an average monthly environmental inspection score of **80.41%**

100% of our sites are **ISO 14001 certified**

We take an organised approach to initiating, implementing, monitoring and continuously improving environmental plans. Establishing our Environmental Management System (EMS) helps us comply with ISO 14001 and other stipulated legal requirements. We have also adopted essential best practices to control and prevent environmental pollution which comprises water pollution control, air and noise pollution control as well as waste management.

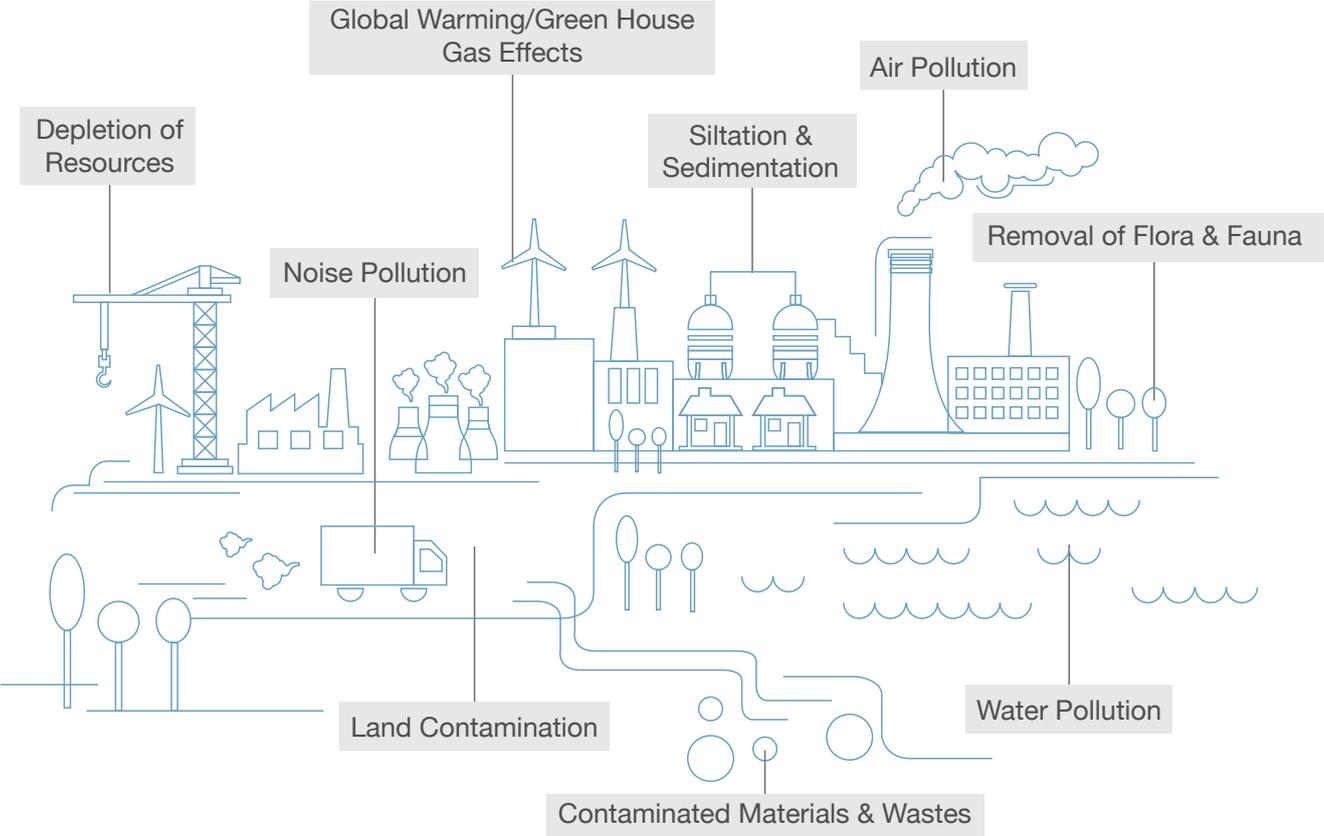
The establishment of a formal sustainability committee is scheduled for 2017. Selected members will be those who can contribute most in the areas of sustainability deemed important in the materiality matrix. The committee will consist of a chairman, sustainability secretary, committee members and ordinary members.



Boring Machine

# Environmental • cont'd

## Potential Environmental Impacts from Our Operations



### Environmental Objectives at Project Sites

**PREVENT**

To prevent environmental pollution at project sites.

**MANAGE**

To manage construction waste at project sites including segregating it by type for 3R and disposal at designated areas.

**IMPROVE**

To improve awareness of good environmental practices at project sites.



MBAM Tree Planting

## BIODIVERSITY AND CONSERVATION

Biodiversity refers to the variety of life forms in a particular area including plants, animals, microorganisms and their ecosystems. We are committed to protecting biodiversity in the areas in which we operate.

Prior to commencing work, we analyse the potential impact of our projects. We develop and implement mitigation measures or offsets if risks to biodiversity are identified. This helps reduce the risk of biodiversity loss to an acceptable level guided by our environmental approvals.

We also conduct biodiversity assessments at each phase of a project. Once the biodiversity assessment is completed during the design stage, site construction plans are developed that minimise our impact.

SunCon obtains all necessary environmental regulatory approvals and consent before work commences. The Company also plans meeting permit conditions regarding biodiversity management. All clearing activities are performed in a manner that minimises habitat loss and/or degradation. In the event that protected flora or fauna is located within an area zoned for clearing, and disturbance is unavoidable, an offset or relocation programme is implemented.

At our Sunway Iskandar Projects, we commit to conserve and not develop on river buffer zones, including:

- The natural mangrove areas within at least 50 meters from the boundary of the project areas; and
- The Straits of Johor and Pendas River.

## MANGROVE ECOSYSTEMS

- Protect the coastline
- Serve as a fish breeding ground
- Provide refuge to diverse wildlife
- Supply wood

### Care for Nature Tree Planting Programme

On 24 September 2016, a tree planting event was held at the Kuala Selangor Nature Park comprising over 200 hectares of coastal land with much of the land being mangrove swamps.

Six members of senior management together with the rest of the volunteers helped plant more than 200 mangrove trees and cleaned the area. We also protected the natural habitats of flora and fauna that live there through this conservation effort.

## Environmental • cont'd

### CLIMATE CHANGE AND OUR CARBON FOOTPRINT

Human activity, especially the burning of fossil fuels, has increased the amount of greenhouse gases (GHG) in the atmosphere. This greenhouse effect brings negative consequences to Earth's systems and life.

Climate change is recognised as a material and significant issue for all construction sites. SunCon aims to protect the environment from these adverse effects as their impact can be considerable.

In a continual effort to be an environmentally-responsible construction industry player, we are looking into establishing the SunCon Sustainability Blueprint that will:

- Encompass the Sustainable Development Goals (SDGs) launched by the United Nations this year in "Transforming Our World: The 2030 Agenda for Sustainable Development"
- Forge our integrated strategy to overcome the environmental challenges of the 21<sup>st</sup> century while focusing on the nature of development; and
- Incorporate strategies for a minimal operational environmental footprint, energy management, climate change and pollution reduction.

SunCon is also working to reduce its emissions through several methods. For example, we are regulating the temperature to between 23 to 25 degrees at Menara Sunway. We also adopt green features, implement technical and operational measures to improve fuel efficiency and purchase energy-efficient equipment.



Sunway Machinery

<b>75%</b>	of our plant was over 10 years old	<b>2012</b>
<b>25%</b>	of our plant was more than 10 years old	<b>2014</b>
<b>23%</b>	of our plant is more than 10 years old	<b>2016</b>

This is the second year that we have disclosed our carbon dioxide emissions. Our emissions accounting is based on the internationally recognised GHG Protocol established by the World Business Council for Sustainable Development (WBCSD) and World Research Institute (WRI). Emissions accounting is based on the GHG Protocol classification of direct and indirect emissions.

**1**

Scope	
Category	Direct GHG emissions
Indicators Measured	Machinery
Emissions Source	Direct GHG emissions are emissions from sources that are owned or controlled by SunCon

**2**

Scope	
Category	Indirect GHG emissions
Indicators Measured	Electricity
Emissions Source	Indirect GHG emissions are emissions that are a consequence of SunCon's activities

**3**

Scope	
Category	Other indirect GHG emissions
Indicators Measured	Air Travel
Emissions Source	Other indirect emissions covering transport-related activities that are not owned by SunCon

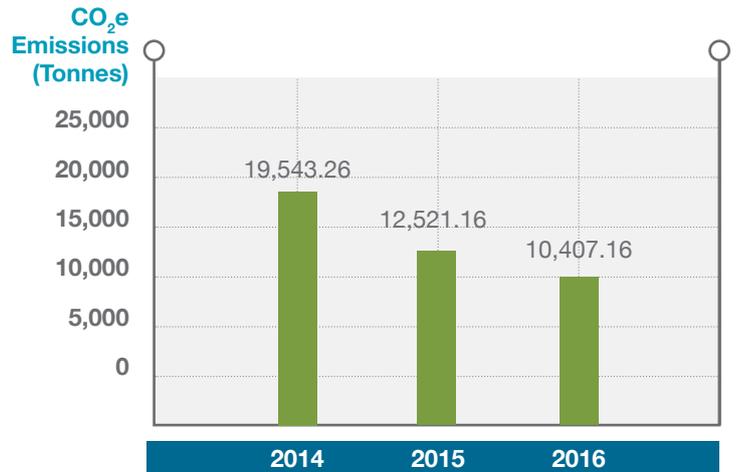
### CO<sub>2</sub> Emissions from Company-owned Vehicles and Machinery

#### Scope 1

All fuel purchases are monitored and recorded to calculate GHG emissions from company-owned vehicles and machinery.

Significant amounts of diesel are required to run SunCon's construction machinery such as cranes, backhoes and piling equipment.

CO<sub>2</sub> emissions from the consumption of fuel were derived from the emission factor published by the IPCC Guidelines for National Greenhouse Gas Inventories.

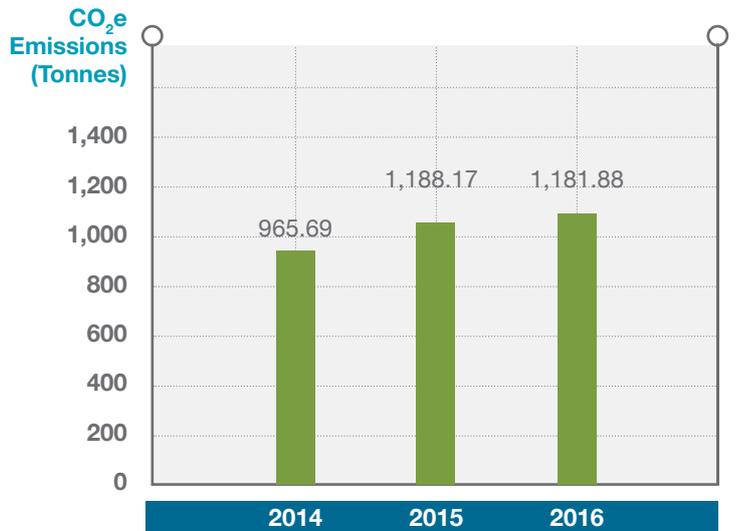


### CO<sub>2</sub> Emissions from Purchased Electricity

#### Scope 2

Indirect GHG emissions are produced as a consequence of our activities but occur at sources owned or controlled by another entity. Scope 2 emissions are in the form of purchased electricity. The CO<sub>2</sub> emissions from the use of electricity were derived using the emission factor published by the Malaysian Green Technology Corporation for the Peninsular grid.

In 2015, SunCon's CO<sub>2</sub> resulting from purchased electricity increased by 23.04% from 2014 despite a 13.1% increase in energy consumption. This increase was due to an 8.49% upward revision of the emission factor produced by the Malaysian Green Technology Corporation for the Peninsular Grid in 2015. In 2016, emissions reduced by 0.53% compared with 2015.

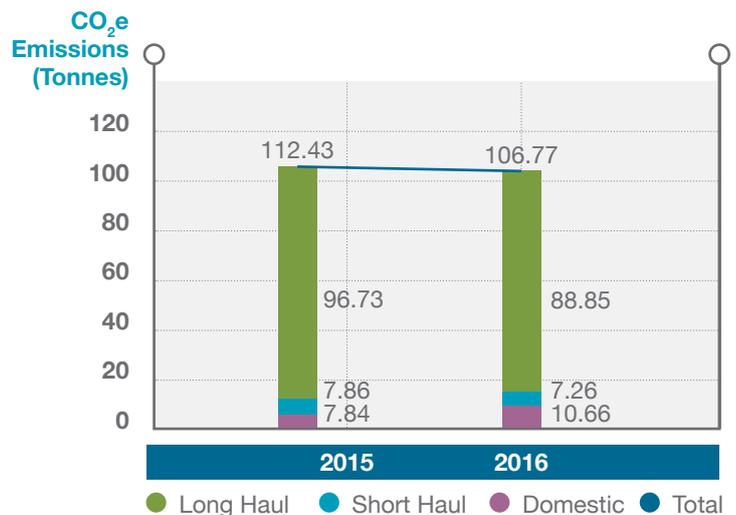


### CO<sub>2</sub> Emissions from Air Travel

#### Scope 3

Air travel GHG emissions were calculated point to point including the number of employees on board and the distance travelled. Air travel data was extracted from a centralised booking system used for all SunCon flights.

The GHG Protocol tool for mobile combustion (version 2.0) by the WRI was used to calculate the CO<sub>2</sub> emissions from air travel. In 2016, SunCon air travel was responsible for emitting 102.29 MT of CO<sub>2</sub> into the atmosphere.



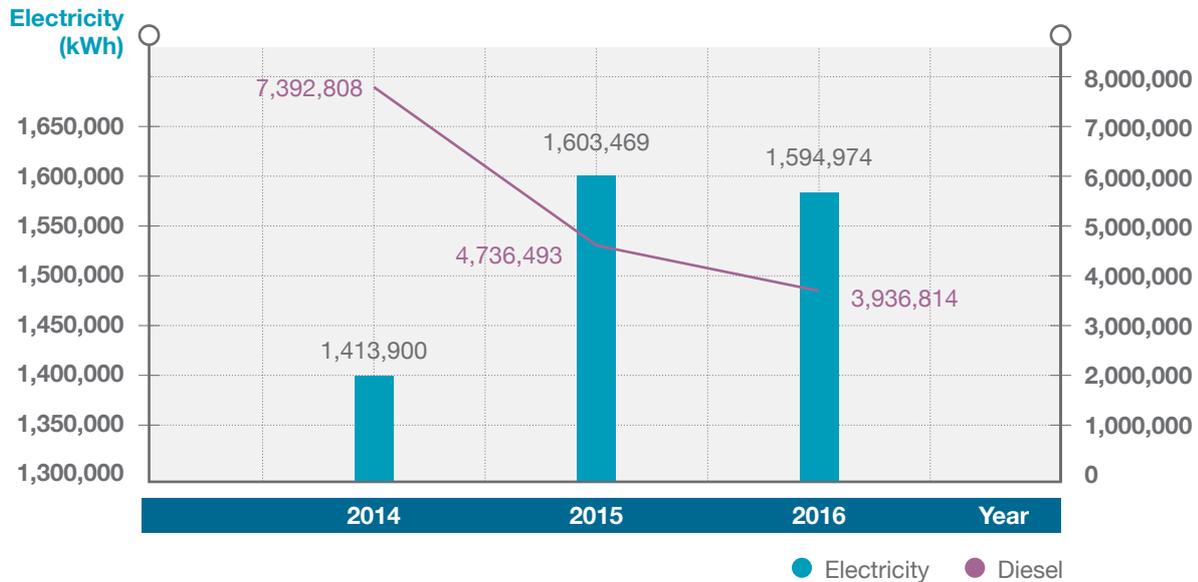
## Environmental • cont'd

### ENERGY MANAGEMENT

Energy management is the key to saving energy in SunCon. Reduced energy saves money for the Company and also decreases the demand for fossil fuels such as coal, oil and natural gas. Less burning of fossil fuels results in lower carbon dioxide emissions, the primary contributor to global warming. Electricity from the national grid is used to power our offices. Our machinery also consumes a significant amount of diesel during construction. Our electricity and diesel consumption is presented in the table below.



Energy Conservation Efforts at Menara Sunway



### ENVIRONMENTAL MONITORING

#### Pollution Control

Construction sites make a significant contribution to environmental degradation. SunCon minimises damage to the environment by:

- Installing temporary protection for slopes and stockpiles to control soil erosion and any turbid surface runoff when it rains.
- Installing silt fences and silt ponds to avoid sediments being discharged into natural water bodies.
- Regularly undertaking air, water quality and noise monitoring.
- Providing hoardings and noise curtains to lower construction site noise.
- Scheduling dust suppression with a water bowser to reduce airborne dust at construction sites.
- Performing the compulsory washing of trucks' wheels at the exit to prevent mud, dust and dirt from being spread on public roads.

## Glossary of Abbreviations Used for Project Sites

Project	Name
ER	Emerald Residence
MRT V201	Mass Rapid Transit Line 2 (MRT 2): Sungai Buloh - Serdang - Putrajaya (Package V201)
CP3	Sunway Geo Residences
CP4	Sunway Geo Retail and Flexi Suites
CHSL	Coastal Highway Southern Link
SMC 3	Sunway Medical Centre Phase 3

Project	Name
SIIS	Sunway Iskandar International School
KLCC P1	Kuala Lumpur City Centre North East Car Park
KLCC P2	Kuala Lumpur City Centre Package 2 - Car Park
CK3	Casa Kiara 3, Mont Kiara
RC8	Staff Nurse Quarters
MRT V4	Mass Rapid Transit: Sungai Buloh - Kajang package V4

**Air Monitoring**

The total suspended particulates (TSP) are monitored at each project site. Readings are taken each month at various monitoring stations as stated in the Environmental Assessment Plan. TSP must not exceed the limit set by the Department of Environment (DOE) of 260 µg/m<sup>3</sup>.

The minimum, maximum and average air quality readings are presented in the table below. We are pleased to report that no readings exceeded the DOE limits in 2016.

**Total Suspended Particles (µg/m<sup>3</sup>)**

Project	Limit	Baseline	Minimum	Maximum	Average
ER	150	54	49	53	51
MRT V201	260	40 *	21	86	50
SMC 3	260	62	62	620	202
CP 3	260	N/A	29	163	71
CP 4	260	N/A	40	150	85
CHSL	260	78 *	49	87	55
Citrine	150	73	49	53	51
SIIS	150	54	49	53	51
KLCC P1	260	N/A	25	243	87
KLCC P2	260	260	36	255	100
Parcel F	260	84	14	97	46
Lenang	150	150	49	56	52
CK 3	260	76	57	76	67
RC 8	260	73 *	51	85	70
MRT V4	260	115 *	72	96	86
Velocity	260	N/A	86	93	88

\*Average Baseline Reported

## Environmental • cont'd

SunCon also monitors its NO<sub>x</sub>, SO<sub>x</sub> and CO<sub>x</sub> although very few are produced during construction. These gases are highly noxious and are the cause of several serious problems. They are very harmful to the respiratory systems of humans and other animals.

### NO<sub>x</sub>, SO<sub>x</sub> and CO<sub>x</sub> (µg/m<sup>3</sup>)

Project	NO <sub>x</sub>			SO <sub>x</sub>			CO		
	Baseline	Min	Max	Baseline	Min	Max	Baseline	Min	Max
MRT V201	<1	<1	4	N/A	N/A	N/A	<1	2	3
KLCC P1	<5	<5	<5	<5	<5	<5	N/A	N/A	N/A
KLCC P2	<5	<5	<5	<5	<5	<5	N/A	N/A	N/A

Our concentrations of NO<sub>x</sub>, SO<sub>x</sub> and CO<sub>x</sub> are within the compliance limits.

### Water Monitoring

We monitor the total suspended solids at each site. Monthly readings are taken at various monitoring stations as stated in the Environmental Assessment Plan. Total suspended particulates must remain below 100 mg/l to comply with DOE compliance limits.

The results of our water quality monitoring in 2016 are presented in the table below.

### Total Suspended Solids (mg/l)

Project Site	Baseline	Minimum	Maximum	Average
ER	75 *	4	42	22
MRT V201	100 *	ND	32	14
CP 3	N/A	2	51	19
CP 4	100	2	23	10
CHSL	39 *	22	138	71
Citrine	79 *	4	42	22
SIIS	127 *	4	42	22
KLCC P1	N/A	6	174	34
KLCC P2	50	ND	35	12
Parcel F	N/A	ND	137	16
Lenang	50	10	44	20
CK 3	2	2	4	3
MRT V4	25	5	196	28

\* Note:  
ND = No Discharge

The high maximum readings for Parcel F and KLCC 1 were caused by increased soil movement such as excavation works with cut and fill for road works and heavy monsoon rain being responsible for CHSL. These were one-off occurrences as SunCon took measures to ensure that these events were not repeated. The success of these initiatives is reflected in the average reading being within the compliance limits.

## Noise Monitoring

Construction sites are a very common source of noise pollution. Sometimes we build in areas that were quiet beforehand, which exaggerates the perceived volume of the noise. Noise is an inevitable part of any construction project. However, SunCon and its subcontractors minimise this nuisance as much as possible. We monitor the noise levels in real time at several stations at each of our construction sites. Separate readings are taken in the day and night. Monthly readings are submitted to the DOE as required by the Environmental Assessment Plan.

The noise levels at our project sites are summarised in the table below.

Project	Noise Monitoring (Day) General Limit : 65 dB(A)				Noise Monitoring (Night) General Limit: 55 dB(A)			
	Baseline	Min	Max	Average	Baseline	Min	Max	Average
ER	58	54	56	55	44	45	48	47
MRT V201	67 *	61	73	68	34 *	56	70	62
SMC 3	69 *	60	74	67	55 *	51	67	57
CP 3	70 *	63	71	67	65 *	53	69	61
CP 4	215 *	63	72	69	64 *	57	69	65
CHSL	60 *	54	65	62	49 *	46	60	53
Citrine	60	54	56	55	50	45	48	47
SIIS	58	54	56	55	44	45	57	50
KLCC P1	151 *	58	69	65	71 *	52	66	60
KLCC P2	155 *	57	73	68	74 *	56	73	65
Parcel F	61 *	53	69	61	50 *	44	60	52
Lenang	60	51	58	56	50	42	47	45
CK 3	51	51	51	51	63 *	51	65	58
RC 8	68 *	63	70	67	63 *	59	66	63
MRT V4	63 *	53	71	65	55 *	46	71	58
Velocity	N/A	60	67	63	N/A	50	53	51

The baseline noise levels, which represent the ambient reading, exceeded DOE limits at many of our project sites prior to work commencement. This may be due to activities surrounding our project sites. SunCon ensures that its noise levels are within the tolerable limit. Our average readings show that our boundary noise levels do not deviate far from the baseline noise levels.

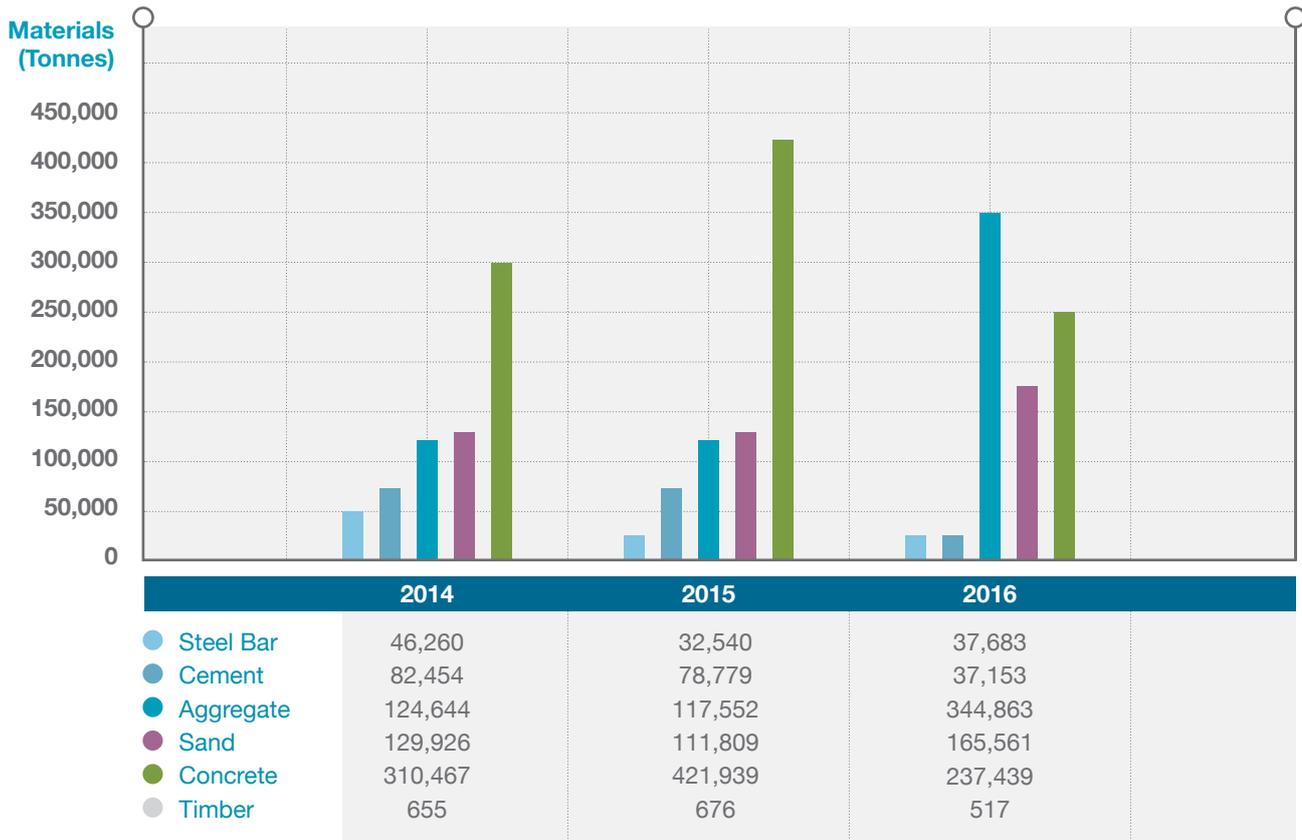
## MATERIALS MANAGEMENT

Materials management plays a significant role in SunCon and the operational efficiency of its supply chain. Large amounts of sand, aggregate and cement are used in construction and it is important that Suncon uses its resources responsibly. We have established a quality objective to monitor materials wastage across all project sites. The tabulated results, along with an explanation why quality objectives have or have not been met, are presented during management review meetings.

The principal raw materials used are generally widely available and sourced from local suppliers. The prices of our raw materials such as steel, cement and concrete fluctuate depending on supply and demand. Generally, SunCon purchases raw materials on a project or purchase order basis.

## Environmental • cont'd

### Raw Materials Used in Malaysia and Singapore



The spike for aggregate use in 2016 was mainly caused by the crusher run used for the CHSL project in Iskandar, Johor.

### Maximum Wastage Allowed by Work Type

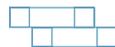
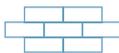
## WASTE MANAGEMENT

SunCon has introduced good waste management practices across all business operations to comply with environmental legislation, reduce costs and help create a positive company image.

### Our Objectives

Group Internal Audit Department conducts internal audits of materials wastage at the project sites to ensure adherence to the QESH objective.

In 2016, the amount of concrete, steel and other wastes generated are reported. According to the waste docket generated by landfill operators, 5,585 tonnes of other wastes including timber, components from architecture works and domestic wastes cannot be categorised as detailed records are unavailable at the project sites. We hope to improve our reporting of waste generated and disposed in our future reports.



### Ready-Mix Concrete

Geotechnical works	
• piling work	<b>40%</b>
• piling work - pile cap	<b>15%</b>
Building works	
• substructure	<b>6%</b>
• superstructure	<b>5%</b>
Civil works	
• substructure	<b>8.5%</b>
• superstructure	<b>8%</b>

### Steel Bars

Geotechnical works	<b>15%</b>
Civil works	<b>12%</b>
Building works	<b>6%</b>
Bricks (building works)	<b>7%</b>
Tiles (building works)	<b>6%</b>
Crusher Run	<b>1.5%</b>
Premix	<b>1%</b>



Annual 3R Campaign at Project Sites



Recycling Bins in the Pantry at Menara Sunway

### 3R – Now, Today and Future

Waste disposal is a major issue for the government and the community. The 3 R's – Reduce, Reuse and Recycle, is a slogan that constantly reminds consumers from all walks of life to minimise the burden that their waste creates. SunCon is mindful of reducing and reusing waste or recycling it into future goods. Good 3R habits have been inculcated in our working culture.

We have strategically placed recycling bins near the pantry area of our main office. Stakeholders are also invited to contribute to our recycling efforts through this 3R campaign. In 2016, a number of our project sites including the Coastal Highway Southern Link (CHSL), Citrine, Emerald Residence, Sunway Iskandar International School and Sunway Lenang organised the annual 3R campaign. We also continued our 3R efforts at the head office, Menara Sunway, which included recycle bins for paper, plastic and recyclable waste.



Reuse of Timber Palette as Fences

#### Our 3R Model

##### Reduce

Looking for ways to produce and use goods that stop waste being generated.

##### Reuse

Reuse containers, packaging or waste products.

##### Recycle

Recycle waste materials into usable products.

#### Reuse Initiatives

Steel plates and timber waste onsite are repurposed as bored pile cage stoppers, cement mixing containers and signage. We reused damaged plastech formwork to fabricate plastic toe boards rather than purchasing new steel toe boards. The plastic toe boards are more environmentally-friendly than their timber/steel alternatives and can reduce costs by up to 78%. Concrete waste is crushed to create crusher run, which is an environmentally-friendly and cost-effective alternative for driveway construction.



#### Construction Scheduled Wastes Disposed of in 2016

Waste Type	Scheduled Waste Code	Amount (kg)
Spent lubricating oil	SW 305	796.0
Waste oil or oily sludge	SW 311	3,784.0
Contaminated soil, debris or matter resulting from cleaning-up of a spill of chemical, mineral oil or scheduled wastes	SW 408	1,995.8
Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes	SW 409	356.4
Rags, plastics, papers or filters contaminated with scheduled wastes	SW 410	262.5
<b>TOTAL</b>		<b>7,194.7</b>

## Environmental • cont'd



Dust Suppression at Parcel F Project Site



Wash Through at KLCC Project Site

### WATER MANAGEMENT

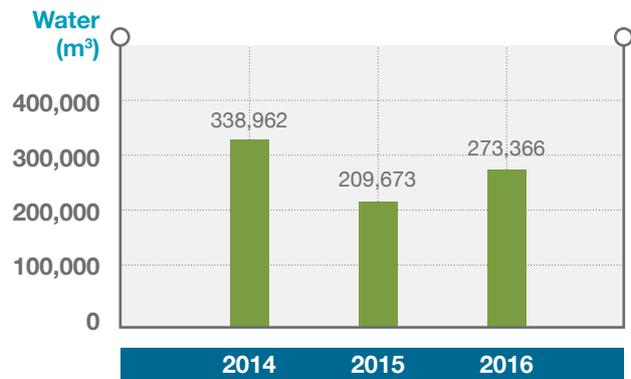
Project sites rely heavily on water for toilets, cleaning wheels, suppressing dust and cleaning tools. We seek ways to effectively reduce our consumption and reliance on mains water at our existing and future construction sites.

The Parcel F project site extracts water from Putrajaya Lake for dust suppression in adherence with approval limits. This practice also reduces our carbon emissions as lake water does not require purification or deal with problems associated with leaking or being pumped long distances. Some project sites are increasingly reusing and recycling water for wash troughs.

We also harvest rainwater to flush the toilets at the MRT V201 project site. We pump water from the wells at our KLCC project site to wash tyres and reduce the height of the water table. We will continue to seek effective ways to conserve water and to use it efficiently.

Water usage increased in 2016 as we had to purchase water from external sources to fill up silo tanks at the project sites. The main water supply pressure was insufficient for intensive activities such as diaphragm wall and bore piled constructions.

### Water Consumption for Project Sites



### GREEN BUILDING

Green building, also known as green construction or sustainable building, refers to both a structure and the use of processes that are environmentally responsible and resource-efficient throughout a building's lifecycle.

We have promoted sustainable solutions to help clients realise their sustainability aspirations through green building for a long time. Eight green building projects have been built to date. International School Kuala Lumpur is the most recent green building project that was awarded a GBI Platinum rating. Our commitment to green building serves to address all issues including biodiversity, GHG emissions, energy management, resource use, pollution, waste management and water management.

**4** Employees certified as "green" trainers



Sunway Clio Hotel

### The Status of SunCon's Green Buildings

#### Completed Projects

Projects	Status
Sunway Clio Hotel	GBI Certified & Green Mark Gold
Sunway Pinnacle	GBI Certified & Green Mark Gold
PZ 10 Office & Hotel	GBI Certified

#### Ongoing Projects

Projects	Status
International School Kuala Lumpur	GBI Platinum
Parcel F	GBI Gold
CP 4 Office Tower	Green Recertified
KLCC Package 2	GBI Gold
Afiniti Wellness Centre, Somerset Medini & CIMB Leadership Academy	GBI Certified



We will feature Sunway Clio Hotel in this year's report. Completed in early 2016, these are our latest green leases and operations have already commenced.

## Environmental • cont'd

### Green Building Features Adopted in the Construction of Sunway Clio Hotel & Retail

Energy Efficiency	Indoor Air Quality	Sustainable Site Planning & Environment	Materials & Resources	Water Efficiency
<ul style="list-style-type: none"> <li>• High-performance glazing and roof insulation to reduce heat gain.</li> <li>• Overall Thermal Transfer Value below 50 W/m<sup>2</sup>.</li> <li>• Energy Management System to control, monitor and integrate building energy equipment.</li> <li>• Individual lighting zoning allowing flexible control for occupants.</li> <li>• Electrical submetering for major energy equipment that is linked to the energy management system for easy monitoring and recording.</li> <li>• Hotel rooms use keycard sensors that switch off electricity when guests leave the room.</li> </ul>	<ul style="list-style-type: none"> <li>• Smoking prohibited in the building.</li> <li>• Designated smoking area provided 10m from entrance of building.</li> <li>• Low-VOC materials to reduce indoor air pollutants.</li> <li>• Internal noise levels kept at an acceptable and tolerable level.</li> </ul>	<ul style="list-style-type: none"> <li>• Developed on land that does not affect biodiversity.</li> <li>• Existing damaged sites redeveloped and rehabilitated.</li> <li>• Site in urban area with existing infrastructure selected to preserve habitat and natural resources.</li> <li>• Erosion and Sediment Plan implemented to reduce pollution, sedimentation and airborne dust generation.</li> <li>• QLASSIC minimum score of 70%.</li> <li>• Adequate health and hygiene facilities for workers on site.</li> <li>• Site located within 1km radius from public transport to control pollution from cars.</li> <li>• Building user manual records all passive and active features.</li> </ul>	<ul style="list-style-type: none"> <li>• Reuse building materials and products to reduce wastage.</li> <li>• Recycled content materials are used in the building.</li> <li>• Regional suppliers used to reduce environmental impacts from transportation.</li> <li>• Zero Ozone Depleting Potention (ODP) products used.</li> </ul>	<ul style="list-style-type: none"> <li>• Rainwater harvesting used for irrigation.</li> <li>• 50% reduction of potable water consumption for irrigation.</li> <li>• Efficient fittings to reduce annual potable water consumption.</li> <li>• Water submetering is linked to the energy management system for monitoring.</li> <li>• Condensate water recycled into rainwater harvesting for irrigation.</li> </ul>

## ENVIRONMENTAL

### WHAT TO EXPECT IN 2017

- To continue ensuring all SunCon project worksites strictly comply with environmental requirements as stipulated in applicable legal legislation.
- To reduce waste through creative and effective reuse initiatives within our organisational boundaries.
- To use R&D to transform our construction waste into usable materials outside our organisational boundaries.
- To become more involved in biodiversity and environmental conservation efforts.

## Social: Labour and Decent Work

Our employees are vital to our success in the competitive international environment in which we operate. Collaborating with customers spurs innovation and plays a key role in conserving resources. Our sustainability strategy can only be implemented successfully by valuing, challenging and rewarding our employees. Our benefits and compensation packages exceed the living wage considerably and are above industry practices.

We assess the risks of our labour issues including current practice and future plans. We are pleased to report that there have been no incidences of noncompliance in relation to our labour practices.

### Highlights

<b>3,365 man-days</b> of training and <b>55,666 hours</b> of ESH training were delivered	<b>12</b> knowledge categories on the <b>Knowledge Management Portal</b>
<b>Sunway-IFT Training School</b> collaboration offers a Tower Crane Operator Competency Training Programme	In 2016, SunCon's average QLASSIC score was 73.3%, which <b>surpasses the national average of 70%</b>
The management team attended <b>3 Cross Learning Programmes (CLP)</b> in Japan	Over <b>RM750,000</b> given to more than <b>27 organisations and institutions</b>
<b>891 employees</b> have benefited from the Knowledge Management Portal	<b>92.1% client satisfaction</b> rate in the products and services category
<b>37%</b> of workforce is below 30 years old compared to <b>41%</b> of the national demographics age band from 24 to 51 years old	<b>15%</b> of workforce is female compared to <b>18.3%</b> for the top European construction company, Bouygues Construction
Shortlisted as a Finalist in the Property & Construction category for the <b>M100 award</b>	Ranked in the <b>top 20</b> 100 Leading Graduate Employers in Malaysia
100% of our sites are <b>OHSAS 18001 certified</b>	Manage <b>3 CLQs</b> for construction workforces
Average <b>SSMS</b> score of <b>83.01%</b>	<b>4</b> completed SunCon KAIZEN topics in 2016

### Local Recruitment

**130**   
internship students

More than **10**   
private and local universities in Malaysia

 **3 to 6**  
month placements

Up to **22%**   
of interns were offered full-time employment upon graduation in 2016

## Social: Labour and Decent Work • cont'd

### SUPPORT HIRING OF LOCALS

Hiring and sourcing locally is a key element in building positive, long-term relationships. This strategy can also benefit the business by reducing costs and increasing efficiency. We collaborate with our host communities and governments to identify potential, high-calibre candidates to fill vacancies.

We work with TalentCorp under the Scholarship Talent Attraction & Retention (STAR) Programme. The STAR programme provides employment opportunities to Public Service Department (JPA) overseas scholars as a way of serving conditions of the Government bond in the private sector. To date, five JPA fresh graduates have joined SunCon under this programme.

Our recruitment policy does not discriminate against any individuals and we hire the best talent including those from underprivileged groups. We provide equal opportunities to ensure that employment decisions are based on merit and performance and are unaffected by race, religion, gender, age, nationality or disability. We have employed two physically-challenged employees to date. We are committed to removing any form of discrimination or prejudice from the workplace.

We have built strong collaborative partnerships with public-private universities and polytechnic schools. In 2016, we moved towards building a stronger talent pipeline with diploma and certificate skill level students. We participated actively in both small key university events and larger annual events.

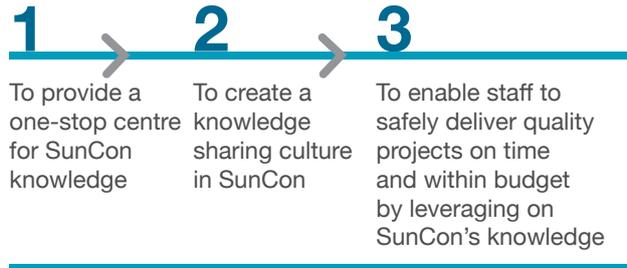
#### **Politeknik Ungku Omar**

We collaborated with MBAM to offer a work-based learning programme to students at the Parcel F project. We took six students from Politeknik Ungku Omar for 10 months. Each performed operational-related tasks during this internship.

#### **Institut Kemahiran Belia Negara (IKBN)**

We collaborated with IKBN to provide four students with six-month internships at the MRT V201 and Parcel F projects. Most of these students were trained in wireman and chargeman skills.

### KNOWLEDGE MANAGEMENT (KM) PORTAL



SunCon Knowledge Management is aligned with our business strategies in order to address the real issues and challenges facing our business. We utilise our knowledge assets to improve the construction project delivery processes and provide competitive advantages to our organisation, clients, projects, project teams and individual staff members.

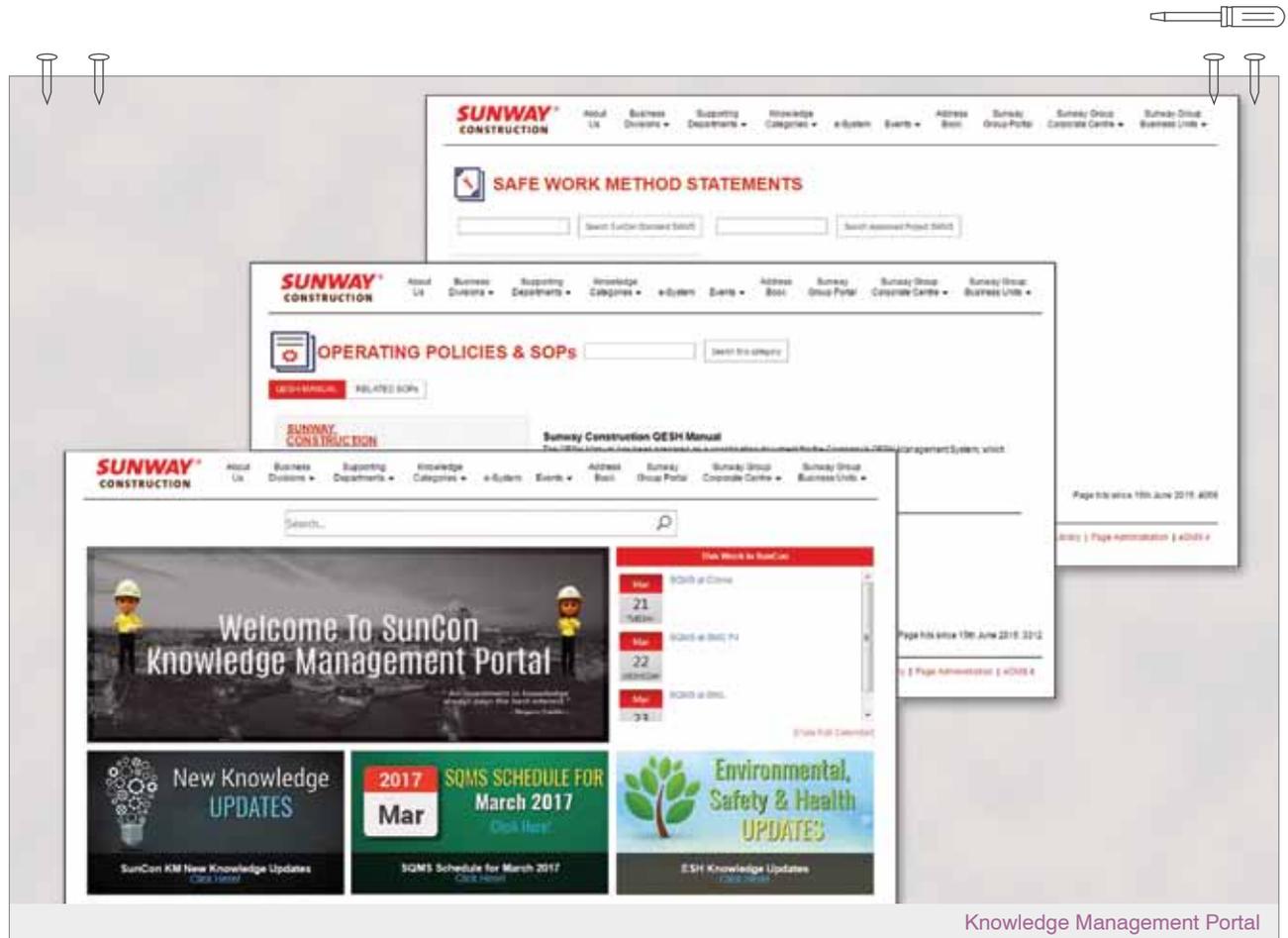
Launched in 2015 as a one-stop centre for SunCon knowledge, SunCon KM Portal is a web-based collaboration platform that can be accessed by mobile applications. This portal is the integrated collaboration platform linking our e-DMS database system for all SunCon Group companies with the respective departments and projects.

This web-based portal allows every SunCon employee to deposit, share and search cross-functional knowledge from anywhere in the world and at any time of the day.

SunCon Knowledge Management, including how-to guides, key methodologies, innovative solutions, good practices and lessons learnt, is grouped into 12 Knowledge Categories.

Besides enriching the knowledge content in the portal, our focus in 2016 includes transferring the cross-functional knowledge to all staff across the Company in line with our missions.

The Operating Policies and SOPs knowledge category shares the procedures for all SunCon subsidiaries. The Safe Work Method Statement knowledge category has been established to share the Work Methodology and related Inspection Checklists, Inspection Test Plans, Job Safety Analysis and Environmental Aspect Impact Register for all scopes under building, civil, geotechnical, mechanical, electrical and plumbing works. The next knowledge category aims to capture and transfer best practices for the various traits and scopes of work.



Knowledge Management Portal

## TRAINING AND DEVELOPMENT

We treat our people well, help them develop and provide a rewarding working life. We create an environment in which employees can excel, develop skills and achieve their career goals.

Our training programmes include on-the-job learning, coaching and feedback. Everyone who works with us receives the necessary resources to perform their work and progress in their careers.

As of December 2016, a total of 3,365 man-days had been dedicated to formal training, which is the equivalent of two days per employee including our Industrial Manual Group (IMG). The IMG makes up 14% of our workforce and comprises operators, mechanics, welders, apprentices, technician and drivers.

A reduction in both the average attendance per training programme and average man-days of training per employee in 2016 was due to a change in employee development strategy. We moved towards holistic learning, providing on-the job training to improve staff development. This is in line with our learning model: 70% on-the-job learning, 20% learning from others and 10% in the classroom.



Site Safety Supervisor Training Course



Learning modules were designed to suit specific project requirements and employees' job roles. Competency training, especially aspects of safety and quality, are emphasised. Our KVMRT Safety Passport Training, Site Safety Supervisor Course (SSS), Competent Scaffolder, Lifting Planner, Lifting Supervisor, Slings and Rigging, and Quality Assurance Support Team (QAST) use this approach. Internal trainers were also appointed as part of our holistic learning agenda. Seniors share knowledge and good practices across projects, which indirectly strengthen the Kaizen culture within SunCon.

Knowledge sharing is strongly encouraged within the organisation. Wherever possible, we train management employees and subject matter experts as internal trainers. By providing these employees with proper guidance and training, we hope they will be able to transfer knowledge to the team or employees. The initiative ensures that knowledge will keep flowing within the organisation rather than being kept with one individual. We always encourage our employees to discuss their career aspirations and opportunities with their line managers, regularly. We wish to encourage transparent communication within the organisation and allow employees to take charge of their individual career paths. We also sponsor high-performing employees wishing to pursue academic programmes such as a diploma, tertiary, professional and postgraduate qualifications. SunCon delivered many training programmes throughout the year and the most significant are presented below.

### Cross Learning Programme

SunCon's Cross Learning Programme (CLP) consists of cross-project learning for employees and top management across project sites and departments. CLP motivates employees by helping them learn about the Company in more depth including how things get done and what makes it unique. Exposing employees to the diverse projects we manage helps them understand functions within the Company more clearly. It is a good learning opportunity that truly enriches each participant. In 2016, 39 programmes were delivered to 268 participants who visited Parcel F, KLCC, Velocity, Sunway Medical Centre, MRT Pasar Seni Underground Station, Citrine and Lenang Height.

The CLP allows participants at other sites to learn and share how to implement best practices in the respective projects. Hopefully, participants are able to adopt and cascade down their newly acquired knowledge across the group. The programme also helps standardise good practices across the Group. Presentation topics differed across project sites, for example.

- KLCC P1 focused on the diaphragm wall, covering the challenges faced and construction methods,
- KLCC P2 presented a brief on the top-down process including the challenges faced, how the team overcame challenges and adapted to a different way of working,

- Parcel F discussed the strict PTW process set by the client and the logistics of handling building materials with space constraints.

These specialised topics helped CLP participants understand processes occurring elsewhere in the Company. The CLP allowed participants to discuss the various topics presented with the host (CLP Crew), giving suggestions and sharing their own experiences in dealing with particular issues. SunCon has created a learning culture that will encourage staff to share knowledge with each other. CLP is also a good forum for our project managers and top management to learn. In 2016, we organised three CLPs to various construction sites and precast concrete plants in Japan for the management team.

The CLP in Japan aimed to expose our management team to the new technologies and methodologies used in the Japanese construction industry. General project management topics discussed included time; cost; quality and safety; sharing knowledge/learning from others, especially those overseas; and adopting good practices for our projects.



CLP for Top Management to Japan



CLP at Kuala Lumpur City Centre (KLCC) Package 2



CLP at Citrine, Sunway Southern Region



**Project Management Professional (PMP) Certification**



Endorsed in 2013, the programme aims to accelerate career development and progression for all practised talents.

Equipped aspiring managers with the best project management practices and propelled them to become internationally recognised Project Management Professionals (PMPs).

Since its inception, 9 managers have been certified as PMPs.

**Construction Core Programme**



Designed to equip our operations personnel with extensive knowledge of construction industry.

Conducted by internal trainers.

Topics covered include all areas of project management such as Planning, Contracts, Quality, Environmental, Safety & Health, Financial and Human Resources.

**Trade Supervisory Training**



Focusing on supervisors and foremen in specific trades.

Topics delivered in 2016 included concreting, waterproofing and brickworks.

Site Safety Supervisory Programme was also introduced to equip site supervisors with sufficient knowledge of unsafe acts and conditions on construction sites.

**Evening Talks and Sharing Sessions**



16 sessions were delivered in 2016.

Topics covered construction risk management, aluminium facade works, tile manufacturing and construction related issues.

**126**

Workers and subcontractors attended rigging and slinging/forklift competency training over six in-house sessions.

**Competency Training**



SunCon strived to ensure all its workforce possessed sufficient knowledge and competency for works carried out on the worksites.

**29**

Employees underwent basic scaffolding training.

**21**

Employees trained in construction occupational competency development for construction trade supervisors and foremen by the MBAM.

**13**

Employees underwent intermediate scaffolding training.

**COMPETENCY TRAINING HIGHLIGHTED**

**32**

Competent Safety and Health Officers.

## Social: Labour and Decent Work • cont'd

### Leadership/Management/Skills Training

SunCon prioritises the development of managers' leadership, managerial skills and knowledge through the following programmes:

#### BUILD 1 Programme

Designed for our future leaders, this programme provides participants with the core managerial skills required to execute plans in line with our business objectives. It also enhances their motivational and coaching skills. We are currently formulating the BUILD 2 programme following the success of BUILD 1.

#### Coaching for Excellence

This workshop inculcates a coaching culture in our managers. Good coaching skills are required to portray positive leadership, which reduces turnover and delivers value to both our employees and the Company.

#### The Seven Habits of Highly Effective People and Managing Poor Performance

In 2016, we engaged internal trainers to deliver this workshop.

### Academic Programme Sponsorship

SunCon continues to sponsor employee initiatives that upgrade their skills and competencies as part of employee development. Currently, we have seven graduates under this programme, on the following courses:

- MBAM-OUM Executive Industrial Diploma, Bachelor in Construction Management and Contract Administration Programme (part time)



SunCon's Graduates from the MBAM-OUM Programme

- Safety and Health Officer Course (part time)
- Site Safety Supervisor Course (part time): two in-house sessions were held in 2016 which were attended by 40 employees

### Sunway Machinery Training Academy

The Sunway Machinery Training Academy was established in October 2010. It is accredited by the Department of Skills Development (Jabatan Pembangunan Kemahiran) under the Ministry of Human Resources Malaysia.

Our academy delivers certified technical training for heavy construction machinery mechanics. The training also benefits employees by teaching the skills, knowledge and expertise required to repair heavy construction machinery.

Leveraging on Sunway Machinery Training Academy's training facilities and expertise, we were accredited by CIDB in January 2014 to deliver our first operator competency training programme for hydraulic bored piling machines.

#### Achievements

<b>Training Programme</b>	<ul style="list-style-type: none"> <li>• Apprenticeship programme</li> </ul>
<b>Programme Details</b>	<ul style="list-style-type: none"> <li>• Maintenance of Earthmoving Machine (SKM Level 1-3)</li> <li>• Machine Operator Competency Training</li> <li>• Backhoe loader operation (Level 1&amp;2)</li> <li>• Hydraulic excavator operation (Level 1&amp;2)</li> <li>• Hydraulic bored pile operation (Level 1&amp;2)</li> </ul>
<b>Achievements</b>	<ul style="list-style-type: none"> <li>• Accredited by Jabatan Pembangunan Kemahiran Malaysia (JPK)</li> <li>• Accredited by Construction Industry Development Board (CIDB Malaysia)</li> </ul>
<b>Way Forward</b>	<ul style="list-style-type: none"> <li>• We are in the process of upgrading our accreditation training centre from Sijil Kemahiran Malaysia (SKM) Level 3 to Diploma Kemahiran Malaysia (DKM) Level 4</li> <li>• Expanding training programme to include Crawler Cranes &amp; Mobile Cranes</li> </ul>

### Leadership/Management/Skills Training

- Minimise machine repair costs and downtime
- Raise safety awareness
- Promote knowledge-based skilled workers
- Recognise and certify skills competency
- Increase operational efficiency and productivity

### Programmes Provided

- Mechanic of Heavy Construction Machinery (NDTS & Full Time Training Programme)
- Hydraulic Bored Piled Machine Operator Competency Training Programme
- Hydraulic Excavator Operator Competency Training Programme
- Backhoe Loader Operator Competency Training Programme
- Forklift Operation & Safety Training

Currently, SunCon is collaborating with IFT Engineering Sdn Bhd to establish the Sunway-IFT Training School in Mantin, Negeri Sembilan. The school, which will offer a Tower Crane Operator Competency Training Programme, is currently awaiting approval from the JKKP Accreditation Training Centre.

Sunway Machinery provides other types of trade training programmes that are aligned with its training objectives. The forklift operation and safety training syllabus introduces an elementary knowledge of forklift trucks, essential safety instructions, operations knowhow, instruments and control, and service and maintenance.

The tower crane maintenance checker training programme concentrates on improving operational safety and awareness through multi-skilled development and effective repair maintenance. The acquisition of these skills helps us improve tower crane efficiency while reducing the risk of accidents, repair costs and operation downtime.

**> 50**  
Apprentices

Graduated from our Apprenticeship Programme: Maintenance of Earthmoving Machine

**> 40**  
Participants

Graduated from our Operator Competency Training Programme for Backhoe Loader Machine Operation & Hydraulic Excavator Machine Operation

## PERFORMANCE MANAGEMENT

Our performance management system is also known as Managing For Excellence (MFE). MFE is a platform for setting goals and evaluating job performance and behavioural competencies. It facilitates discussions about performance improvement, challenges faced, learning/development actions and career planning between the employee and line manager.

Coaching sessions are conducted periodically throughout the year. These sessions are useful as they help provide continuous feedback and support to employees. SunCon managers are trained to coach their team to achieve optimal performance levels.

We believe that when performance is evaluated objectively, the MFE promotes fairer and more equitable recognition, providing appropriate rewards, compensation and promotion. This supports our performance-oriented culture.

All confirmed employees are required to adhere to the MFE cycle which is summarised below.

<b>MFE Planning</b>	January - February
The MFE cycle begins with MFE Planning. Project and departmental Key Result Areas (KRAs) for twelve months are identified and agreed with the management and cascaded down to all employees. Both parties agree on a 12-month learning and development action plan, which helps the employee deliver the KRAs for the projects and departments.	
<b>MFE R1 Mid-Year Review</b>	July - August
The MFE Mid-year Review is intended to track and monitor the performance of projects and departments against targets set for each KRA. The line manager can recognise milestones reached and share areas for improvement and development. Employees are able to perform optimally when clear performance objectives and standards have been established.	
<b>MFE R2 Year-End Review</b>	November - December
The MFE concludes the year's performance evaluation at the end of the year. The final rating is used as a basis for determining a bonus and increment.	

## Social: Labour and Decent Work • cont'd

### REWARDING OUR EMPLOYEES

We practise a “Pay for Performance” philosophy. Salaries of confirmed employees are reviewed on the first day of every year. Increments are awarded based on both the individual employee’s performance and the Company’s profitability. If management believes an employee’s work performance is unsatisfactory, his or her increment may be withheld until their performance improves. In the future, this increment may be approved without retrospective effect. Bonus payments are at the discretion of the management based on the Company’s financial performance, the employee’s performance and contribution to SunCon’s success. Management determines the quantum and timing of bonus payments.

According to the Hay Group’s salary survey, total cash compared to the construction industry is at the 75<sup>th</sup> percentile of the market and total base salary is at the 60<sup>th</sup> percentile.

#### Bonus and Increment

SunCon believes that a good, fair and well-designed bonus scheme is a perfect way to increase employees’ productivity. Our bonus schemes and employee rewards strategies increase employee motivation by:

- Establishing a clear link between pay and performance; and
- Creating the desired workplace culture.

Both SunCon and Sunway Group HR analyse compensation and benefits data to propose an increment to the compensation committee. Factors considered include the:

- Company’s performance.
- Company’s current salary benchmark against the market (construction industry).
- Industry’s expected increment based on inflation and market movements.

We offer fair benefits and remuneration packages regardless of age, race and gender. The ratio of women to men’s average salaries remained at between 1:0.97 and 0.98. The following basic salary costs exclude foreign workers’ daily wages. Only permanent and contract employees, who are paid monthly, are included.

#### Bonus Retention Plan

Staggering bonuses is part of management’s staff retention programme. The bonuses will be paid in three tranches: 75% by January and March 2017, 15% by December 2017 and 10% by January 2018. Staggering bonuses ensures that each employee bonus quantum is consistently high throughout the challenging years for the construction industry where bonus quanta are expected to dip.

This bonus retention exercise was introduced at the management’s discretion for each year of bonus payment. It is only implemented in the event that the total bonus quantum exceeds a certain average threshold determined by our management. If the total bonus quantum is below the average threshold, all employees receive their full bonuses in one payment.

#### Employee Stock Options Scheme

An Employee Stock Options Scheme (ESOS) was introduced in September 2013 and will run until September 2019. The ESOS entices employees to stay with Sunway Group longer and work to increase shareholder value.

Employee eligibility is subject to specific criteria. Employees serving a minimum of one year prior to the cut off date are able to purchase a certain number of shares at a fixed price for a set period of time. Unlike purchasing company stock at market prices, the fixed price ESOS shares are predetermined by the market price of the shares on the date of grant. This ESOS scheme is for the purchase of Sunway Berhad stock.

### Other Benefits



#### Leave

Annual leave, special leave and examination/study leave



#### Education Assistance

Tuition refund scheme and tuition fee discount



#### Medical

Medical treatment and insurance coverage, health screening programme, dental and optical benefits



### Health Benefits

Medical and hospitalisation leave, maternity and paternity leave and prolonged illness leave



### Staff Discount

Discounts on room rates at Sunway Group hotels, property developed by the Group and Sunway Lagoon entrance fees



### Other Benefits

Company car and/or fixed car allowance, club membership entrance and mobile devices

## EMPLOYEE INCLUSIVITY THROUGH THE SUNCON SOCIAL CLUB

The SunCon Social Club was established in 2004 to boost employee engagement and motivation. The club has been an effective platform to support employees' emotional and physical wellbeing. Conducting activities for employees during their working week is an important stress release. It also encourages creativity and provides an opportunity for them to unwind. These activities improve motivation and instil a sense of belonging. Employees are given an opportunity to interact with their peers and feel valued in a supportive organisation.

The SunCon Social Club is run by a committee whose members are all employees. Members consist of a president, two vice presidents, one treasurer, nine central region representatives and six from the southern region.

The club focuses on sports, leisure and corporate social responsibility. Primarily, it aims to bring employees together through social platforms that also benefit society. Members are encouraged to suggest activities they would like to volunteer for.

In 2016, activities included the SunCon Annual Dinner, Sports Carnival, SunCon Family Day, employee gatherings, tree planting and various games.

SunCon Social Club gave 100 school stationery sets to eligible employees' children before the start of the new school term. The sets were presented to those on low incomes to lessen the financial burden of schooling.



SunCon Employees Children Aid



SunCon Sportsmen Participating in the KSS Sports Carnival

## Social: Labour and Decent Work • cont'd



Display of QESH Policy, ESH Pledge and ESH Objectives

### OCCUPATIONAL SAFETY AND HEALTH

**“To Achieve Zero Life Lost”** is a key performance indicator in the annual appraisal of all SunConians.

#### QESH Policy

Driven by its motto, “Quality, Environmental, Safety and Health, Our Culture, Our Shared Commitment”, SunCon aims to prevent accidents, preserve environmental sustainability and achieve the highest standards of work quality in all processes company wide. QESH policies, procedures and comprehensive frameworks have been developed and implemented to achieve these objectives:

**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 right 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 continually improve environmental, safety and health management practices.
- To comply with applicable, environmental, safety and health laws, legal and other requirements.
- To prevent environmental pollution, managing construction waste and conserving resources through systematic 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.

This policy reflects the Company's fundamental thrust towards inculcating total quality, environmental, safety & health management principles, practices and values.



HLEC Visit to Parcel F

### Safety Hazards Prevention, Controls and Mitigations

Safety and health issues are very important as we strive to live by our objective “To achieve ZERO life lost” at all project work sites. A formalised set of best practices has been introduced to reduce construction risks at our workplaces. This approach helps ensure that all risks arising due to the nature of our activities are mitigated and controlled as far as it is reasonably practicable while meeting the statutory requirements and complying with OHSAS 18001. SunCon conducts health and safety risk assessments for new and existing projects.

### Our Safety Performance

More accidents were recorded in 2016 with all reportable cases under OSHA 1994 being complied with and investigations completed. This increase is due to improved awareness of accident reporting and transparency within the organisation.

We took corrective and preventive action to prevent future recurrence across all work sites. After identifying falls from height as being a critical safety hazard, we aim to reduce the percentage of this type of accident and have included this indicator in our targets. In 2017, we will introduce programmes and initiatives that promote working at height, safely.

### ESH Initiatives in 2016

As part of its continuous effort to develop, implement and maintain good occupational safety, health and environmentally-friendly practices in its construction activities, SunCon inculcates a corporate culture that is

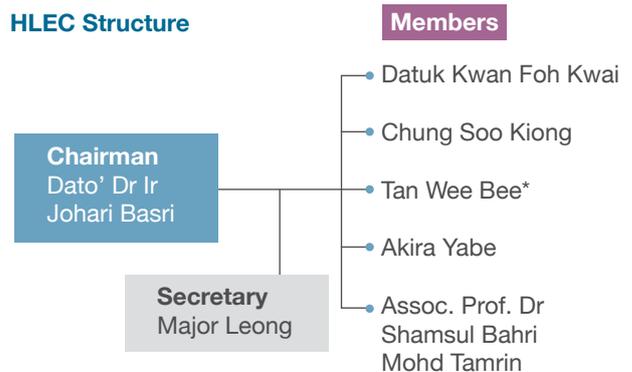
aligned with its QESH objectives. The Company aims to reduce its health and safety risks by encouraging continuous improvement through various safety programmes summarised below.

### High-Level Environmental, Safety and Health Council (HLEC)

Officially established in August 2015, the HLEC serves as a platform to identify, articulate and provide feedback on strategic environmental, safety and health issues in SunCon. HLEC is led by YBhg. Dato’ Dr Ir Johari bin Basri, Non-Executive Director of SunCon.

In 2016, HLEC also performed construction site visits and discussed the findings during scheduled quarterly meetings. The council provided medium to long-term opportunities and strategies that helped SunCon achieve world-class ESH standards.

### HLEC Structure



\* Representative from Sunway Berhad

## Social: Labour and Decent Work • cont'd

### Environmental, Safety and Health Committee

In compliance with OSHA 1994, ESH Committees are formed at all SunCon work sites. The committee, led by the project manager as committee chairman, is responsible for reviewing workplace ESH performance. The chairman is assisted by the secretary, who is a competent ESH Officer, with both SunCon representatives and business partners being part of the committee. The ESH committee meets at least once every month.

### Roles and Responsibilities of the ESH Committee



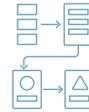
Reviewing the effectiveness of ESH management programmes



Discussing the findings of investigations and proposing recommendations for corrective and preventive action



Investigating accidents, incidents, near misses, environmental impacts, dangerous occurrences, occupational poisoning or occupational disease



Evaluating the analysis and trends of accidents, incidents, near misses, environmental impacts, dangerous occurrences, occupational poisoning or occupational diseases



Inspecting the workplace at least once a month to observe ESH practices and non-compliance



Daily Morning Toolbox Talk

### Minimum Requirements of Sunway ESH

Our minimum ESH requirements, as prescribed in the QESH Manual, are enforced and accentuated in all SunCon business operations.

These requirements are aligned with those imposed by the authorities and regulatory bodies including:

- The appointment of a dedicated Safety and Health Officer.
- The formation of a dedicated Safety and Health Committee.
- A valid license being required to work including CIDB Green Card.
- The introduction of the OHSAS 18001 Management System.

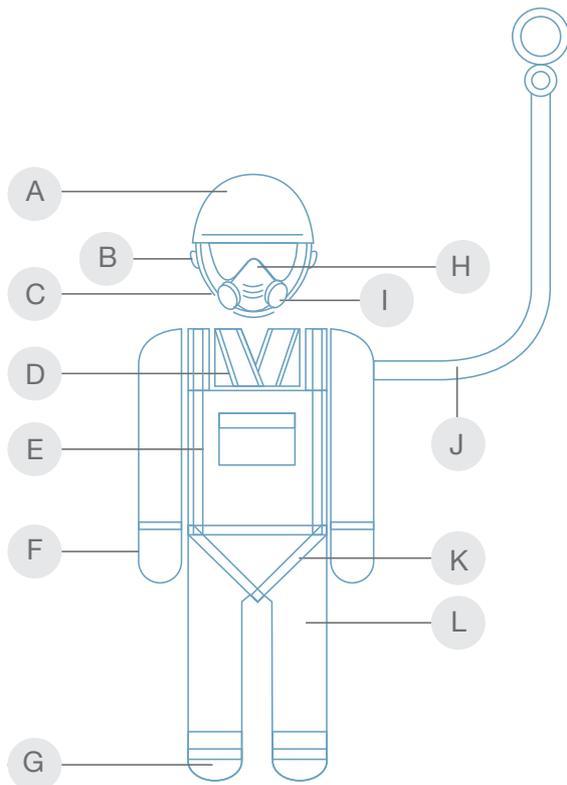
SunCon has also standardised its safety practices which include:

- ESH programmes such as daily morning toolbox talks and compulsory safety inductions.
- PPE requirements being a part of workplace safety.
- Obtaining the necessary Permits to Work (PTW) for high-risk activities.
- Safe working methods that emphasise fall prevention, electrical safety and safe lifting.
- Implementing the 5S initiative at all project workplaces.

These standardised safety practices are embedded in each business operation to prioritise safety at work and minimise risks while meeting the statutory requirements.



COMBI 2016



#### PPE Worn on SunCon Sites

- A Safety Helmet & Chin Strap
- B Hearing Protection and Ear Plugs
- C Eye And Face Protection
- D Reflective Vest
- E Full Body Harness
- F Hand Protection
- G Safety Footwear
- H Dust Mask
- I Respirator
- J Appropriate Breathing Apparatus
- K Fall Arrestors
- L Protective Clothing

#### Permits Required for High Risk Activities

- Excavation
- Scaffolding
- Confined Spaces
- Working at Height
- Lifting
- Night Work
- Hot Work

## Social: Labour and Decent Work • cont'd

### Zero Larvae, Zero Dengue

SunCon invited state health department officers to give talks on dengue to all construction site operations staff. The talks were delivered at both the Central and Southern Region construction sites by the respective state health departments. The talks outlined the most suitable chemicals and effective methods to eradicate dengue. This advice was followed and we are confident that we will achieve ZERO LARVAE, ZERO DENGUE at all construction sites.

Our four-pronged anti dengue strategy, which consists of fogging, search and destroy, *gotong-royong* and anti-dengue awareness and communication, is also being carried out at all SunCon work sites to eradicate all potential mosquito breeding grounds.



Fogging on Site

### Continuous Learning

Continuous learning is emphasised at our head offices and across all construction sites to promote behavioural-based safety culture and practices. Examples include safe working at height, lifting operations, temporary works, scaffolding, electrical safety, excavation and traffic management. These key topics have been incorporated into the Construction Safety training syllabus.

Construction Safety and Hazard Identification, Risk Assessment and Risk Control (HIRARC) training is compulsory for all employees to guarantee their full understanding of safety and accident prevention. We instil a culture of safety in the minds of all employees at our offices and construction sites. Employees are also appointed to attend competency training on basic occupational first aid, CPR, forklift operation, signalling, rigging and scaffolding. Employees also attend Certified Erosion, Sediment and Storm Water Inspector (CESSWI) and Certified Environmental Professional for Scheduled Waste Management (CePSWAM) courses to ensure the minimum qualifications for the respective works are achieved.



One Page Lifting Plan



Blue Card Training at MRT V201

### Safety and Health as Key Results Area

“To Achieve Zero Life Lost” is one of the performance indicators (KPs) in the annual year end appraisal for all SunConians. ESH performance including accident statistics are reported to the management on a monthly basis.

### Sunway Safety Merit System (SSMS)

SunCon embarked on the journey of self-regulatory compliance with the applicable Environmental, Safety & Health (ESH) regulations by establishing the Sunway Safety Merit System (SSMS) in 2012. This is consistent with the vision of Malaysia’s Department of Occupational Safety and Health (DOSH).



SSMS Opening Meeting at Project Site

Throughout the years, the SSMS has evolved from a simple programme promoting effective ESH awareness and compliance into a communication platform to inculcate ESH culture. The right to a safe and healthy working environment is respected at all levels in both SunCon and its business partners on the project sites.

The SSMS is implemented during monthly ESH inspections that are performed by the Inspectorate Team. The inspection gauges the achievement of project sites in inculcating a sustainable ESH culture in their workplaces. This is done concurrently with the monthly ESH Inspection’s assessment aspects.

The monthly inspection assessment criteria measure the site ESH preventive measures which include hazard identification, implementation and maintenance of control measures, staff and worker awareness and training, preventive programmes and promotions as well as documentation and record keeping compliance.

The inspection score is computed quarterly and each winner receives a cash prize of RM20,000 and a champion trophy. Each year, total cash prizes amounting to RM80,000 are awarded to the quarterly winning construction site and an additional RM20,000 to the overall champion.

## Social: Labour and Decent Work • cont'd



SSMS Winner 2016

### Reward and Recognition

ESH campaigns are carried out at all construction site levels to raise awareness of various ESH issues such as 3R and working safely at height. In conjunction with these campaigns, SunCon also recognises and rewards the workforce's contribution, including business partners, to a safe and healthy workplace.

### Sustainable ESH Culture

The Sunway Safety Week is an annual event in the calendar of all SunConians. With the theme Sustainable ESH Culture, Sunway Safety Week 2016 took a different approach than its predecessors by focusing on re-evaluating the current ESH practices in SunCon's latest process designs.

As part of the exercise, 13 focus groups championed by the top management studied various issues including safe scaffolding, safe working at height for roofing works, open edge protection and machinery management.

These business cases highlighting proposed improvements were presented to the High-Level ESH Council, Top Management and all project leaders for discussion and approval.

Proposals will be implemented at pilot projects before being rolled out company-wide to ensure the sustainability of ESH culture. Project leaders will be encouraged to take ownership and be accountable for the continual improvement and standardisation of ESH hazards and reduce these risks in their daily business operations.



Fall Prevention - Edge Barricade At Parcel F Project Site



### SunCon Environmental, Safety and Health (ESH) Pledge

- Strive for excellence and take ownership of our Environment, Safety and Health as our culture.
- Care for public safety and reduce public inconvenience.
- Always wear Personal Protective Equipment (PPE) at work.
- Ensure a clean and safe working environment by adopting the 5S principles.
- Prevent workplace accidents, injuries and environmental pollution through continuous learning and training.
- Identify, control and minimise all work hazards.
- Use fall protection equipment and safe working platforms when working at height.
- Conduct all lifting operations according to the Lifting Plan.
- Stop and eliminate all unsafe acts and conditions immediately.
- Act according to the Emergency Response Plan as and when required.



### Contractor Safety Standards

SunCon requires all contractors working at its sites to meet its safety guidelines and standards. Contractors must comply with all provisions of statutes, codes of practice and laws pertaining to environmental safety and health. Contractors and subcontractors must meet the minimum safety requirement, which is to comply with all relevant laws including:

- Guidelines for Public Safety And Health at Construction Sites by Department of OSH, Ministry of Human Resources Malaysia, 1994;
- The Code of Practice for Safe Working in a Confined Space by Jabatan Keselamatan dan Kesihatan Pekerjaan, Kementerian Sumber Manusia Malaysia;
- Guidelines on First Aid in the Workplace, Department of OSH, Ministry of Human Resources Malaysia, 2004;
- Guidelines on OSH (Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) Regulations 2004;
- Guidelines on trenching for construction safety, Department of OSH, Ministry of Human Resources Malaysia, 2000; and
- Guidelines for the preparation of a chemical register, Department of OSH, Ministry of Human Resources Malaysia, 2000.

### Other Channels That Reinforce the Importance of Safety



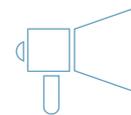
SunCon MD Townhall



ESH Information Corner at every construction site



Safety alerts and bulletins



Health awareness talks



Email blasts



SunCon MD Townhall 2016

## Social: Human Rights

We recognise that the nature of our industry is prone to human rights violations if all aspects of the business are not closely monitored.

### EXCEEDING EMPLOYEES BASIC RIGHTS

SunCon relies on the contribution of its workforce, which includes foreign workers. As a responsible employer, SunCon provides adequate necessities to safeguard the welfare of its workers. The Sunway Central Labour Quarters (CLQ) house our foreign workers. They serve as proper rest areas and are equipped with toilets, showers, a cafeteria, a futsal and table tennis court, cooking bays, washing bays and prayer rooms. The CLQs eliminate the need for makeshift construction workers' quarters; petty crimes and other unsavoury activities are also curbed.

SunCon has established three full-fledged CLQs where its direct workers and subcontractors' workers can stay. In this report, we will showcase our recently-built CLQs in Dengkil. These quarters accommodate all foreigners working on the Parcel F project. The CLQs meet all

criteria set by the Code of Practice Malaysian Standard for temporary construction site workers' amenities and accommodation. The CLQs are also equipped with 24-hour CCTV and an on-site clinic.

The Dengkil CLQ has been fully operational since 30 October 2016. In addition to providing living accommodation and ensuring workers' wellbeing, various processes were introduced in 2016 to manage workers more effectively, minimise downtime and ensure a safe and healthy camp environment. SunCon, in collaboration with CIDB, has been participating in a pioneer programme for the application of MS 2593:2015 (Temporary Site Worker's Amenities and Accommodation Code of Practice). Our Sunway Southern Region CLQ was accredited with this Malaysian Standard in 2016 and the Dengkil CLQ accreditation is scheduled for 2017.

### Processes Introduced at Our CLQ in Dengkil



Daily attendance



Daily sick report



Daily documentation inspection



Daily process/record leave application



Daily business log sheet



Daily occupancy and checkout



Diesel delivery record



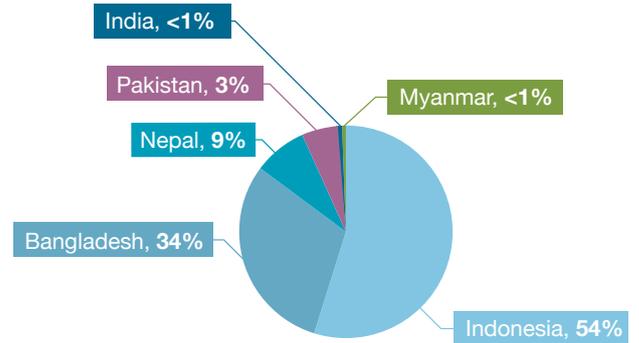
Complaint form

Our workers' welfare is important to us; it is an all-encompassing term for a wide range of essentials for their wellbeing. Various events are held throughout the year including *Majlis Berbuka Puasa*, get-togethers and sports tournaments.

The CLQ was inspected by local authorities several times throughout the year. The officers inspected its compliance including the state, cleanliness and functionality of the facilities. In 2016, officers from Majlis Perbandaran Sepang, Bahagian Pembangunan dan Bahagian Kesihatan and Department of OSH visited our CLQs. Currently, our CLQ in Dengkil houses 688 foreign workers.

SunCon is committed to operating in a way that respects the human rights of all associates including supply chain personnel and local communities. While governments have the primary responsibility to protect human rights, SunCon's activities have the potential to impact the human rights of individuals affected by business operations.

### Breakdown of Foreign Workers at the Dengkil CLQ by Country of Origin



Cooking Area at the CLQ



Futsal Area at the CLQ

## Social: Human Rights • cont'd

### SunCon's Commitment to Human Rights



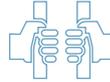
Paying the minimum wage as a minimum



Provides a safe and healthy workplace for its associates



Does not use child labour



Does not use forced, prison, indentured, bonded or involuntary labour



Prohibits discrimination in its hiring and employment practices including gender, race, religion, age, disabilities and nationalities



Prohibits physical abuse and harassment of associates, as well as threats of either



Suppliers and contractors must not allow their employees to work excessive hours



Grievance procedure to promote prompt action to any grievances addressed



SunCon's total women workforce is **15%**, which is comparable to the 16% benchmark by the South East Asia Construction sector for Leighton Asia.



All people should be treated with dignity and respect and SunCon is committed to conducting its business in a manner consistent with this principle. All applicable employment and human rights regulations are adhered to regardless of where operations are based and suppliers are expected to do the same.

Construction work is physically draining and can result in fatigue. Employees are allowed to work a maximum of four hours overtime. This complies with Section 2 of the Employment (Limitation of Overtime Work) Regulations 1980, Employment Act 1955 which states that the limit of overtime work shall be a total of 104 hours in any one month which is equivalent to 26 working days. Excessive working is discouraged as tiredness results in a higher risk of accidents.

SunCon's policy for performing long continuous working hours on projects sites covers concrete casting, launching of gantry work for infrastructure projects and geotechnical bored pile works.

SunCon protects the wellbeing of employees and workers performing these jobs. Workers are limited to working 12-hours and two groups of employees are engaged on rotation to cover a 24-hour period. The first shift operates from 8am to 8pm; the second from 8pm to 8am. The shifts alternate every two weeks to protect workers' wellbeing and physical health.

All associates review and are briefed annually on this code. These principles form the basis of our human rights risk assessment for existing and potential projects.

SunCon's workers are paid an average of RM2,309 per month which is significantly higher than the minimum wage of RM1,000 per month in Malaysia.

SunCon is pleased to report that there have been no reported incidents of risks of child, forced or compulsory labour. There were no human rights violations of indigenous people at any time in the Company's history.

## Social: Society



UTAR Structural Earthquake Stability

Our group-wide efforts address social issues that we support through our businesses. We are also committed to creating a sustainable society by continually engaging in activities that meet local challenges in all regions where we operate. This section introduces some of our most impactful societal initiatives in 2016. We contributed to various charitable causes including The National Cancer Society of Malaysia, Persatuan Keluarga Polis (PERKEP), Lestari Junior Football Club (LJFC) in 1MCC U14 Championship, Royal Institution of Surveyors Malaysia (RISM), FLORIA Diraja Putrajaya, Sekolah Kebangsaan St Mary's Hospitality and Culinary Arts Centre (HCAC), UTAR Structural Earthquake Stability (SES) Competition, Engineering & IT Leadership Programme (EILP) 2016 and Kinta Valley Wind Orchestra (KVWO).

Further information on the events can be found in the Calendar of Significant Events – Social Calendar.

**More than  
RM750,000**

in charitable contributions  
to more than 27 organisations

### ADDRESSING PUBLIC INCONVENIENCE

SunCon maintains a strong rapport with stakeholders at project sites. Members of the public may raise their concerns through our Investor Relations email contact. We engage effectively with local community members and encourage feedback during site walks and meetings. We also welcome the authorities during their regular inspection visits.

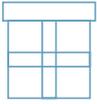
### CORRUPTION AND FRAUD

Corrupt practices are operationally defined as the misuse of entrusted power for private gain. Corruption includes bribery, fraud, money laundering, embezzlement, obstruction of justice and trading in influence. Any corrupt activity, either in the public or private sectors, is prohibited. It is forbidden to offer, give, ask for, accept or receive any form of bribe, including facilitation payments, as it may create a conflict of interest and influence business decisions.

Employees must not engage in any forms of fraudulent acts or dishonest conduct involving property or assets, or on the financial reporting and accounting of SunCon or its third parties. Any violations may result in sanctions and/or criminal charges. Each employee is responsible for taking appropriate action to understand and comply with the laws, rules and regulations that are applicable to their positions and work.

## Social: Society • cont'd

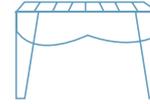
### Gifts That Are Permitted but Should Be Accepted with Caution



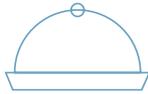
Inexpensive non-cash  
'token' gifts



Gifts from social events  
attended by directors or  
employees



Occasional, customary  
gifts during festive or  
special occasions



Infrequent and moderate  
business meals and  
entertainment with clients



Infrequent invitations to  
attend local social events and  
celebratory meals with clients

Any employees found to have committed bribery are subject to disciplinary action that could result in termination. All heads of department and heads of section are required to ensure that all employees adhere to the Anti-Bribery Policy. SunCon's Board oversees the Company's anti-corruption policies and compliance, which include bribery. Suspicious acts, ongoing investigations and proven cases are presented in Board and Management meetings.

Our anti-corruption efforts consist of several elements working together such as proportionate procedures, top level commitment, risk assessment, integrity due diligence, communication and training, monitoring and review, and enforcement and sanctions.

A keen understanding of our corruption risk exposure is the cornerstone and an essential first step in building an effective anti-corruption compliance programme. Corruption risks including bribery are an important element in SunCon's

risk register. This helps the Company to properly design mitigation strategies and strategically deploy resources to combat potential instances of bribery, corruption and fraud. This is especially important for operations that are deemed to be 'high risk'.

SunCon places great emphasis on anti-corruption and anti-bribery. The Company ensures that its firm stand against corruption and bribery is communicated to all employees.

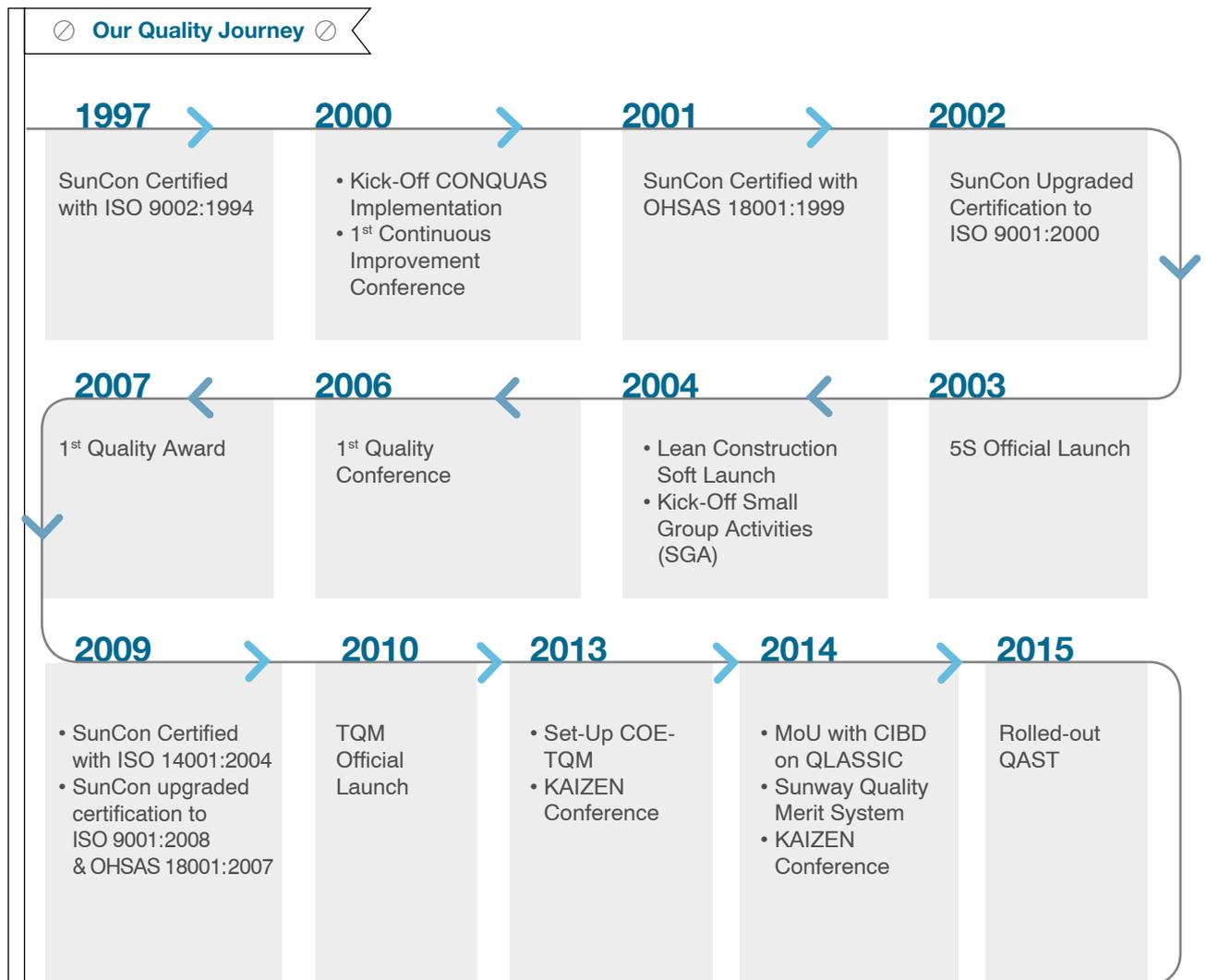
SunCon's anti-corruption policy is also communicated to suppliers, contractors, subcontractors, agents, joint-venture companies and third parties that the Company works with.

Every contractor, subcontractor and third-party is subject to a corruption and bribery risk assessment. They must sign a declaration that they are not involved in any corrupt, unethical, misconduct and illegal behaviour. The screening of new and existing business partners on corruption and bribery is part of due diligence in the context of SunCon's compliance requirements.

## Social: Product Responsibility

### QUALITY MANAGEMENT

SunCon places a strong emphasis on quality management. We ensure that the quality of our projects comply with relevant regulations and maintain our reputation and market standing. In 2009, we introduced the QESH Management System. This internal integrated management system, which works similar to a Life Cycle Analysis (LCA), helps optimise resources and standardise processes throughout our organisation for both domestic and overseas projects. Our Quality, Environmental, Safety and Health Management System meets the requirements of international standards. The Group's products and services are well defined at every stage of construction in terms of quality, environmental, safety and health requirements.



## Social: Product Responsibility • cont'd

### Our Standards and Certifications

Divison	Scope	Standards	Certification Date
Sunway Construction Sdn Bhd	Provision of design management and construction services for building and civil engineering works	ISO 9001:2008 OHSAS 18001:2007 ISO 14001:2004	1 September 2009
Sunway Geotechnics Sdn Bhd	Provision of design management and construction services for geotechnical engineering works	ISO 9001:2008 ISO 14001:2004 OHSAS 18001:2007	16 February 2015
Sunway Engineering Sdn Bhd	Provision of design management and construction services for mechanical, electrical and information technology engineering works	ISO 9001:2008 ISO 14001:2004 OHSAS 18001:2007	21 December 2011 21 December 2011 27 October 2015
Sunway Concrete Products Pte Ltd	Design, production and supply of precast components	ISO 9001:2008 OHSAS 18001:2007 ISO 14001:2004	12 November 2000
Sunway Precast Industries Sdn Bhd	Design, production and supply of precast components	ISO 9001:2008	30 October 2014

### Total Quality Management

#### Total Quality Management Model



#### Total Quality Management Philosophy



##### Innovation

Innovate to create value and a set benchmark for businesses



##### Employee

Total involvement and employee satisfaction



##### Continuous Improvement

Continuously improve work processes to maximise productivity and eliminate wastage



##### Products and Services

Passion for producing a family of products and services to a high standard



##### Customer

Always strive to satisfy customers' needs and expectations



##### CSR

Committed to serving the community and environment

Delivering quality products and services allows us to maintain our excellent reputation and market standing. Quality management is emphasised to ensure that our projects comply with relevant regulations.

In 2009, we developed and implemented a Quality, Environmental, Safety and Health (QESH) Management System in accordance with ISO 9001, ISO 14001 and OHSAS 18001. This internal integrated management system optimises resources and standardises processes throughout our organisation for both domestic and overseas projects. Our QESH Management System meets the requirements of international standards. As a result, our products and services are well defined at every stage of construction in terms of quality, environmental, safety and health requirements. We also consider the needs of disabled persons at all of our projects buildings. The rights of these individuals are often neglected.

In 2007, we adopted the Kaizen philosophy of innovation and efficiency. Incorporating advanced technologies in our operations such as system formwork technology helps us improve productivity and efficiency. An internal Total Quality management (TQM) initiative was piloted in January 2010. TQM prioritises QESH in our business and we been including TQM initiatives throughout our operations since 2014.

Subcontractors, technical consultants and other building professionals are required to have relevant experience and proven track-records. Regular inspections are performed at each construction stage to ensure each adheres to the specifications as well as the prescribed procedures and methods. We emphasise QESH in all of our construction activities.

### Our Commitment to Quality Moving Forward

- Supports the nation's aspiration to reach fully developed status by 2020.
- Inculcated relevant QESH-friendly practices into business processes.
- Committed to developing, implementing and maintaining a QESH Management System that conforms to ISO 9001, ISO 14001 and OHSAS 18001.

### Quality Assurance Support Team

The SunCon Quality Assurance Support Team (QAST) was introduced in August 2015. Its main objective is to assist the project team on Quality Assurance requirements. Training, workshops and practical assessments are conducted for project teams consisting of project manager, engineers, supervisors, lab technicians and document controllers. The modules are prepared in three stages.

### SunCon QAST Roles and Responsibilities

1 Create awareness culture

2 Developing QA Skills

3 Enrichment

QAST delivered one-to-one training involving the operations team and document controllers throughout 2016. The training was conducted at four pilot projects: Bukit Lenang, CP4, SMC3 and SP3.

#### Core Modules of QAST Training

- Technical material submission
- Safe work method statement
- Responding and closing of NCR
- Site inspection
- Snagging activity process
- Preparation for pre-QLASSIC/CONQUAS
- Preparation of project quality plan
- Factory Acceptance Test (FAT) and visit

Participants were also introduced to internal and external audit, handing over procedure, application of QLASSIC and CONQUAS as well as Sunway Quality Merit System (SQMS) activities.

A QAST awareness assessment was also held in 2016 to stress the importance of meeting quality standards. We ensure that all our employees have a good understanding so they are able to perform quality assurance tasks at the site, individually.

In 2016, the QAST team also produced three editions of the SunCon Quality Passport as a reference for quality best practices. Similar to a standard passport, this booklet acts as an easy site reference.

#### QAST Goals in the Coming Year

1. To consolidate all available QCAT modules. QAST will review and rework the current 28 C&S and architectural modules.
2. To gather feedback from persons in charge of the current Safe Work Method Statement (SWMS).
3. To handle the transition from ISO 9001:2008 to ISO 9001:2015.

## Social: Product Responsibility • cont'd

### KAIZEN

In our pursuit of excellence, we introduced the concept of 'kaizen' to improve efficiency and productivity within the organisation. Kaizen promotes continuous improvement, based on the Japanese philosophy of quality management. It involves systematic problem-solving using various tools and has been adopted across the Group. This approach helps us continually refine our internal processes to meet the needs of external and internal customers.

### SunCon's Two-Pronged KAIZEN Strategy



Top-down KAIZEN teams focus on policy-level improvements



Bottom-up KAIZEN teams focus on daily operational improvements

SunCon's two-pronged kaizen strategy involves staff of all levels in a systematic and integrated effort to improve performance.

Kaizen teams are guided by facilitators throughout the entire kaizen process to systematically study, brainstorm and analyse the root causes of quality issues until a solution is implemented. The improved processes are also adopted as standardised best practices across the Company.



Kaizen Activity Follow Up Session at Project Site

### Examples of Completed and Ongoing KAIZEN Activities

- Preventing slab sagging problems reoccurring for top down construction projects.
- Increasing the accuracy of plunge-in column vertical positioning.
- Improving construction joints in F3 finish.
- Improving workers' punctuality for the daily morning bus to SSR project sites.
- Minimising machinery breakdown time of backhoes.
- Improving survey as-built eccentricity of bored pile out of design tolerance.
- Improving the construction of bearing plinths.
- Optimising the use of aluminium formwork for service apartments to achieve cycle time and cost saving.

In 2017, KAIZEN activities will be extended to non-executive and supervisory level staff. Introducing these employees to a simplified approach to problem-solving will encourage active participation from frontline staff in KAIZEN.

### Sunway Quality Merit System

The Sunway Quality Merit System (SQMS) was first introduced in the first quarter of 2014 to measure the project's quality management system and product quality performance at each stage of construction. The assessment is based on:

- QCLASSIC/CONQUAS requirements for the measurement of product workmanship; and
- ISO 9001 standards to measure the effectiveness of inspections and tests, and document/record management practices.

The SQMS assessment monitors in-process control on a monthly basis. SQMS allows the workmanship quality of all SunCon projects to be relatively and quantitatively compared. For example, SQMS scores are used to benchmark the quality of all SunCon projects. Recognition is given to projects with high SQMS scores and their good

practices are shared company-wide. Projects with low SQMS scores are identified for immediate improvement. This continuous improvement process of measuring and adopting effective practices in line with SunCon's objectives helps achieve the highest standards of quality and excellence.



SQMS Assessment

### Objectives of SQMS



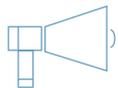
Benchmark all projects



Measure project quality performance systematically and objectively



Standardise good practices across all projects



Raise greater awareness of product quality as per QLASSIC requirements in all staff and subcontractors

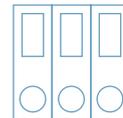


Achieve a minimum QLASSIC score of 75% for all projects

### Benefits of SQMS



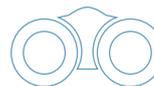
Improves product workmanship, from structural to architectural finishing work



Improves daily documentation and record management



Inculcates an in-process inspection culture to identify and rectify defects immediately



Reduces the number of non-conformance reports as workmanship and document management improve

## Social: Product Responsibility • cont'd

Monthly SQMS assessments are performed for all projects and trades including piling, reinforced concreting, precast installations, steel structures, brickwork, plastering, painting and other architectural finishing works.

### SQMS Assessment Categories

#### Product Workmanship

- Compliance with CONQUAS/QLASSIC and contract specifications.
- All materials used must follow the approved sample.

#### Inspection and Test

- Project inspections and tests are carried out at each construction stage as outlined in the Inspection and Test Plan.

#### Response to Client's Complaints

- All complaints must be addressed in a timely manner.
- Achieve a 90% Non-Conformance Report closure rate at any time.

#### Document and Record Management

- Documents and records must be systematically processed and stored as per ISO 9001 standards.

#### Quality Infrastructure

- Samples are segregated, arranged and labelled.
- Suitable concrete cube storage area and curing tanks with clear signage and good housekeeping.
- Properly protected material storage area to prevent damage.

SQMS is performed by a team of SQMS assessors. Project scores and findings are reported at the closing meeting for immediate action by the project team. A formal report is announced to all staff at the end of the assessment day. Following the success of SQMS implementation, we extended the assessment initiatives to our subsidiary specialising in Mechanical, Electrical and Plumbing (MEP) works, from the second quarter of 2015. By incorporating MEP works in SQMS, SunCon now has a complete set of project quality measurement tools for all trades, applicable to building, civil and geotechnical projects.

#### **Published in the JURUTERA Magazine**

We were invited to write a feature article on our SQMS in the May 2016 issue of JURUTERA. JURUTERA is the official monthly bulletin of The Institution of Engineers, Malaysia (IEM). The bulletin is packed with technical articles written by IEM members, distinguished professionals in the industry, foremost engineering experts in Malaysia, along with a growing audience of engineering graduates and students.

This is also our contribution to society on sharing the best practices in quality for construction activities. We received positive comments from IEM members and others readers.

#### **SHELL Pre-Quality Day**

The SQMS article published in JURUTERA bulletin attracted the interest of the local branch of the international petrochemical company, SHELL. We were invited as a keynote speaker by Sarawak SHELL Berhad to present our SQMS at their SHELL Pre-Quality Day event on 25 October 2016.

During the session, we shared our approach to:

- Measuring all aspects of project quality from product workmanship to document management.
- Benchmarking the quality of differing projects.
- Standardising project practices for branding and image by standardising the quality infrastructure at all SunCon projects.
- Raising awareness of product quality as per QLASSIC requirements.
- Ensuring quality is practised every day including documentation and in-process inspection.

Towards a project's completion, we also produce a snagging list and pre-QLASSIC assessment to identify any outstanding or defective work. This process also allows us to identify the project's strengths and weaknesses so we can offer advice on the upcoming QLASSIC assessment. The summary of QLASSIC and CONQUAS scores for 2014 to 2016 can be found in the table below.

QLASSIC is developed by CIDB Malaysia while CONQUAS is introduced by Building Construction Authority (BCA), Singapore.

Sunway Pinnacle achieved the highest QLASSIC score in 2014 and the second highest to date in Malaysia.



Presentation at Shell Pre-Quality Day

Project	Year	QLASSIC	CONQUAS
<b>MALAYSIA</b>			
UiTM (Package B)	2014	57%	-
The Pinnacle	2014	87%	78%
Velocity 1A Shop Office	2014	71%	-
Suria 2C	2014	79%	-
Velocity 1A Service Apartment	2015	76%	80%
Sunway University - New University Building	2015	74%	-
Sunway Clio Hotel	2016	80%	-
Afiniti Wellness Centre, Somerset Medini & CIMB Leadership Academy	2016	76%	-
SIIS	2016	75%	-
CP4	2016	62%	-
<b>SINGAPORE</b>			
Bukit Merah C30 & C50	2016	-	100%
Bukit Batok N4 C5, 7, 10 & 11	2016	-	100%
MSCP Fajar Road	2016	-	95%
Gul Circle	2016	-	95%
Sembawang N3C8	2016	-	100%
Dawson C6	2016	-	100%
Hougang N9C18	2016	-	98%

Careful planning from the beginning is important to achieve high QLASSIC scores.

## Social: Product Responsibility • cont'd



CIDB QCLASSIC Assessment at Sunway Iskandar International School

### ENSURING SATISFACTION

Our customers' satisfaction is of paramount importance. We ensure that customer needs are met each and every time. We strive to keep our customers engaged with the workflow throughout the project. All clients are updated on the construction progress and SunCon:

- Fully explains each step.
- Answers all questions.
- Offers clear and understandable options.
- Ensures the project follows the schedule within budget.

SunCon monitors clients' perceptions to ensure their requirements have been met. Information is obtained through:

- Client complaints during the defect liability period;
- Annual client satisfaction surveys; and
- Client comments during the construction stage.

SunCon understands that customer feedback is invaluable in order to meet or exceed their expectations. This feedback helps us keep focused on our objectives and deliver quality services. This customer engagement ensures that we continuously improve ourselves to meet their expectations.

We have developed a customer feedback form and ask clients to evaluate our performance in relation to the current work requirements. Points are assigned for each factor using the following scale:

#### Factors Rated in the Customer Satisfaction Form



Quality of Work



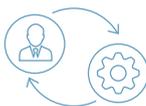
Planning



Job Knowledge



Timely Completion



Responsiveness to Instructions and Concerns



Manpower, Plant and Material Resources



Environmental, Safety and Health

### Average Satisfaction Score by Category



### Client Satisfaction Rating

<b>EXCELLENT</b> 85% - 100%	Performance is exceptional in all areas and clearly exceeds most of the requirements.
<b>GOOD</b> 70% - 84%	High performance is achieved on a consistent basis.
<b>FAIR</b> 50% - 69%	Performance is met on a consistent basis.
<b>POOR</b> BELOW 50	Results are generally unacceptable and require immediate improvement
<b>NOT RATED</b>	Not applicable or too soon to rate.

In 2016, our performance in the Customer Satisfaction Survey (CSS) reduced compared with 2015. This drop in performance may be due to the overall performance scores for three in-house projects, which constitute 25% of the total in-house projects. These projects did not achieve the Quality Objective of a minimum average score of 70% in the annual client satisfaction survey. Clients highlighted their concerns and areas for improvement in this survey which contributed to this lower score. However, the scores for all six of our external projects did achieve the objective.

We are completely transparent and value all client feedback. We take note of each comment and remediate each as quickly as possible.

● 2014 ● 2015 ● 2016

- Q1** Quality of Work
- Q2** Planning
- Q3** Job Knowledge
- Q4** Timely Completion
- Q5** Responsiveness
- Q6** Manpower
- Q7** Environmental, Safety and Health
- Q8** Communication
- Q9** Subcontractor's Performance
- Q10** Overall Performance

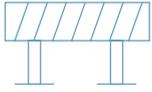
### Managing Defects

The defects liability period or rectification period begins upon certification of practical completion and lasts between six and 36 months. During this period, we welcome clients to report any defects that arise to our contract personnel who decide whether they are defects in work or maintenance issues. It is our responsibility to rectify these defects within a reasonable time.

Upon receiving any written complaints from a client, we verify the defects, determine their cause and assess the cost of rectification. Where no complaints are received from clients, we proceed to carry out joint inspections with clients or their representatives. Clients are informed of the rectification schedule. Once rectifications have been completed, we arrange for a joint re-inspection with clients and/or their representatives before obtaining the Certificate of Completion of Making Good Defects (CMGD) from them.

# SOCIAL

## WHAT TO EXPECT IN 2017



Continue ensuring all SunCon project worksites strictly comply with the safety and health requirements stipulated in applicable legislations



Achieve a greater fit between employees and their roles while mitigating workforce shortages or spares that impact organisational productivity



Aim to be intentional and impactful in promoting socioeconomic development by building long-term relationships within our community to shape the future of construction



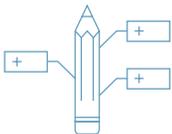
Strive to achieve a higher average score in the annual client/consultant satisfaction survey



Strengthen in-house sourcing capabilities and market intelligence and continuously build a pipeline of potential candidates with the right fit



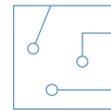
Develop Succession Management and Competency



Deliver a more structured deployment and skills development for our direct workers



Planning training and development programmes based on the validation of individual learning needs to drive more purposeful and holistic learning

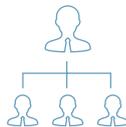


Having invested in a world-leading integrated HR and talent management system, SAP SuccessFactors, various modules of this leading cloud-based platform will be implemented across the organisation to help:



Carry out employee engagement activities that:

- Improve alignment and engagement between employees and management
- Cultivate a culture of empowerment, personal ownership and candid sharing
- Focus on substance and impact instead of hierarchy and power



Improve the one-to-one feedback experience between line managers and employees in the MFE from top management to the working level, creating a more impactful and meaningful feedback experience for both the line manager and the employees

- HR re-engineer its core processes
- Managers and employees drive more efficient data-driven decision-making



# SUSTAINABLE DEVELOPMENT GOALS

As a subsidiary of Sunway Berhad, Sunway Construction is committed to 10 out of the 17 United Nations' Sustainable Development Goal (SDGs). We strive to provide a greater and more positive impact to each goal. We are unable to commit to the other seven goals due to our nature of operations. We will continue to uphold our parent company, Sunway Berhad's commitment to the remaining goals.

**1**  
No Poverty

**5**  
Gender Equality

**9**  
Industry, Innovation and Infrastructure

We are committed to advancing construction innovation through Virtual Design & Construction.

**14**  
Life Below Water

**2**  
Zero Hunger

**6**  
Clean Water and Sanitation

**10**  
Reduced Inequalities

We are committed to embracing diversity and inclusion in the workplace.

**15**  
Life on Land

We are committed to protecting biodiversity in the areas in which we operate.

**3**  
Good Health and Well-being

We are committed to providing adequate welfare to our construction workers at the Sunway CLQs.

**11**  
Sustainable Cities and Communities

We are committed to supporting and providing education to the surrounding communities and higher institutions.

**16**  
Peace, Justice and Strong Institutions

**4**  
Quality Education

We are committed to continually providing trainings for our employees and supporting their career advancement through quality education.

**7**  
Affordable and Clean Energy

**12**  
Responsible Consumption and Production

We are committed to managing our materials and energy consumption and reducing the production of negative impacts on the surroundings.

**17**  
Partnerships for the Goals

We are committed to communicating and partnering with all stakeholders to achieve our workplace targets.

**8**  
Decent Work and Economic Growth

We are committed to stimulating economic growth and supporting local hiring.

**13**  
Climate Action

We are committed to reducing the negative consequences resulting from greenhouse emission produced by our activities.

# The Perfect Balance



Good ethics and principles in all processes result in a balanced report. A level's ultimate objective is to ensure accurate balance is achieved.

<b>GOVERNANCE WITH INTEGRITY</b>	<b>136</b>
Corporate Governance Statement	138
Audit Committee Report	154
Statement on Risk Management and Internal Control	160
Additional Compliance Information	164
Investor Relations	166



# Corporate Governance Statement

The Board of Directors (Board) of Sunway Construction Group Berhad (Company) recognises the importance of good corporate governance and is committed to ensuring that high standards of corporate governance are upheld and practised throughout the Company and its group of subsidiaries (Group) with the ultimate objective of protecting and enhancing shareholders' value and the financial performance of the Company and of the Group.

This Corporate Governance Statement provides an insight on how the Company has applied the Principles and the extent of compliance with the recommendations of good corporate governance as set out in the Malaysian Code on Corporate Governance 2012 (CG Code) throughout the financial year ended 31 December 2016 and up to the date of this annual report.

## PRINCIPLE 1 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### 1.1 Clear Function of the Board and Management

The Board is responsible for formulating and reviewing the Group's strategic direction, core values and management of the Group to ensure that the Group operates with integrity and in compliance with the rules and regulations. 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 Managing Director. This formal structure of delegation is further cascaded by the Managing Director to the management team. The Managing Director and management remain accountable to the Board for the authority that is delegated and for the performance of the Group.

The Board, however, takes full responsibility for the oversight and overall performance of the Company. The Board reserves full decision-making powers, amongst others, on the following matters:

- Conflict of interest issues relating to substantial shareholders or directors;
- 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;
- Annual business plan and budgets (including major capital commitments);
- Material corporate or financial exercise/restructuring;
- Declaration of dividend and Directors' Fees;
- Annual and interim financial results.

Dato' Ir Goh Chye Koon is the Independent Non-Executive Chairman of the Company. He has extensive experience in the construction industry which is essential for the continued growth of the Company. As an Independent Non-Executive Chairman, Dato' Ir Goh is able to provide strategic leadership by being able to direct the board's priorities more objectively. He acts as a direct liaison between the Board and the management of the Company, through the Managing Director. His in depth knowledge and the vast experience in construction industry, coupled with his previous experience in the management and involvement in corporate governance of a large public listed company, has enabled him to chair the board meetings effectively, providing the opportunity for all views to be taken into account before a board decision is made.

There is a clear segregation of responsibilities between the Independent Non-Executive Chairman and the Managing Director so as to ensure a balance of power and authority. The Independent Non-Executive Chairman provides leadership to the Board and guidance to the Group. The Managing Director is subject to the control of the Board.

The Independent Non-Executive Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role. The Chairman is responsible for:

- Leading the Board in setting the values and standards of the Company;
- Maintaining a relationship of trust with and between the Executive and Non-Executive Directors;
- Ensuring that accurate and relevant information are given to all Directors on a timely basis. The Independent Non-Executive Chairman's role is to ensure that members of the Board are properly briefed on issues arising at its meetings and that available information on the issues is presented;
- Ensuring members of the Board work together with the management in a constructive manner to address strategies, business operations, financial performance and risk management issues;
- Ensuring the integrity and effectiveness of the governance process of the Board; and
- Ensuring effective communication with shareholders and relevant stakeholders.

The Independent Non-Executive Chairman acts as facilitator at Board meetings to ensure that no Board member, whether Executive or Non-Executive, dominates discussion and that appropriate discussion take place as well as relevant opinion among Board members is forthcoming. Any Board member in consultation with the Independent Non-Executive Chairman, is free to include any issues or matters in the Board meeting agenda for discussion and decision.

The Managing Director leads management in formulating comprehensive medium to long-term business strategies and plans so as to achieve the Group's business plans on capital requirements, growth, turnover and profitability to meet shareholders' expectations. He also spearheads the Group's synergy initiatives, directs and reviews the overall business activities of the various Business and Support Divisions so as to ensure that the integrated efforts of these Divisions contribute to the optimum utilisation of corporate resources and expertise in the attainment of the Group's long-term objectives.

The Managing Director is supported by his team of management on the day-to-day operations. The responsibilities of the management are to:

- Formulate, recommend and implement the strategic objectives of the Company;
- Translate the approved strategic plan into operation and financial action plans;
- Manage the Company's human, physical and financial resources to achieve the Company's objectives;
- Operate within the delegated authority limits set by the Board;
- Assume the day-to-day responsibilities for the Group's conformance with relevant laws and regulations, its compliance framework and all other aspects of the day-to-day running of the Group;
- Develop, implement and manage the Company's risk management and internal control systems within the risk appetite and framework;
- Develop, implement and update policies and procedures;
- Keep pace with industry and economic trends in the Company's operating environment; and
- Provide the Board with accurate, timely and clear information to enable the Board to perform its responsibilities.

In relation to the Independent Non-Executive Directors, they are actively engaged in the following functions:

- Independent performance monitoring of the operations of the Group;
- Advising and monitoring corporate governance framework, policies and practices;
- Monitoring risk management issues as well as internal controls; and
- Provide independent insights and value add to management proposals as well as protecting the interests of the minority shareholders.

The Independent Non-Executive Directors regularly engage in discussion with senior management, Internal Audit Department, 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.

The Board also delegates certain responsibilities to the Board Committees, all of whom operate within their defined terms of reference. Notwithstanding this, the Board remains responsible for its fiduciary duties.

## **1.2 Clear Roles and Responsibilities of the Board in Discharging Fiduciary and Leadership Functions**

The Group is led and controlled by an effective Board which assumes, amongst others, the following principal roles and responsibilities in discharging its stewardship role, and fiduciary and leadership functions:

- Setting the vision, mission, objectives, goals and strategic plans for the Group with a view to maximising shareholders' value as well as ensuring long term sustainability of the Group's performance.
- Monitoring the progress of the Company's strategies, budgets, plans and policies.
- Monitoring the progress of the Group's businesses to evaluate whether the businesses are properly managed to achieve its targeted returns.

The Board constructively challenges and contributes to the development of the Company and the Group's strategic directions. It has in place an annual business plan process at the beginning of the year whereby Management presents to the Board the recommended strategic and business plan for the following year. The Board will, at this business plan meeting, review, deliberate and challenge the Management's views for the optimum outcome. The Board also reviews and approves the budget and sets the KPIs for the Company. The Board subsequently at its quarterly meeting, monitors the implementation of the strategic business plan by the Management to ensure sustainable growth and optimisation of returns for the Company.

On 18 January 2016, the Managing Director together with his management team presented the Business Plan 2016 for the Board's deliberation and approval. At the same meeting, the Chief Financial Officer (CFO) also presented the proposed Business Sustainability Framework. This was in line with the new Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) which emphasised sustainability reporting. The Board reviewed and subsequently endorsed the Business Sustainability Framework. Pursuant to this, the Board had decided to have early adoption of sustainability reporting by incorporating the Sustainability Report into the Company's Annual Report 2015.

## Corporate Governance Statement • cont'd

The Managing Director and the CFO reported to the Board the quarterly financial results of the Group and compared them against the business plan targets at the Board meetings held on 25 February 2016, 26 May 2016, 25 August 2016 and 22 November 2016. The Board is kept informed of the key strategic initiatives, its development, and significant operating issues.

- Identifying principal risks of the Group and ensuring the implementation of appropriate systems to mitigate and manage these risks.

The Board, through the Risk Management team, sets, where appropriate, objectives, performance targets and policies to manage the key risks faced by the Group. A Risk Management Policy, which has been approved by the Board, is in place to guide the risk management. The Board, in its quarterly meeting, reviews and comments on the Risk Review Report which specifies the identified key risks covering all functions of the Group and their mitigations.

The details of the risk management framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

- Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Through the Audit Committee, the Board oversees the internal control systems of the Group. The Audit Committee is assisted by the Internal Audit Department in reviewing and monitoring the adequacy and integrity of the Group's internal control systems. The Head of Internal Audit Department, at the Audit Committee's quarterly meetings, reports the audit findings identified from the internal audit activities conducted by her team. The Audit Committee then deliberates on the actions taken by the Management to address the issues highlighted in the audit findings.

Minutes of the meetings of the Audit Committee were presented to the Board at its meetings. The Chairman of the Audit Committee reported to the Board on all the principal risks and internal controls related matters and recommendations deliberated by the Audit Committee.

The details of the internal control are set out in the Statement on Risk Management and Internal Control of this Annual Report.

- Considering management's recommendations on key issues including acquisitions, material investment and divestments, restructuring, funding and significant capital expenditure.

- Human resources planning and talent development in particular, management succession planning.

The Board, through the Nomination Committee, oversees the management succession planning. The Board also through the Remuneration Committee, develops the Managing Director's and CFO's performance scorecard based on the strategic objectives which were aligned to the business plan and corporate goal set by the Board.

### 1.3 Code of Conduct

The Board has a formalized code of conduct and business ethics policy (Code) which provides an ethical framework to guide the actions and behaviors of all Directors and its employees while at work. A copy of the Code is available on the Company's website.

The Code reflects the increasing need for effective corporate governance compliance measures in the conduct of the Group's business domestically and worldwide. It emphasises and advances the principles of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness that are critical to the success and well-being of the Group.

The objective of the Code is to provide guidance on the standards of behavior expected of all Directors and employees of the Group, and where applicable, counterparts and business partners. The standards of behavior are derived from the Group's Core Values and Business Principles. For all intents and purposes, all Directors and employees shall always observe and ensure compliance with all applicable laws and regulations in the discharge of their duties.

In line with good corporate governance practices, the Management and Board encourage all employees and stakeholders of the Group to report suspected inappropriate behavior or misconduct relating to fraud, corrupt practices and/or abuses involving the Group's resources.

The Company has in place a Whistleblowing Policy & 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.

The whistleblowing procedure is intended to be used as an ultimate remedy if no other means are available to address the matter. For the employees, if they wish to raise a specific concern, they are encouraged to try to resolve the matter through existing procedures and first discuss the matter with their line supervisor(s) or head of department or Profit Center Manager before initiating the whistleblowing procedure.



Any employee or member of the public who has knowledge or is aware that 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

The faxes and e-mails sent to these channels will be directed to the Head of Internal Audit Department and the Chairman of the Audit Committee.

If the reporting individual is unsure of the type of evidence needed for the Internal Audit Department to begin an investigation, the employee is encouraged to make use of the “Whistleblowing Report Form” provided in the Company’s portal under the Governance Portal. The employee may send this form via local postal service if he/she wishes to remain anonymous.

The Head of Internal Audit Department will maintain a record of the complaints and will track their receipt, investigation and resolution. The Internal Audit Department will investigate each claim independently based on standard internal audit practices and fraud response procedures. Upon completion of each investigation, Internal Audit Department will prepare a report to the Chairman of the Audit Committee for further action. On a quarterly basis, the Head of Internal Audit Department shall prepare a summary report and present it to the Audit Committee.

### **1.4 Promoting Sustainability**

The Board is committed to building a sustainable business by acknowledging the importance of environmental, social and governance aspects on the Group’s businesses. In promoting sustainability, consideration has been given to issues affecting direct and indirect stakeholders, which include employees, shareholders and investors, government authorities, the surrounding community and general public.

The Group’s management of material economic, environmental and social aspect of its operations, is provided in the Sustainability Statement of this Annual Report. The Sustainability Statement is divided into three main chapters covering economic, environmental and social initiatives. Social initiatives have been subcategorised into labour practices, society, human rights and product responsibility.

### **1.5 Access to Information and Advice**

Unless there are urgent matters, the Board normally meets quarterly to review financial, operational and business

performances. The meetings are scheduled in advance in the third quarter of the preceding year to allow the Board members to plan their schedules. Notices and agenda of meetings duly endorsed by the Independent Non-Executive Chairman together with the relevant board papers are normally given at least one week prior to the meetings for the Directors to study and evaluate the matters to be discussed. Occasionally, Board meetings or Committee meetings may be held at short notice, when decisions of a time-critical nature need to be made.

In response to technological advancement, the Group has invested in a software to implement paperless meetings where board papers are uploaded onto a secure platform and is accessible via laptop, tablet devices and mobile phone. The Directors will be able to download and have access to the electronic board papers conveniently and immediately wherever they may be.

The board papers provided include inter alia, financial results, business plan and budget, progress report on the Company’s developments, risk management and internal control reports, minutes of meetings of Board and Board Committees, regulatory/statutory updates and other operational and financial issues for the Board’s information and/or approval. Whenever required, senior management are also invited to attend Board Meetings to present matters in respect of their area of responsibilities or recommendations for the Board’s consideration or discussion.

In the Board Meetings, the Board members are updated on the Group’s performance and developments, businesses as well as regulatory changes. The Board members also review and deliberate on corporate proposals by assessing their feasibility, risks and financial impact.

The respective Chairman of the Board Committees would brief the Board members on agendas or issues discussed at the meetings of the Board Committees as well as the action plans to rectify or mitigate any issues highlighted. The Board members would be constantly updated on the progress and development of the said issues at the subsequent meetings.

A Director who has interest in any proposal or transaction, either direct or indirect, which is being presented to the Board for approval, will declare his or her interest and abstain from deliberation and voting of the same at the Board meeting.

The minutes of the Board meetings are circulated to the Board members for their perusal and comments prior to confirmation by the Board at the following Board meeting. Thereafter, the Chairman of the Board meeting will sign the minutes as a correct record of the proceedings of the said meeting.

## Corporate Governance Statement • cont'd

All Directors are entitled to information pertaining to the Company and the Group. In addition, all Directors have direct access to the advice and services of the Company Secretaries. 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 Managing Director and/or senior management should there be any explanations or clarifications needed on any aspects of the Group's operations or management issues.

### 1.6 Company Secretaries

The Company Secretaries are qualified to act as company secretary under Section 235(2) of the Companies Act 2016.

The Board has unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Company Secretaries attend all Board meetings and, together with the Directors, are responsible for the proper conduct of the meetings according to applicable rules and regulations. The Company Secretaries regularly updates the Board on new statutes, regulations and directives issued by regulatory authorities.

The Company Secretaries ensure that deliberations at Board and Board Committee meetings are properly documented and subsequently communicated to the relevant management for their further actions. The Company Secretaries constantly keep themselves updated of the regulatory changes and corporate governance developments by attending relevant conferences and training programmes. The Board is satisfied with the support rendered by the Company Secretaries in discharging its functions.

### 1.7 Board Charter

A Board Charter has been formulated to guide the Board in the effective discharge of its roles and responsibilities as well as to define the functions delegated to Management and Board Committees. Details of the Board Charter are available on the Company's website.

The Board Charter is reviewed periodically to ensure that it complies with the legislation and best practices and remain relevant in light of the Board's objectives. On 25 February 2016, the Board reviewed and approved certain updates to the Board Charter.

## PRINCIPLE 2 STRENGTHEN COMPOSITION

### 2.1 Establishment of Nomination Committee

The Nomination Committee comprises exclusively of Non-Executive Directors, a majority of whom are independent. There are three Independent Non-Executive Directors and one Non-Independent Non-Executive Director currently serving in the Committee. The Chairman of the Committee is Dato' Ir Goh Chye Koon, who is also the Senior Independent Non-Executive Director. The other members of the Committee are Dato' Siow Kim Lun, Dato' Dr Ir Johari Bin Basri and Dato' Chew Chee Kin.

The main role of the Nomination Committee is to ensure that the Board comprises Directors with appropriate skills, knowledge, expertise and experience, as well as to ensure a proper balance of Executive Directors and Independent Non-Executive Directors.

In discharging its responsibilities, the Nomination Committee has developed a set of criteria used for recruitment and for annual Board assessment. In evaluating the suitability of the Board members, the Nomination Committee considers, inter alia, the competency, experience, commitment, contribution and integrity of the candidates. In the case of candidates proposed for appointment as Independent Non-Executive Directors, the Nomination Committee will also assess the candidate's independence in accordance with Paragraph 1.01 and Practice Note 13 of the Main Market Listing Requirements of Bursa Securities.

The terms of reference of the Nomination Committee are set out in the Company's website.

During the financial year, five (5) meetings were held to deliberate on the following matters:

- (a) On the meeting held on 25 February 2016, the Nomination Committee deliberated on the following:
  - (i) Reviewed the terms of reference as well as the roles and responsibility of the Nomination Committee. The Nomination Committee was of the view that the terms of reference remained relevant and therefore, no revision was required.
  - (ii) Reviewed the results of the Board effectiveness assessment, Board Committees assessment, Audit Committee assessment, assessment of Independent Non-Executive Directors and Director's peers review for financial year 2015. On the whole, the Nomination Committee was satisfied with the results of the assessments.

- (iii) The Committee reviewed and was satisfied with the existing size, structure and composition of the Board and its committees.
- (iv) The Nomination Committee evaluated and was satisfied with the competencies and time commitment of the Board members as well as the independence of the Independent Directors. The Independent Directors had individually confirmed their continued independence in accordance with the Main Market Listing Requirements of Bursa Securities.
- (v) Having analysed the training requirements, Directors were encouraged to attend specific training programmes in order to keep themselves abreast with the changing regulatory environment.
- (vi) Assessed the performances of the following retiring Directors for re-election or re-appointment at the 2<sup>nd</sup> Annual General Meeting of the Company held on 9 June 2016:
  - Datuk Kwan Foh Kwai and Mr Evan Cheah Yean Shin were subject to retirement by rotation pursuant to Article 107(1) of the Company's Articles of Association.
  - Mr Chung Soo Kiong was subject to retirement pursuant to Article 90 of the Company's Articles of Association.
  - Dato' Chew Chee Kin, who was over the age of 70 years, was subject to re-appointment pursuant to Section 129 of the Companies Act, 1965.

All the above directors offered themselves for re-election. The Nomination Committee having evaluated their performances, recommended them for re-election and re-appointment at the 2<sup>nd</sup> Annual General Meeting of the Company held on 9 June 2016. The resolutions to re-elect the said directors were subsequently approved by the shareholders.

- (b) At the meeting held on 17 March 2016, the Nomination Committee reviewed and endorsed the Nomination Committee report to be included in the Company's Annual Report 2015.

The Nomination Committee also discussed the tenure of Independent Directors. Under the Recommendation 3.2 of the CG Code, the tenure of Independent Director should be capped at 9 years. Nevertheless, the Nomination Committee was of the opinion that in order to retain high calibre Independent Director, it was recommended that Independent Director who has served more than 9 years in the Board, be re-designated as a Non-Independent Non-Executive Director unless he/she seeks shareholders' approval to be retained as an Independent Director of the Company.

- (c) In order to embrace gender diversity in the boardroom, the Nomination Committee had on 2 August 2016 reviewed the proposed appointment of Tan Sri Datuk Dr Rebecca Fatima Sta Maria (Tan Sri Dr Rebecca) as Independent Non-Executive Director. The Nomination Committee having interviewed and assessed the background and profile of Tan Sri Dr Rebecca, was of the view that Tan Sri Dr Rebecca would contribute positively to the Board. Upon recommendation of the Nomination Committee, the Board had subsequently approved the appointment of Tan Sri Dr Rebecca as an Independent Non-Executive Director effective from 3 August 2016.
- (d) On the meeting held on 25 August 2016, the Nomination Committee deliberated on the following:
  - (i) Reviewed and approved the methodology for evaluation of Board Effectiveness, Board Committees evaluation, Audit Committee evaluation, assessment of the Independent Non-Executive Directors and Directors' Peers Review. The Audit Committee Evaluation format and Independence Directors' Self-Assessment Checklist were also discussed and approved.
  - (ii) On the recommendation of the Nomination Committee, the Board approved the appointment of Tan Sri Dr Rebecca as a member of the Audit Committee effective 26 August 2016.
- (e) The Nomination Committee receives updates on Management succession plan every year. During the financial year 2016, the discussion on Management succession planning was held on 22 November 2016. The Group Chief Human Resource Officer and the Company's Human Resource General Manager presented the potential successors to key management positions in the organization for deliberation. The Nomination Committee received the assurance that all candidates appointed to the senior management positions were of sufficient calibre and there was a plan in place to provide orderly succession of senior management.
- (f) Approval of the schedule of Nomination Committee Meetings for 2017.

The Nomination Committee held five (5) meetings during the financial year 2016 and the details of attendance of the Committee members are as follows:

Name of Directors	Number of Meetings Attended
Dato' Ir Goh Chye Koon	5/5
Dato' Siow Kim Lun	4/5
Dato' Dr Ir Johari Bin Basri	5/5
Dato' Chew Chee Kin	5/5

## Corporate Governance Statement • cont'd

### 2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

#### Recruitment

A formal policy on selection process and assessment criteria for appointment of a new director is in place. The policy details the processes and the criteria for selection and assessment of potential candidates for election to the Board. It also sets out the criteria for assessment of the appropriateness of the board mix and composition. The policy was approved and adopted by the Board on the recommendation of the Nomination Committee.

Based on the policy, the Board has delegated the responsibility of recommending a potential candidate to fill a board vacancy to the Nomination Committee but the ultimate decision on the appointment of a candidate is solely that of the Board as a whole.

The Nomination Committee will screen the initial selection of the candidates, performing the requisite assessment of the said candidates before recommending them to the Board for approval. This is to ensure that the candidates possesses the appropriate skills, competencies, experience, integrity and time to effectively discharge their role as a director. Besides that, the Nomination Committee will also take into consideration the diversity of the Board's composition which inter alia, include gender, ethnicity, age, etc.

#### Re-election and Re-appointment

The Company's Articles of Association provides that 1/3 of the Board is subject to retirement by rotation at each Annual General Meeting. Each Director shall retire once at least in each three years but shall be eligible for re-election. The Directors to retire in each year are those who have been longest in office since their last election or appointment.

Pursuant to Article 107 of the Company's Articles of Association, Dato' Ir Goh Chye Koon, Dato' Siow Kim Lun and Dato' Dr Ir Johari Bin Basri will retire by rotation at the coming 3<sup>rd</sup> Annual General Meeting of the Company. Tan Sri Dr Rebecca, who was appointed as a Director on 3 August 2016, will also retire at the said Annual General Meeting pursuant to Article 90 of the Company's Articles of Association. Dato' Ir Goh Chye Koon, Dato' Siow Kim Lun, Dato' Dr Ir Johari Bin Basri and Tan Sri Dr Rebecca have all agreed to be re-elected as Directors.

As per the shareholders' mandate obtained at the previous Annual General Meeting, Dato' Chew Chee Kin, who is over the age of 70 years, shall vacate office as Director of the Company at the conclusion of the forthcoming Annual

General Meeting and being eligible, he has offered himself for re-appointment at the said Annual General Meeting.

The Nomination Committee has assessed the performances of these Directors and has made recommendation to the Board for their re-election and re-appointment at the coming Annual General Meeting.

In order to assist the shareholders in their decision, sufficient information on the directors such as their personal profile, record of attendance of meetings and the shareholdings of each Director (where applicable) are disclosed in this Annual Report.

#### Annual Assessment

The Nomination Committee is entrusted with the responsibility of carrying out the evaluation process of the Board's performance as a whole as well as the performance of its Committees. The annual evaluation of Board effectiveness is conducted internally by way of self and peer assessment covering areas such as Board composition, Board roles and responsibilities, legal and regulatory compliance, trainings required, conduct at meetings, engagement and communication with management and stakeholders. The Nomination Committee also undertakes annual assessment of the effectiveness of various Board Committees. The assessments are used to identify the Board's strengths and shortcomings as well as to recommend areas for improvement.

The results of the assessments are compiled into a report for deliberation and recommendation at the Nomination Committee's meeting. The Nomination Committee will then report the matter to the Board for further deliberation. The deliberations of the Nomination Committee and the Board are duly minuted in the respective meetings.

### 2.3 Remuneration Policy

The Group recognises 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, information prepared by independent consultants and survey data on the remuneration practices of comparable peers were taken into consideration in determining the remuneration package for Executive Director and directors' fees for Non-Executive Directors.

During the year end review, the Remuneration Committee will review the final performance ratings of the Executive Director based on his approved rating. The Board will then determine and approve the quantum of bonus payment in accordance with business justifications and the bonus framework of the Company.

The remuneration of the Executive Director is structured on the basis of linking rewards to corporate and individual performance. The Group uses “Managing for Excellence” software tools to facilitate the evaluation of Executive Director. The evaluation is conducted on half-yearly basis.

The total remuneration package of Executive Director shall made up of various components, primarily consisting of fixed monthly salary, performance bonus, incentive pay, employee share option, as well as benefits-in-kind. The Executive Director shall not be entitled to directors’ fees and meeting allowances for his services. The performance and remuneration package of the Executive Director is subject to evaluation of the Remuneration Committee.

For Non-Executive Directors, the level of remuneration reflects their experience, level of responsibilities and industry’s benchmark. The remuneration of Non-Executive Directors consist of fixed directors’ fees per annum and meeting allowances for every Board or Board Committee meeting attended.

The fees for the Non-Executive Directors are not linked to the financial results of the Company. Non-Executive Directors are not entitled to any performance bonus nor any incentive arrangements. For purpose of ensuring the independence of Independent Non-Executive Directors, they are not eligible for the employees share option scheme.

The Board as a whole resolves on the fees for the Non-Executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration. The fees payable to the Non-Executive Directors are subject to the approval of shareholders at the Annual General Meeting. Currently, the Non-Executive Directors are entitled to directors’ fees of RM100,000 per individual per year and the meeting allowance is set at RM500 per individual per meeting.

In addition to the directors’ fees, the Chairman and members of the Audit Committee are entitled to Audit Committee’s fees in respect of their governance and overseeing responsibilities in relation to the Company’s financial reporting, internal control system, risk management system, internal and external audit function. The amount of Audit Committee’s fees is benchmarked against public listed companies of similar size and industry. The Audit Committee’s fees are subject to shareholders’ approval. The fees will be reviewed as and when the need arises. The Audit Committee’s fees are payable annually together with the payment of the directors’ fees.

Currently, the Audit Committee’s fees are set as RM6,000 for the Chairman per annum and RM3,000 for each member per annum.

The details of the Directors’ remuneration during the financial year 2016 are as follows:

	Executive Directors (RM'000)		Non-Executive Directors (RM'000)		Total (RM'000)
	Company	Subsidiaries	Company	Subsidiaries	
Directors' Fees*	-	-	641	-	641
Audit Committee's Fees*	-	-	16	-	16
Other Emoluments^	-	-	48	480	528
Salaries, Bonuses and other Remuneration	-	2,062	-	-	2,062
Benefits-in-kind	-	16	-	-	16
<b>TOTAL</b>	-	<b>2,078</b>	<b>705</b>	<b>480</b>	<b>3,263</b>

**Note:**

\* The directors’ fees and Audit Committee’s fees are subject to the shareholders’ approval at the forthcoming 3<sup>rd</sup> Annual General Meeting of the Company.

^ Comprises meeting allowances and any other payments made.

## Corporate Governance Statement • cont'd

The number of Directors whose remuneration falls under the following bands is as follows:

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
Below RM200,000	-	6	6
RM450,000 to RM500,000	-	1	1
RM2,000,000 to RM2,050,000	1	-	1
<b>TOTAL</b>	<b>1</b>	<b>7</b>	<b>8</b>

**Note:**

The details of Directors' Remuneration of individual directors are not shown for personal security reasons.

### Remuneration Committee

The Board has established a Remuneration Committee to ensure that remuneration arrangements support the strategic aims of the Group's businesses and to enable the recruitment, motivation and retention of Executive Director.

The Remuneration Committee comprises Non-Executive Directors, namely Dato' Chew Chee Kin as Chairman, Dato' Ir Goh Chye Koon, Dato' Siow Kim Lun and Dato' Dr Ir Johari Bin Basri as members. Majority of them are Independent Directors.

The Remuneration Committee, with the assistance of the General Manager – Human Resource, evaluate the performances of the Managing Director and the CFO of the Company twice a year. Based on the performance appraisals, the Remuneration Committee determines the performance bonus for the Managing Director and CFO. The Remuneration Committee also reviews the remuneration package of the Managing Director to ensure that it is commensurate with the scope of responsibilities and performance achieved.

The terms of reference of the Remuneration Committee are set out on the Company's website.

During the financial year and since the listing of the Company, three (3) meetings were held to deliberate and approve the following matters:

(a) On 25 February 2016, the Remuneration Committee reviewed and discussed the 2015 year-end performance appraisal of the Managing Director and CFO. The actual results achieved by the Managing

Director and CFO were compared against their targeted KPIs. Non achievement of KPIs were explained and justified. Based on the performance scorecard, the Remuneration Committee recommended their annual increments and performance bonuses for the Board's approval.

(b) On 25 August 2016, the Remuneration Committee reviewed and discussed the mid-year KPIs and mid-year performance appraisal of the Managing Director and CFO. The Remuneration Committee offered a few suggestions to fine tune the measurements used for certain key results areas.

(c) On 22 November 2016, the Remuneration Committee reviewed and discussed the performance appraisal of the Managing Director and CFO as of October 2016. The review was for the purpose of determining the payment of interim bonuses. The actual 10-month results versus its budgets were tabled to the Committee for deliberation. Based on the 10-month performance scorecard, the Remuneration Committee recommended the interim bonuses for the Managing Director and CFO for approval by the Board.

The General Manager – Human Resource of the Company attended the said meetings at the invitation of the Committee.

## PRINCIPLE 3 REINFORCE INDEPENDENCE

### 3.1 Assessment of Independent Directors

The Board measures the independence of its Directors based on the criteria stipulated in Paragraph 1.01 and Practice Note 13 of the Main Market Listing Requirements of Bursa Securities. The Directors should be independent and free from any business or other relationships that may interfere with the exercise of independent judgment or the ability to act in the best interest of the Group. The Independent Directors must be able to express their opinions to the Board free of concern about their position or the position of any third party.

The Nomination Committee has conducted an annual assessment on the Independent Non-Executive Directors and its results were presented to the Board. The Independent Non-Executive Directors have also provided annual confirmation of their independence to the Nomination Committee and the Board. The Board was generally

satisfied with the level of independence demonstrated by the Independent Non-Executive Directors as well as their ability to act in the best interest of the Company.

Any Director who has or may have a conflict of interest, either direct or indirect, in any matter or transaction concerning the Group, is required to notify the Board and the Company Secretary of such interest.

### 3.2 Tenure of Independent Directors

In accordance with Recommendation 3.2 of the CG Code, the Board has adopted a policy whereby an Independent Non-Executive Director who has reached the threshold of 9 years tenure will be redesignated 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.

### 3.3 Shareholders' approval for re-appointment as Independent Non-Executive Directors after a tenure of 9 years

Presently, none of the Independent Non-Executive Directors have reached the 9-year cumulative tenure in the Company. Hence, no shareholders' approval will be sought for this purpose at the forthcoming 3<sup>rd</sup> Annual General Meeting of the Company.

### 3.4 Separation of position of Chairman and CEO

The positions of Chairman and CEO are each held by two different individuals. The Chairman is an Independent Non-Executive Director. He is responsible for leading the Board in the oversight management of the Company and ensuring the integrity and effectiveness of the governance process of the Board. The CEO of the Company is designated as Managing Director, who focuses on the business and manages the day-to-day operations of the Company and implements the Board's decision. The separate roles and responsibilities of the Chairman and Managing Director are clearly defined in the Board Charter.

### 3.5 Composition of the Board

The Board of the Company comprises more than one third independent directors and is chaired by an Independent Non-Executive Director. It comprises eight members, four of whom are Independent Non-Executive Directors, three are Non-Independent Non-Executive Directors and one is an Executive Director who is known as the Managing Director. The Board is of the view that the existing size, structure and composition of the Board is appropriate after having benchmarked against similar industry players.

The Board's composition reflects a balance of Executive and Non-Executive Directors with a mix of suitably qualified and experienced professionals in the fields of accountancy, banking and finance, economy, human capital development, international trade, civil and mechanical engineering, construction, property development, safety and health, building material, trading, manufacturing, quarrying, and general management. This combination of different professions, experiences and skills working together enables the Board to effectively lead and control the Company. A brief profile of each Director is presented in this Annual Report.

Pursuant to Recommendation 2.2 of the CG Code, the Board had adopted a diversity and inclusion policy. The Group is committed to encouraging diversity and inclusion in the workplace. The Group aims to create a culture that respects and values each other's differences, promotes equality and diversity, and encourages individuals to grow and develop in order to realize their full potential. Diversity and inclusion are closely tied to the Group's core values of integrity, humility and excellence which are embedded into every facet of the Group's business and goals. Nonetheless, the Board will also prioritise selection criteria based on an effective mix of competencies and skills as well as relevant experience and knowledge in order to strengthen the Board.

In accordance with the best practices in corporate governance, Dato' Ir Goh Chye Koon was appointed as Senior Independent Non-Executive Director on 6 November 2014, to whom concerns relating to the affairs of the Group may be directed at. He serves as the point of contact between the Independent Non-Executive Directors and the Managing Director on matters that may be deemed sensitive and as the designated contact to whom the shareholders may direct their concerns or queries.

## Corporate Governance Statement • cont'd

### PRINCIPLE 4 FOSTER COMMITMENT

#### 4.1 Time Commitment

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 Meetings held during 2016. Their meeting attendance at Board and Board committees' meetings is evidenced by the attendance record set out in the table below.

Directors	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting
<b>INDEPENDENT NON-EXECUTIVE DIRECTORS</b>				
Dato' Ir Goh Chye Koon (Chairman)	7/7	5/5	5/5	3/3
Dato' Siow Kim Lun	7/7	5/5	4/5	2/3
Dato' Dr Ir Johari Bin Basri	7/7	5/5	5/5	3/3
Tan Sri Datuk Dr Rebecca Fatima Sta Maria	2/2 <sup>#</sup>	1/1 <sup>*</sup>	N/A	N/A
<b>NON-INDEPENDENT NON-EXECUTIVE DIRECTORS</b>				
Dato' Chew Chee Kin	7/7	N/A	5/5	3/3
Datuk Kwan Foh Kwai	7/7	N/A	N/A	N/A
Evan Cheah Yean Shin	7/7	5/5	N/A	N/A
<b>MANAGING DIRECTOR</b>				
Chung Soo Kiong	7/7	N/A	N/A	N/A

**Note:**

<sup>#</sup> Tan Sri Dr Rebecca had attended two of the Board meetings held in 2016 since her appointment to the Board on 3 August 2016.

<sup>\*</sup> Tan Sri Dr Rebecca had attended one of the Audit Committee meetings held in 2016 since her appointment as member of the Audit Committee on 26 August 2016.

In order to ensure that the Directors have sufficient time to effectively fulfil their roles and responsibilities, the Board has agreed that one of the criteria for the appointment of effectively potential new directors is that they must not hold more than five directorships in public listed companies. This is also in compliance with Paragraph 15.06 of the Main Market Listing Requirements of Bursa Securities. This enables them to discharge their duties effectively by ensuring that their commitment, resources and time are more focused.

Under Recommendation 4.1 of the CG Code, the Board should stipulate the expectation of time commitment for members who accept a new directorship. 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 such to the Board during the Board meetings.

## 4.2 Training

The Board recognises the importance of training and development for the Directors to enhance their skills and knowledge to meet the challenges of the Board. The role of reviewing the training and development needs of the Directors has been delegated to the Nomination Committee.

During the financial year, all the Directors had attended various training programmes and seminars 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. An in-house briefing by an appointed legal firm on the new Companies Act 2016 had also been organized for the benefit of the Directors.

The training programmes, seminars and workshops attended by the Directors during the financial year were, inter alia, on areas relating to leadership, corporate governance, economy, sustainability, corporate financial, general management, regulatory, and strategic planning.

### Training Programmes, Seminars and Workshops attended by Directors

Name of Directors	Course Title	Organiser	Date
Dato' Ir Goh Chye Koon (Chairman)	Sunway Construction Managers Conference 2016	Sunway Construction Sdn Bhd	7 May 2016
	Audit Committee Workshop C: Related Party Transactions and Conflict of Interest Situations	Malaysian Institute of Accountants	15 June 2016
	Audit Committee Workshop J: The Nominating Committee	Malaysian Institute of Accountants	10 August 2016
	Board Chairman Series Part 2: Leadership Excellence from the Chair	Bursa Malaysia Berhad	11 August 2016
	Corporate Governance Breakfast Series: How to Leverage on AGMs for Better Engagement with Shareholders	Bursa Malaysia Berhad	21 November 2016
Dato' Siow Kim Lun	Sustainability Engagement Series for Directors/ Chief Executive Officers	Bursa Malaysia Berhad	1 June 2016
	Investment Mega Trends in the New Economy	PNB Investment Institute Sdn Berhad (PNBi)	8 August 2016
	How Effective Board's Engage on Succession Planning for the CEO and Top Management	PNBi and Permodalan Nasional Berhad	18 August 2016
	Corporate Governance Breakfast Series: Cybersecurity Threat and How Board Should Mitigate the Risks	Bursa Malaysia Berhad	18 November 2016
Dato' Dr Ir Johari Bin Basri	Corporate Financial Reporting - Are you making the right decisions?	Bursatra Sdn Bhd	27 April 2016
	The Inside Story of the Annual Report: What Directors Must Know	Burstra Sdn Bhd	28 April 2016

## Corporate Governance Statement • cont'd

### Training Programmes, Seminars and Workshops attended by Directors (cont'd)

Name of Directors	Course Title	Organiser	Date
Datuk Kwan Foh Kwai	Corporate Governance Breakfast Series for Directors: Improving Board Risk Oversight Effectiveness	Bursa Malaysia Berhad	26 February 2016
	Sunway Construction Managers Conference 2016	Sunway Construction Sdn Bhd	7 May 2016
	Briefing on New Companies Bill 2015	Sunway Berhad	17 August 2016
Dato' Chew Chee Kin	Sunway Construction Managers Conference 2016	Sunway Construction Sdn Bhd	7 May 2016
	Briefing on New Companies Bill 2015	Sunway Berhad	17 August 2016
Evan Cheah Yean Shin	Sunway Construction Managers Conference 2016	Sunway Construction Sdn Bhd	7 May 2016
Chung Soo Kiong	Mandatory Accreditation Programme for Directors of Public Listed Companies	Bursatra Sdn Bhd	3 & 4 February 2016
	Sunway Construction Managers Conference 2016	Sunway Construction Sdn Bhd	7 May 2016
	Advocacy Sessions on Management Discussion & Analysis for Chief Executive Officers and Chief Financial Officers	Bursa Malaysia Berhad	8 August 2016
Tan Sri Datuk Dr Rebecca Fatima Sta Maria	Briefing on New Companies Bill 2015	Sunway Berhad	17 August 2016
	Mandatory Accreditation Programme for Directors of Public Listed Companies	Bursatra Sdn Bhd	7 & 8 September 2016

## PRINCIPLE 5 UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 5.1 Compliance with Applicable Financial Reporting Standards

The Directors are required by the Companies Act 2016 (formerly the Companies Act, 1965) (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 Securities.

The Directors are responsible to ensure that the Financial Statements give a true and fair view of the financial position of the Group and of the Company at the end of the financial year, and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

In preparing the Financial Statements, the Directors have:

- Adopted appropriate accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent; and
- 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 and financial performance 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 open to them to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

## 5.2 Assessment of Suitability and Independence of External Auditors

The Board maintains, via the Audit Committee, an active, transparent and professional relationship with the External Auditors, Messrs BDO. The Audit Committee meets the External Auditors at least twice a year to discuss their audit plan, audit findings and the Group's Financial Statements. During the financial year 2016, the Audit Committee met three times with the External Auditors on 25 February 2016, 17 March 2016 and 22 November 2016. The Audit Committee also meets with the External Auditors without the presence of the Executive Director and the management on 25 February 2016 and 22 November 2016. This encourages a greater exchange of independent and open dialogue between both parties.

The Company has in place a Policy on Selection of External Auditors and a Non-Audit Services Policy. The objectives of the policies are to outline the criteria and procedures for the Audit Committee to assess and select the External Auditors and to monitor the provision of non-audit services by the External Auditors.

During the year, the Audit Committee assessed the suitability, effectiveness and independence of the External Auditors and ensured that the provision of other non-audit services by the External Auditors was not in conflict with their audit function. The annual assessment 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 outcome of the assessment was tabled to the Audit Committee on 17 March 2016. There were no major concerns from the results of the External Auditors Assessment. The Audit Committee was generally satisfied with the performance of the External Auditors for financial year ended 31 December 2015. Therefore, the Audit Committee had recommended for shareholders' approval at the 2<sup>nd</sup> Annual General Meeting of the Company held on 9 June 2016, the proposed re-appointment of BDO as External Auditors for the financial year 2016.

The External Auditors will rotate their engaging partner in charge of the Audited Financial Statements of the Company and the Group once every five years to maintain their independence from the Group. Nevertheless, the current audit engagement partner has held the position for only two years.

In addition, the External Auditors will be invited to attend the Company's Annual General Meeting/Extraordinary General Meeting(s) and will be available to answer any questions from shareholders on the conduct of the statutory audit and the contents of the Annual Audited Financial Statements as well as any corporate exercise undertaken by the Group in which the External Auditors are involved.

The Audit Committee has also considered the non-audit services provided by the External Auditors during the financial year. Details of the audit and non-audit fees paid or payable to the External Auditors for the financial year ended 31 December 2016 are shown in the table below.

Fees incurred by External Auditors or its affiliates	FYE 2016	
	Company (RM)	Group (RM)
Statutory audit and related fees	17,528.96	711,942.00
Non-audit fees	-	3,799.00
<b>TOTAL</b>	<b>17,528.96</b>	<b>708,143.00</b>

The non-audit fees of RM3,799 was for confirming and certifying financial related documents in relation to a tender. The Audit Committee had concluded that these services did not compromise the External Auditors' independence and objectivity as the amount paid was not significant as compared to the total fees paid or payable to the External Auditors.

Additional disclosure on the detailed work carried out by the Audit Committee for the reporting financial year are set out in the Audit Committee's Report of this Annual Report.

## PRINCIPLE 6 RECOGNISE AND MANAGE RISK

### 6.1 Sound Framework to Manage Risks

The Company is committed to integrating risk management practices into all business processes and operations in order to drive consistent, effective and accountable action, and management practices. The Board assumes overall responsibility for maintaining a sound system of risk management and internal controls that provide reasonable assurance of effective operations and legal compliance including both internal policies and standard operating procedures. The Board has adopted a Risk Management Policy as a formal acknowledgement of its commitment to risk management.

## Corporate Governance Statement • cont'd

### PRINCIPLE 6 RECOGNISE AND MANAGE RISK • CONT'D

#### 6.1 Sound Framework to Manage Risks • cont'd

The Board is assisted by a Risk Management team in identifying, mitigating and monitoring the critical risks highlighted by the Business Divisions. The Internal Audit Department assists the Audit Committee in reviewing, evaluating and monitoring the effectiveness of the Group's governance, risk management and internal control processes.

The Statement on Risk Management and Internal Control set out in this Annual Report provides an overview of the state of risk management and internal controls within the Group.

#### 6.2 Internal Audit Function

The Board has established an internal audit function by setting up an Internal Audit Department (IAD) within the Group. The IAD reports functionally to the Audit Committee and administratively to the Managing Director or his designate. The IAD has full, free and unrestricted access to all the Company's and Group's activities, policies, records, properties and personnel at all levels and agents, in pursuance of its objectives.

The IAD's functions and summary of its activities are set out in the Audit Committee's Report of this Annual Report.

### PRINCIPLE 7 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

#### 7.1 Corporate Disclosure Policy

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 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.

#### 7.2 Leverage on Information Technology for Effective Dissemination of Information

The Company's website at [www.sunwayconstruction.com.my](http://www.sunwayconstruction.com.my), incorporates a section for "Investor Relations" which provides all relevant information on the Group such as quarterly and Annual Financial Statements, Board Charter, minutes of general meetings, general announcements, investor presentations, share price and financial information. The information is easily accessible by the public. The Company's Annual Report and circulars to shareholders are also made available on this website for review.

The Company has also launched its Investor Relations Mobile Application in 2016. Information such as share performance, general announcements and financials are accessible through this mobile application. It can be downloaded from the Apple iTunes and Google Playstore.

### PRINCIPLE 8 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

#### 8.1 Encourage Shareholder Participation at General Meetings

As part of the effort in strengthening its relationship with the shareholders, the Company is committed to continuously disclosing and disseminating comprehensive and timely information to its shareholders as well as to the general investing public. The Board believes that by maintaining consistent and extensive communication with its shareholders, its mutual relationship with its shareholders will be strengthened. This will also enhance the shareholders' understanding of the Group as well as their ability in making informed investment decisions.

The Annual Report of the Company is also another main channel of communication between the Group and its shareholders as well as stakeholders. The Annual Report communicates comprehensive information on the financial results and activities undertaken by the Group. The Annual Report in the form of CD-ROM together with an executive summary will be sent to the shareholders.

The Board also recognises the importance of shareholders' participation in general meetings and encourages such participation. The Annual General Meeting of the Company provides the principal forum for dialogue 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 2016, the Company served notice of its 2<sup>nd</sup> Annual General Meeting 42 days before the meeting, well in advance of the “21-day requirements under the Companies Act, 1965” and the Main Market Listing Requirements of Bursa Securities. The additional time given to the shareholders had allowed them to have sufficient time to scrutinise the Annual Report 2015 and to make necessary arrangement to attend the meeting. The Chairman provided ample time for the Q&A sessions in the Annual General Meeting. All suggestions and comments given by shareholders were noted by Management for consideration. The Company also distributed together with the Notice of Annual General Meeting, information on administrative details such as details of the meeting, shareholders’ entitlement to attend the meeting, their right to appoint proxy, information as to who may act as a proxy, etc.

In addition, any written queries raised by the Minority Shareholder Watchdog Group would be presented to the shareholders at the Annual General Meeting together with the Group’s response.

### 8.2 Encourage Poll Voting

In line with the recent amendments to the Main Market Listing Requirements of Bursa Securities, the Company will, at its forthcoming 3<sup>rd</sup> Annual General Meeting, implement poll voting for all the resolutions set out in the notice of meeting. In order to expedite the verification and counting of the votes, the poll voting will be conducted via electronic means. The Company has appointed an independent external scrutineer to validate all the votes at the coming meeting.

### 8.3 Effective Communication and Proactive Engagements

The Board values constant dialogue and is committed to clear communication with its shareholders and investors. In this respect, as part of the Group’s active investor relations programme, discussions and dialogues are held with fund managers, financial analysts, shareholders and the media to convey information about the Group’s performance, corporate strategy and other matters affecting shareholders’ interests. The Group has an established internal corporate disclosure policy and an investor relations team to address all communications with its shareholders, the media and the investing public.

The Company disseminates Quarterly Report and Corporate Presentation to all research analyst 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 orderbook secured and outstanding orderbook. During the financial year 2016, the Company had participated in various investor conference and road shows in Malaysia, Singapore, Hong Kong and Japan.

In addition to the published Annual Report (in both hard copy or in CD ROM media) and Quarterly Reports announced to Bursa Securities, the Group has established a website at [www.sunwayconstruction.com.my](http://www.sunwayconstruction.com.my) from which investors and shareholders can access for information.

The Company also provides a separate executive summary together with its Annual Report, which highlight key financial information to facilitate shareholders’ easy access to such key information. Besides announcing through Bursa Securities’ website, all significant corporate developments involving the Group are made known through press releases to the media.

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. The Group has in place an insider trading policy to safeguard the confidentiality of its material and price-sensitive information.

The Group’s website has a section dedicated to shareholders and investor relations which provides detailed information on the Group’s businesses and latest developments. Any enquiries on investor related matters may be directed to this email address, [irsuncongroup@sunway.com.my](mailto:irsuncongroup@sunway.com.my) or may also be conveyed to the following person:-

**Ms Ng Bee Lien**  
**Chief Financial Officer**  
T (603) 5639 9645  
F (603) 5639 9530  
E [ngbeelien@sunway.com.my](mailto:ngbeelien@sunway.com.my)

## COMPLIANCE WITH THE CG CODE

The Group has complied with the principles and recommendations as outlined in the Malaysian Code on Corporate Governance 2012.

This Corporate Governance Statement was approved by the Board of Directors on 21 March 2017.



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**DATO’ IR GOH CHYE KOON**  
**Independent Non-Executive Chairman**

# Audit Committee Report

## FORMATION

The Board of Directors 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 2016.

## COMPOSITION

The Audit Committee comprises five (5) members, majority of whom are Independent Non-Executive Directors. This meets the requirements of paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities). Members of the AC during the financial year ended 31 December 2016 comprised the following Directors:-

1. Dato' Siow Kim Lun (Chairman)  
*Independent Non-Executive Director*
2. Dato' Ir Goh Chye Koon  
*Independent Non-Executive Chairman/  
Senior Independent Non-Executive Director*
3. Dato' Dr Ir Johari Bin Basri  
*Independent Non-Executive Director*
4. Tan Sri Datuk Dr Rebecca Fatima Sta Maria  
*Independent Non-Executive Director  
(Appointed on 26 August 2016)*
5. Evan Cheah Yean Shin  
*Non-Independent Non-Executive Director*

Paragraph 15.09(1)(c) of the MMLR requires that at least one member of the AC must be a member of the Malaysian Institute of Accountants, or a member of one of the associations of accountants as specified in the Accountants Act 1967, or fulfils such other requirements as prescribed or approved by the Bursa Securities.

Dato' Siow Kim Lun, the Chairman of the AC, has been approved and recognised by the Bursa Securities as a person qualified for the purpose of paragraph 15.09(1)(c) (iii) of the MMLR. Mr Evan Cheah Yean Shin is a Chartered Financial Analyst Charterholder, Certified Practising Accountant and a member of Malaysian Institute of Accountants. Accordingly, the Company complies with paragraph 15.09 of the MMLR.

During the financial year, Tan Sri Datuk Dr Rebecca Fatima Sta Maria (Tan Sri Dr Rebecca), who was the former Secretary-General of the Ministry of International Trade and Industry, was appointed to the AC on 26 August 2016.

## MEETINGS AND ATTENDANCE

The AC held 5 meetings during the financial year 2016. The attendance records of the AC members are shown below:

Name of Directors	Number of Meetings Attended
Dato' Siow Kim Lun	5/5
Dato' Ir Goh Chye Koon	5/5
Dato' Dr Ir Johari Bin Basri	5/5
Evan Cheah Yean Shin	5/5
Tan Sri Datuk Dr Rebecca Fatima Sta Maria *	1/1

\* Tan Sri Dr Rebecca attended 1 out of 1 AC Meeting during the financial year since her appointment as member of the AC on 26 August 2016.

The Managing Director and Chief Financial Officer were invited to attend all the meetings to provide clarification on audit issues as well as the Group's financial and business operations. The Head of the Internal Audit Department (IAD) attended all the meetings to table the internal audit reports and annual audit plan. The external auditors, Messrs BDO, were present at 3 of the total meetings held. Senior Management officers from the respective business units were invited to attend meetings as and when necessary to brief the AC on specific issues raised in the internal audit reports on matters relating to their areas of responsibility.

## TERMS OF REFERENCE

The scope of responsibilities of the AC is outlined in its terms of reference which are set out in the Company's website: [www.sunwayconstruction.com.my](http://www.sunwayconstruction.com.my).

## DISCHARGING OF FUNCTIONS & DUTIES

During the financial year ended 31 December 2016, the AC carried out the following activities in the discharge of its functions and duties:-

### Overseeing Financial Reporting

(a) At the AC meetings held on 25 February 2016, 26 May 2016, 25 August 2016 and 22 November 2016, 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 Chief Financial Officer presented the financial reports and confirmed to the AC, the following matters:

- 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 2016;
- There were no significant and unusual issues other than those reported in the financial statements;
- The Company and the Group continued to operate as going concern; and
- The accounting standards, regulatory and other legal requirements had been complied with in preparation of the financial statements.

The AC focused its attention on the accuracy of the reported financial figures and explanations to material variances or movements during the year. The AC's recommendations on the unaudited quarterly financial results were presented for approval at subsequent Board Meetings for release to Bursa Securities.

(b) On 17 March 2016, the AC, together with the External Auditors and Management, deliberated on the Audited Financial Statements for the financial year ended 31 December 2015. Having satisfied itself that the Audited Financial Statements and Directors' Report complied with the relevant accounting standards and legal requirements, the AC duly recommended the same for the Board's approval and subsequent tabling at the Second Annual General Meeting of the Company held on 9 June 2016.

The AC also reviewed and took note of the changes and amendments to the regulations, accounting standards and other regulatory requirements tabled by the Chief Financial Officer that could have a significant financial impact to the Company.

### Assessing Risks and Control Environment

- (a) The AC reviewed the adequacy and effectiveness of the risk management framework and the appropriateness of Management's responses to key risk areas and proposed recommendations for improvements to be implemented.
- (b) The Management reported to the AC on a quarterly basis, all risks identified in a risk management scorecards.
- (c) On 25 February 2016, the AC also reviewed and deliberated on matters relating to internal control as highlighted by the External Auditors in the course of their statutory audit of the Financial Statements for financial year ended 31 December 2015. At the meeting, the External Auditors reported that there were no significant weaknesses in the Group's internal control system.

## Audit Committee Report • cont'd

### Evaluate the Audit Process

#### (i) Internal Audit

- (a) The AC approved IAD's 2016 Audit Plan at the meeting held on 25 February 2016. The 2016 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 IAD. The AC reviewed the adequacy and relevance of the scope and resources allocated for the plan and subsequently approved the plan and its proposed audit timetable and the budgeted man-hours.

The 2016 Audit Plan was also reviewed on a quarterly basis taking into account any developments which had an impact on the audit coverage.

- (b) IAD's audit engagements for 2016 were mainly carried out in the following key business components:

- On-going building projects:
  - Government Office Buildings at Putrajaya (Parcel F Project);
  - Sunway Medical Centre 3;
  - Residential housing projects at the southern region;
  - Sunway Velocity Mall at Cheras; and
  - Commercial Properties at Sunway South Quay.
- Subsidiary - Sunway Geotechnics (M) Sdn Bhd;
- Corporate governance compliance within the Company and its group; and
- Asset management in its group.

- (c) The AC reviewed the results of audit engagements carried out by IAD at every AC 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, IAD updated the AC on the progress of the 2016 Audit Plan and results of ad-hoc assignments including audit investigations.

- (d) At the meeting held on 17 March 2016, the Internal

Audit Function Evaluation Report was tabled for the AC to assess the performance of 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 AC also assessed the adequacy of resources and core skills and competencies of staff within the IAD.

- (e) The AC Chairman had on 26 May 2016 met with the IAD without the presence of the management staff to facilitate discussions on additional matters in relation to audit issues and internal control weaknesses noted in the course of their audit.

- (f) At the AC meeting held on 25 February 2016, the Head of Internal Audit updated the AC members on the results of the Quality Assessment (QA) review performed in 2015 on the Internal Audit function. The QA review was performed by an external professional consultant, Protiviti Pte Ltd (Protiviti). The review was undertaken to provide an independent assurance that the Internal Audit function conformed to the International Standards for the Professional Practice of Internal Auditing (IIA Standards). The result by Protiviti concluded that IAD was assessed to be carrying out its IA activities in conformance with the IIA Standards. The improvement areas suggested by Protiviti had also been discussed and noted by the AC.

#### (ii) External Audit

- (a) The AC met with the External Auditors, Messrs BDO on the following dates:

- (1) The AC on 25 February 2016, reviewed and deliberated with the Management, the Audit Completion Report by the External Auditors in respect of their audit for the financial year ended 31 December 2015.

In the meeting, the External Auditors confirmed its professional independence in relation to the audit engagement for the financial year ended 31 December 2015. The External Auditors also reported its audit status as compared to the audit plan. The AC was briefed on the key audit and accounting issues 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.

- (2) The AC on 17 March 2016, discussed with the External Auditors, the final draft of the Audited Financial Statements for the financial year ended 31 December 2015.

The External Auditors was of the opinion that the Company's Audited Financial Statements gave a true and fair view of the financial position of the Company and its group in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965.

- (3) The AC had on 22 November 2016, reviewed and discussed with the External Auditors, the Audit Planning Memorandum for 2016 which outlined the scope of work for the statutory audit for financial year ending 31 December 2016.

At the aforesaid meeting, the External Auditors explained their audit approach and system of evaluation including areas of audit emphasis and scope. New Malaysian Financial Reporting Standards (MFRS) which would affect the financial reporting of the Company for financial year ending 31 December 2016 were highlighted. It was also noted that there would be significant change in the presentation of the Auditors' Report for financial year ending 31 December 2016 arising from the International Standards on Auditing - ISA 700 (Revised) and ISA 720 (Revised).

- (b) The AC on 25 February 2016 and 22 November 2016, had private sessions with the External Auditors to discuss any issues as well as reservations arising from their audit without the presence of management staff and the executive board members. 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.
- (c) The AC had, at its meetings held on 25 February 2016 and 17 March 2016, reviewed the audit and non-audit fees for the financial year ended 31 December 2015. It was noted that there were no non-audit fees for the said financial year.

- (d) The AC undertook an annual assessment on the quality of audit of the External Auditors which encompassed the performance, quality of communication, independence, objectivity and professionalism of the External Auditors. The results of the evaluation was tabled to the AC at its meeting held on 17 March 2016. The AC and Management were satisfied with the performance and audit quality of the External Auditors for financial year ended 31 December 2015.

Based on the results of the performance assessment, the AC recommended to the Board the proposed re-appointment of BDO as the External Auditors of the Company for the financial year ended 31 December 2016.

- (e) On 22 November 2016, the AC had recommended for the Board's approval, a Policy on Selection of External Auditors and a Non-Audit Services Policy. The objectives of the policies were to outline the criteria and procedures for the AC to assess and select the External Auditors as well as to monitor the provision of non-audit services by the External Auditors.

### **(iii) Reviewing Related Party Transaction & Conflict of Interest Situations**

- (a) The AC had at its meetings held on 25 February 2016, 26 May 2016, 25 August 2016 and 22 November 2016, 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:
- i) Carried out in compliance with the MMLR of Bursa Securities and relevant rules and regulations;
  - ii) Transactions/arrangements were carried out on an arms' length basis and under normal commercial terms;
  - iii) Transactions/arrangements were in the best interest of the Company;
  - iv) Interested parties abstained from deliberation and voting;
  - v) Adequate disclosure via Bursa Announcements, Quarterly Reports and Annual Report; and
  - vi) Prior approval by the shareholders, where applicable.

## Audit Committee Report • cont'd

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 were no management conflict of interest situations for operational matters (including any transaction, procedure or course of conduct) as reported by the Managing Director at the quarterly meetings.

- (b) On 25 February 2016, the AC had reviewed and recommended for shareholders' approval, the Circular to Shareholders in respect of the Proposed Shareholders' Ratification and Proposed Shareholders' Mandate for Recurrent Related Party Transactions, as well as the proposed authority for the purchase of its own shares by the Company.

### (iv) Other Matters

- (a) On 17 March 2016, the AC reviewed and recommended for the Board's approval, the Corporate Governance Statement, AC Report and Statement on Risk Management and Internal Control for inclusion into the Annual Report 2015 of the Company.

The AC also had reviewed and recommended for the Board's approval, the Annual Report 2015 of the Company.

- (b) At its meetings held on 26 May 2016 and 22 November 2016, the AC was briefed on the amendments in the MMLR and the new Companies Act 2016 respectively.
- (c) The AC was satisfied that there were no breaches of the MMLR of Bursa Securities as reported by the Company Secretary at the quarterly meetings during the financial year.
- (d) 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.

## ANNUAL ASSESSMENT OF THE AUDIT COMMITTEE

An annual assessment of the performance and effectiveness of the AC was undertaken by the Board annually. The AC Members also undertook a Self and Peer Evaluation to assess whether the AC members had carried out their duties and responsibilities in accordance with its terms of reference.

Based on the assessment, the Board was satisfied that the AC was effective in discharging its duties and responsibilities as required under the terms of reference of the AC.

## AUDIT COMMITTEE'S TRAINING

The details of training programmes and seminars attended by each AC Member during the financial year ended 31 December 2016 are set out in the Corporate Governance Statement under "Directors' Training".

## 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 organisational 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, control and governance processes. IAD reports functionally to the AC and administratively to the Managing Director.

The Head of 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. IAD successfully completed its external Quality Assessment Review in 2015 and continues to meet or exceed the IIA Standards in all key aspects. IAD carried out its activities based on a risk-based annual audit plan approved by the AC. To ensure that the responsibilities of IAD are fully discharged, the AC reviews annually the adequacy of the scope, function and resources of the IA.

The internal audit reports arising from assignments 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 their 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 2016 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 providing results of the assessments of internal controls, identifying key areas of concerns as well as highlighting recommendations for improvements and carried out follow-up audits;
- (d) Acted on suggestions made by the AC and/or senior 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 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.

The costs incurred for the internal audit function in respect of the financial year ended 31 December 2016 including staff payroll costs and overheads amounted to RM986,000.

# 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 6 of the Malaysian Code on Corporate Governance 2012, with guidance from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

## THE BOARD'S RESPONSIBILITY

The Board continues its commitment and responsibility towards effective risk management and internal control. In doing so, the Board embeds risk management into 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 key risks faced by the Group.

The Board recognises that the framework is designed to mitigate rather than to eliminate, 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.

The Board reviews this process on a half yearly basis and is of the opinion that risk management and internal control framework for the year under review and up to the date of approval of this statement is adequate and effective. The Board has also received assurance from the Managing Director (MD) and Chief Financial Officer (CFO) that the Group's risk management and internal control framework is 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 divisions and operating subsidiaries prepare and present its outlook, expectations, budgets, performance and targets for the forthcoming year.

The MD 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

### 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 intranet for employees' reference.

### Audits

The Group Internal Audit Department (GIAD) carries out internal audits on divisions and operating 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.

### 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.

### Employee Conduct

Available for staff access in the Group's intranet portal, this is governed by a series of policies which define the core values of the Group – Integrity, Humility and Excellence.

- a) 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.

- b) 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.
- 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 further action. Whistle blowing avenues include a direct line telephone number, e-mail or written mail to the Head of Internal Audit Department. The AC has overall responsibility in overseeing the implementation of this policy for the Group.

### 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 Board on the Group's adequacy and effectiveness of risk management, MD and CFO continue 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 MD and CFO, highlighting major risks and mitigating controls carried out. The Board of Directors meet and deliberate on these risks identified at least four times a year while ad-hoc or new critical risks are escalated to the Board immediately for deliberation.

**The Group has four (4) core response strategies for risk management. These include:**

#### ***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.

#### ***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.

#### ***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

#### ***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.



## Statement on Risk Management and Internal Control • cont'd

Risk management discipline hence, 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 Board meets and deliberates on the top risks identified at least twice a year while ad-hoc or new critical risks are escalated to the Board immediately for deliberation. 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.

MD and CFO are 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, both MD and CFO 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.

Apart from the above, MD and CFO participate in other value-adding exercises such as:

### Review existing Sunway 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.

### Assist in Day-To-Day Operations for Operating Subsidiaries

Upon instruction from management, key relevant personnel assists in fulfilling daily operative requirements to ensure minimal business interruption or delays that could hamper the achievement of goals and objectives.

### 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.

### Key Risk Factors

For the financial year under review, MD and CFO have identified the following risks for the Group. These were presented to the Board where controls, mitigating plans and monitoring mechanisms were highlighted.

#### 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.

#### Mitigation:

The Group has successfully negated such risks for the financial period 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.

#### Cost Overrun

This risk concerns the Group as the fluctuations for raw material prices especially steel bar prices and preliminary cost due to prolongation of project. It could result in overrun of project operation costs from the tender costs.

#### Mitigation:

In response to this, some contracts have pass-through clauses in relation to steel price fluctuation where there are contracts no pass-through clauses, the Group negotiates with suppliers to hedge our steel bar purchases for 6 months interval (please refer to management discussion and analysis for further elaboration). To control our preliminary cost such as overhead and plant and machinery, we monitor the progress of our project actively to ensure timely delivery.

#### Reputation

Risks where the Group's reputation could be potentially damaged by one or more events, resulting in negative publicity and impairing public confidence towards the Group such as litigation suits and adverse events, even if the Group is not found liable.

#### Mitigation:

The Group's operating subsidiaries continue to observe this risk which may rise from a myriad of events. Mitigating controls include documented escalation mechanism to respond effectively and efficiently to ensure minimal business disruption and reputational impact.

### **Currency Risk**

Risks arising from volatile foreign currency and exchange rates.

#### *Mitigation:*

To transfer foreign currency and exchange costs to customers could adversely impact present and potential customers. In mitigation, foreign currency hedging is performed to minimise the Group's exposure to this risk. A flexible pricing strategy is adopted to ensure and improve affordability and quality of the Group's products and services. The Group has also strategised its purchases to include foreign and local suppliers to ensure flexibility without sacrificing quality.

### **Cyber & IT Risk**

This risk, if left unattended, could result in the unauthorised disclosure of sensitive business information, resulting in financial or reputational loss. It could also result in the disruption of critical business processes.

#### *Mitigation:*

To mitigate this risk, various policies, resources, processes, and systems have been developed and deployed. The Group-wide Information Security policy, called the SISP (Sunway Information Security Policies), was developed in accordance with ISO/IEC 27002 (2005) standards. In addition, continuous initiatives are in place to enhance the cyber defense capabilities and IT resiliency of the Group.

### **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:*

Group Human Resources, 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 periodic reviews of the Group's remuneration and compensation benefits for staff.

## **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 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 shareholder value and business sustainability will remain a core practice for the Group.

## **REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR**

The external auditor has 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 RPG 5 (Revised 2015) *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 Internal Control was approved by the Board of Directors on 21 March 2017.



**DATO' IR GOH CHYE KOON**  
Independent Non-Executive Chairman

## Additional Compliance Information

The information set out below is disclosed in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:

### **1 STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL**

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 2016.



### 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.



Night View of Parcel F, Putrajaya

## Investor Relations

Throughout 2016, SunCon's Investor Relations (IR) team was actively promoting fair valuation for SunCon and attracting new investors who believe in our operational model and business strategies. The pump priming by the Government of Malaysia especially in the infrastructure sphere has generated lots of interest in the construction counter. SunCon being one of the largest pure play listed construction company has garnered interest both locally and abroad. Our continuous engagement with both analyst and fund managers provided a transparent platform to convey our corporate developments for a sustained engagement to facilitate improved investor confidence.

### BROAD COVERAGE

Since our listing in July 2015, we have to-date 13 research institutions covering SunCon. The research institutions include:

1. Affin Hwang Investment Bank
2. AllianceDBS Group Research
3. BIMB Securities Research
4. Hong Leong Investment Bank
5. Kenanga Research
6. UOB Kay Hian
7. M&A Securities
8. Macquarie Research
9. Maybank Kim Eng
10. MIDF Research
11. Nomura Securities
12. RHB Research Institute
13. TA Securities

### SITE VISITS

We have conducted 3 site visits throughout 2016 to showcase our construction projects including our precast plant so that our investors can experience first hand the operations of a typical construction site and how we organise our works with the assistance of VDC (Virtual Design Construction"). Our precast plant visit in both Johor and Singapore presented how Singapore's HDB manage to construct their development using more than 80% precast component.

We have also participated in various "Corporate Day" organised by various research houses in order to further promote SunCon and convey to the investing community our ideology and better understanding of SunCon's business dynamics for them to make an informed decision in their fund management choices.

We are also reaching out to the investment community internationally through 7 separate visits which includes Singapore, Hong Kong and Tokyo. As a result of these visits, our foreign shareholding has improved since our listing at 2.4% to 9.1% as at year ended Dec 2016.

No.	Organiser	Event	Date	Venue
1	DBS Research	Alliance Corporate Day	12 Jan 2016	Kuala Lumpur
2	Citibank	ASEAN Infrastructure Investor Day - KL	25 Feb 2016	Kuala Lumpur
3	Citibank	ASEAN Infrastructure Investor Day - KL	26 Feb 2016	Singapore
4	CLSA	CLSA Malaysia Access Day	5 April 2016	Singapore
5	DBS Research	AllianceDBS Site Visit	8 April 2016	Velocity Mall & BRT Site Visit
6	CIMB	CIMB Construction Week	28 April 2016	Kuala Lumpur
7	Affin Hwang Investment	Affin Corporate Lunch Day	4 May 2016	Kuala Lumpur
8	DBS Research	AllianceDBS Site Visit	5 May 2016	Velocity Mall & BRT Site Visit
9	DBS Research	Non Deal Roadshow	9 - 10 May 2016	Hong Kong
10	Credit Suisse	Malaysia Infrastructure Corporate Day	19 July 2016	Kuala Lumpur
11	Affin Hwang Investment	Infrastructure Conference – Improving Connectivity	10 Aug 2016	Kuala Lumpur
12	Affin Hwang Investment & Daiwa Capital Markets	Malaysia Corporate Day	26-28 Sept 2016	Tokyo & Singapore
13	MIDF	Precast Plant Site Visit	5-6 Oct 2016	Johor & Singapore
14	CLSA	ASEAN Access Day	26-27 Oct 2016	Hong Kong & Singapore
15	BURSA & MIRA	"In The Spotlight" PLC Profiling	15 Nov 2016	Kuala Lumpur

- Site Visit
- Overseas IR program

SunCon’s MD, **Mr Chung Soo Kiong** taking the podium to answer the queries from the floor during the “*In The Spotlight*” PLC Profiling organised by Bursa and MIRA on 15 November 2016.



## SHARIAH LICENSE

We regret to report that SunCon on 27 May 2016 was removed as a Shariah-compliant security. We were one of the 15 securities that have been excluded from the previous list as we have not passed one of the financial ratio benchmarks imposed by The Shariah Advisory Council of the Securities Commission Malaysia (SC). This particular ratio was in respect cash over total assets where by cash placed in conventional accounts and instruments, must be less than 33 per cent of total assets. As SunCon has a total gross cash of RM468.5 million of which majority was placed in conventional accounts, we have exceeded the ratio by 0.5% or approx RM7 million.

We have appealed to SC as SunCon had actually commenced placing its funds in Islamic accounts in January 2016 and as at March 2016 quarter ended, we have in excess of RM280 million in Islamic accounts. This accounts for more than 85% of our total cash then. We have also offered to conduct external audit by our auditors to verify this compliant subsequent to year end but was unsuccessful. SunCon believes that we will be reinstated under the Shariah-compliant list in May 2017 as we have observed this ratio for the year ended December 2016.

The impact on this on Friday, 27 May 2016 was that there was a huge volume transacted in our counter amounting to almost 26 million shares being traded. As our shares were well supported by SunCon’s strong fundamentals, the share price only dropped 1 cent (RM1.53 to RM1.52). Our shares price on Monday, 30 May 2016, recovered to RM1.58 at closing and trading volume normalised to almost 6 million shares.

**As at Dec 2016 closing our ratio placement under convention and shariah is as below.**

	Convention RM'mil	Shariah RM'mil	Total RM'mil
Cash	145.0	320.8	465.8
Total Assets			1,597.3
Cash/Total Assets	9.1%	20.1%	29.2%

Based on the above, we are optimistic of being reinstated back under Shariah during their May 2017 review.

## Investor Relations • cont'd

### ANALYST REPORT / COVERAGE

Report Date 2016	Institution	Price at Report	Target Price	Recommended Action
<b>JANUARY</b>				
19	Affin Hwang	1.35	1.76	Buy
<b>FEBRUARY</b>				
11	Maybank IB	1.39	1.65	Buy
26	Maybank IB	1.4	1.65	Buy
26	RHB	1.4	1.58	Buy
26	Affin Hwang	1.4	1.76	Buy
26	HongLeong IB	1.4	1.59	Buy
26	BIMB Securities	1.4	1.53	Buy
26	MIDF Research	1.4	1.32	Neutral
26	M&A Securities	1.4	1.7	Buy
26	TA Securites	1.4	1.72	Buy
<b>MARCH</b>				
11	Macquarie	1.4	1.67	Outperform
2	DBS Group	1.67	1.92	Buy
29	TA Securites	1.67	1.9	Buy
29	HongLeong IB	1.67	1.94	Buy
29	Nomura	1.67	1.50	Neutral
29	Maybank Kim Eng	1.67	1.80	Buy
30	M&A Securities	1.67	1.92	Buy
<b>APRIL</b>				
19	Affin Hwang	1.55	1.98	Buy
<b>MAY</b>				
05	Affin Hwang	1.6	1.98	Buy(Maintain)
13	DBS Group	1.65	1.92	Buy
27	Affin Hwang	1.53	1.98	Buy (Maintain)
27	HongLeong IB	1.53	1.84	Buy
27	MIDF Research	1.53	1.74	Buy (Maintain)
27	TA Securites	1.53	1.80	Buy
27	Maybank Kim Eng	1.53	1.80	Buy
27	DBS Group	1.53	1.92	Buy

Report Date 2016	Institution	Price at Report	Target Price	Recommended Action
<b>JUNE</b>				
28	HongLeong IB	1.55	1.84	Buy
30	Kenanga	1.58	1.81	Outperform
<b>AUGUST</b>				
23	Nomura	1.61	1.60	Neutral
23	Kenanga	1.61	1.81	Outperform
23	MIDF	1.61	1.74	Neutral
23	TA Securites	1.61	1.80	Buy
23	HongLeong IB	1.61	1.84	Buy
25	Maybank Kim Eng	1.64	1.80	Buy
26	Macquarie	1.64	1.67	Outperform
26	TA Securites	1.64	1.80	Hold
26	Kenanga	1.64	1.81	Outperform
26	HongLeong IB	1.64	1.84	Buy
26	MIDF	1.64	1.74	Neutral
26	Maybank IB	1.64	1.80	Buy
26	Affin Hwang	1.64	2.03	Buy
<b>SEPTEMBER</b>				
09	UOB KayHian	1.64	1.55	Hold
27	HongLeong IB	1.61	1.84	Buy
27	MIDF	1.61	1.74	Neutral
27	Maybank IB	1.61	1.80	Buy
27	TA Securites	1.61	1.85	Buy
<b>NOVEMBER</b>				
22	Macquarie	1.62	1.90	Outperform
23	MIDF	1.62	1.74	Neutral
23	TA Securites	1.62	1.85	Buy
23	Affin Hwang	1.62	2.00	Buy (Maintain)
23	Maybank IB	1.62	1.80	Buy

- Buy/ Buy(Maintain)/ Outperform
- Neutral/ Hold

#### Note :

Detailed reports are available in our IR website.

We have 51 reports by various research institutions and we are pleased that majority have a buy call on us.

## AWARD RELATED TO INVESTOR RELATIONS

21 July 2016

Investor Relations Awards



Mr Evan Cheah, Non-Executive Director; Ms Ng Bee Lien, CFO and Mr Chung Soo Kiong, MD with their Awards during the 6<sup>th</sup> MIRA Award Presentation

SunCon on 21 July 2016 bagged 3 Investor Relations award at the 6<sup>th</sup> Malaysian Investor Relations Association (MIRA) awards. SunCon emerged as the Best Investor Relations for an Initial Public Offering in 2015, Best Investor Relations Website (Main Board – Mid Cap) and our CFO won the Best Chief Financial Officer for Investor Relations (Main Board – Mid Cap). SunCon has the biggest haul, winning 3 awards under the Mid Cap category. This wins are a testament to the SunCon’s management and board’s commitment to building a strong relationship with our investing community right from the start. We are humbled by the community’s recognition especially since we are newly listed and this is our inaugural wins under MIRA.

## FTSE4GOOD INDEX

SunCon is certified as a constituent company in the FTSE4Good Index Series in June 2015 before our successful listing on Bursa. Our inclusion was further reaffirmed on 23 December 2016 during their December 2016 FTSE4Good Index review. FTSE4Good is a leading indicator used by investors to measure a company’s environmental, social and governance practices (ESG). The inclusion of SunCon stock in the index demonstrates our commitment in balancing profitability and sustainability, which fulfilled the well-defined ESG criteria.

### FTSE4Good Index Series

The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environment, Social and Governance (ESG) practices. Transparent management and clearly-defined ESG criteria make FTSE4Good indices suitable tools to be used by a wide variety of market participants when creating or assessing responsible investment products. FTSE4Good indices can be used in four main ways:



### Financial Products

As tools in the creation of index-tracking investments, financial instruments or fund products focused on responsible investment.



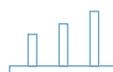
### Research

To identify environmentally and socially responsible companies.



### Reference

As a transparent and evolving global ESG standard against which companies can assess their progress and achievement.



### Benchmarking

As a benchmark index to track the performance of responsible investment portfolios.

## SUNCON'S INVESTOR RELATIONS PORTAL

Our IR website is located at <http://www.sunwayconstruction.com.my/investor-relations/>.

It provides investors and shareholders an avenue to obtain crucial information such as latest financial highlights, Bursa announcements, quarterly briefing reports, analysts reports, stock quotes and also corporate governance information. Currently, our IR team is working to maintain the portal and ensure all the information is being updated promptly. Should investors and stakeholders wish to contact the IR team, they can send e-mails to [irsuncongroup@sunway.com.my](mailto:irsuncongroup@sunway.com.my) or give us a phone call via the contact number provided in the portal.

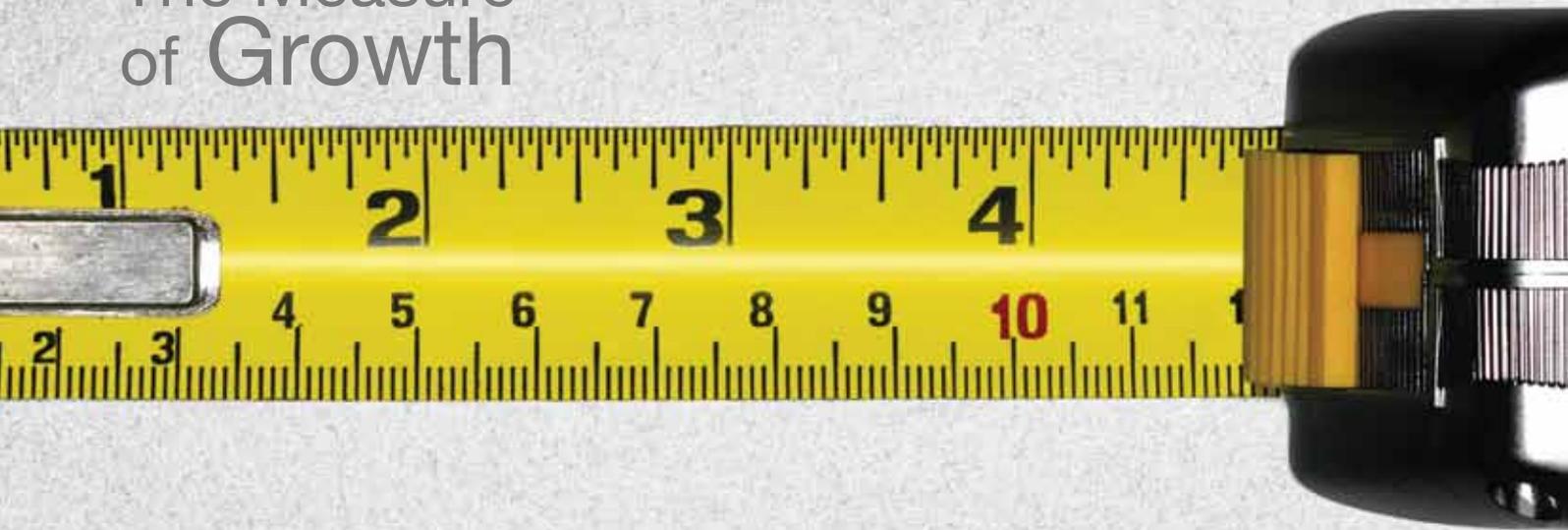
With the continuous concerted effort placed in SunCon’s IR, we are confident to bridge the communication gaps and maintain an adequate dissemination of information with our shareholders and investors. We are pleased to have won the best Best IR Website (Main Board – Mid Cap) under MIRA’s award 2016 and will continue to ensure our website is updated in a timely manner and information are collated in an easy manner for retrieval and analysis.



We are also available through our mobile application. The application can be download from:

- iTunes Apple Store
- Google Play Store

The Measure  
of Growth



All investments made rely on precision and knowledge. A measuring tape is a tool that helps calculate in detail, the profit and progress of all financials.

<b>FINANCIALS</b>	<b>170</b>
Directors' Report	172
Statement by Directors	180
Statutory Declaration	181
Independent Auditors' Report	182
Income Statements	186
Statements of Comprehensive Income	187
Statements of Financial Position	188
Statements of Changes in Equity	190
Statements of Cash Flows	192
Notes to the Financial Statements	195
Supplementary Information	253

## Directors' Report

### SUNWAY CONSTRUCTION GROUP BERHAD (INCORPORATED IN MALAYSIA)

#### 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 2016.

#### Principal Activities

The principal activity of the Company is investment holding. The principal activities of 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 RM'000	Company RM'000
Profit net of tax	123,638	130,925
<b>Profit attributable to:</b>		
Owner of the parent	123,519	130,925
Non-controlling interests	119	-
	<b>123,638</b>	<b>130,925</b>

#### 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 2015:	
Interim single-tier dividend of 4 sen per ordinary share paid on 21 April 2016	51,716
In respect of financial year ended 31 December 2016:	
Interim single-tier dividend of 2.5 sen per ordinary share paid on 29 September 2016	32,323
	<b>84,039</b>

Other than the dividends paid, a second interim single-tier dividend of 2.5 sen per ordinary share for the financial year ended 31 December 2016 has been declared by the Board of Directors on 23 February 2017. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

The Board of Directors do not recommend any final dividend for the financial year ended 31 December 2016.

## 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

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 names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Ir Goh Chye Koon	Dato' Dr Ir Johari Bin Basri	Chung Soo Kiong	Tan Sri Datuk Dr Rebecca
Dato' Siow Kim Lun	Dato' Chew Chee Kin	Evan Cheah Yean Shin	Fatima Sta Maria
@ Siow Kim Lin	Datuk Kwan Foh Kwai		(Appointed on 3 August 2016)

## 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 of its intermediate holding company, Sunway Berhad.

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than Directors' remuneration disclosed 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' Interests

According to the register of Directors' shareholdings, the interests of the Directors in office at the end of the financial year in ordinary 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 of RM0.20 each			
	As at 1.1.2016	Acquired	Sold	As at 31.12.2016
The Company				
Sunway Construction Group Berhad (SCG)				
<b>Direct interests:</b>				
Dato' Ir Goh Chye Koon	5,000	-	-	5,000
Chung Soo Kiong	404,046	-	(204,000)	200,046
Dato' Chew Chee Kin	334,355	-	-	334,355
Datuk Kwan Foh Kwai	805,216	-	(50,000)	755,216
Evan Cheah Yean Shin	13,435	-	-	13,435
<b>Deemed interests:</b>				
Dato' Chew Chee Kin @	34,695	-	-	34,695
Datuk Kwan Foh Kwai *	246,685	-	-	246,685
Evan Cheah Yean Shin	802,019,318 <sup>^</sup>	42,332,917	(3,069,917)	841,282,318 <sup>#</sup>

@ Deemed interest by virtue of Section 6A of the Companies Act, 1965 in Malaysia (CA 1965) held through spouse.

\* Deemed interest by virtue of Section 6A of the CA 1965 held through spouse and children.

<sup>^</sup> Deemed interest by virtue of Section 6A of the CA 1965 held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad, Sunway Holdings Sdn Bhd and parents.

<sup>#</sup> Deemed interest by virtue of Section 6A of the CA 1965 held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd, Sunway Berhad, Sunway Holdings Sdn Bhd and parent.

## Directors' Report • cont'd

### Directors' Interests • cont'd

	Number of ordinary shares of RM1 each			
	As at 1.1.2016	Acquired	Sold	As at 31.12.2016
<b>Intermediate Holding Company</b> <b>Sunway Berhad</b>				
<b>Direct interests:</b>				
Dato' Ir Goh Chye Koon	50,000	-	-	50,000
Dato' Chew Chee Kin	4,540,558	869,171	-	5,409,729
Datuk Kwan Foh Kwai	1,080,465	10,000	-	1,090,465
Evan Cheah Yean Shin	534,357	22,589	-	556,946
<b>Deemed interests:</b>				
Dato' Chew Chee Kin @	346,956	303,976	-	650,932
Datuk Kwan Foh Kwai *	466,854	-	-	466,854
Evan Cheah Yean Shin ^	1,003,663,939	232,788,445	-	1,236,452,384

@ Deemed interest by virtue of Section 6A of the Companies Act, 1965 in Malaysia (CA 1965) held through spouse.

\* Deemed interest by virtue of Section 6A of the CA 1965 held through spouse and children.

^ Deemed interest by virtue of Section 6A of the CA 1965 held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd and parent.

	Number of ordinary shares of RM1 each			
	As at 1.1.2016	Acquired	Sold	As at 31.12.2016
<b>Penultimate Holding Company</b> <b>Sungei Way Corporation Sdn Bhd</b>				
<b>Deemed interest:</b>				
Evan Cheah Yean Shin ^	10,000,000	-	-	10,000,000

^ Deemed interest by virtue of Section 6A of the CA 1965 held through Active Equity Sdn Bhd and parent.

	Number of non-cumulative redeemable preference shares of RM0.01 each			
	As at 1.1.2016	Allotment	Redemption	As at 31.12.2016
<b>Penultimate Holding Company</b> <b>Sungei Way Corporation Sdn Bhd</b>				
<b>Deemed interest:</b>				
Evan Cheah Yean Shin ^	261,100,000	164,900,000	(376,000,000)	50,000,000

^ Deemed interest by virtue of Section 6A of the CA 1965 held through parent.

## Directors' Interests • cont'd

	Number of ordinary shares of RM1 each			
	As at 1.1.2016	Acquired	Sold	As at 31.12.2016
<b>Ultimate Holding Company</b>				
<b>Active Equity Sdn Bhd</b>				
<b>Direct interest:</b>				
Evan Cheah Yean Shin	12,750	-	-	12,750
<b>Deemed interest:</b>				
Evan Cheah Yean Shin ^	102,000	-	-	102,000

^ Deemed interest by virtue of Section 6A of the CA 1965 held through parent.

	Number of warrants 2011/2016			
	As at 1.1.2016	Acquired	Sold/ Converted	As at 31.12.2016
<b>Intermediate Holding Company</b>				
<b>Sunway Berhad</b>				
<b>Direct interests:</b>				
Dato' Chew Chee Kin	869,171	-	(869,171)	-
Evan Cheah Yean Shin	22,589	-	(22,589)	-
<b>Deemed interests:</b>				
Dato' Chew Chee Kin @	303,976	-	(303,976)	-
Evan Cheah Yean Shin ^	153,413,382	22,805,381	(176,218,763)	-

@ Deemed interest by virtue of Section 6A of the CA 1965 held through spouse.

^ Deemed interest by virtue of Section 6A of the CA 1965 held through Active Equity Sdn Bhd, Sungei Way Corporation Sdn Bhd and parent.

	Number of ordinary shares of HKD 1 each			
	As at 1.1.2016	Acquired	Sold	As at 31.12.2016
<b>Related corporation</b>				
<b>Sunway Global Limited</b>				
<b>Direct interests:</b>				
Dato' Chew Chee Kin	869,684	-	-	869,684

## Directors' Report • cont'd

Directors' Interests • cont'd									
First grant of options over ordinary shares (Exercise price of RM2.48 per share) Number of options over ordinary shares of RM1 each									
	Granted on 3.9.2013	As at 1.1.2016 (Options granted)	As at 1.1.2016 (Vested options)	Movements during the financial year		As at 31.12.2016 (Options granted)	As at 31.12.2016 (Vested options)	As at 31.12.2016 (Options granted)	As at 31.12.2016 (Options granted)
				Vested <sup>@</sup>	Exercised				
<b>Intermediate Holding Company</b>									
<b>Sunway Berhad</b>									
<b>Direct interests:</b>									
Dato' Chew Chee Kin	4,500,000	3,375,000	2,250,000	1,125,000	-	-	3,375,000	-	3,375,000
Datuk Kwan Foh Kwai	1,600,000	1,120,000	720,000	-	(220,000)	(400,000)	500,000	(400,000)	500,000
Chung Soo Kiong	600,000	320,000	170,000	150,000	-	-	320,000	-	320,000
Evan Cheah Yean Shin	1,600,000	1,200,000	800,000	400,000	-	-	1,200,000	-	1,200,000
<b>Second grant of options over ordinary shares (Exercise price of RM2.87 per share) Number of options over ordinary shares of RM1 each</b>									
	Granted on 1.8.2014	As at 1.1.2016 (Options granted)	As at 1.1.2016 (Vested options)	Movements during the financial year		As at 31.12.2016 (Options granted)	As at 31.12.2016 (Vested options)	As at 31.12.2016 (Options granted)	As at 31.12.2016 (Options granted)
				Vested <sup>@</sup>	Exercised				
<b>Intermediate Holding Company</b>									
<b>Sunway Berhad</b>									
<b>Direct interest:</b>									
Chung Soo Kiong	225,000	225,000	150,000	75,000	-	-	225,000	-	225,000

**Directors' Interests • cont'd**

Third grant of options over ordinary shares (Exercise price of RM3.25 per share) Number of options over ordinary shares of RM1 each							
Granted on 3.8.2015	As at 1.1.2016 (Options granted)	As at 1.1.2016 (Vested options)	Movements during the financial year		As at 31.12.2016 (Vested options)	As at 31.12.2016 (Options granted)	As at 31.12.2016 (Options granted)
			Vested <sup>@</sup>	Exercised			
<b>Intermediate Holding Company</b>							
<b>Sunway Berhad</b>							
<b>Direct interests:</b>							
Datuk Kwan Foh Kwai	200,000	100,000	-	-	100,000	(100,000)	100,000
Chung Soo Kiong	150,000	75,000	75,000	-	150,000	-	150,000

Fourth grant of options over ordinary shares (Exercise price of RM2.94 per share) Number of options over ordinary shares of RM1 each							
Granted on 3.8.2016	As at 1.1.2016 (Options granted)	As at 1.1.2016 (Vested options)	Movements during the financial year		As at 31.12.2016 (Vested options)	As at 31.12.2016 (Options granted)	As at 31.12.2016 (Options granted)
			Vested <sup>@</sup>	Exercised			
<b>Intermediate Holding Company</b>							
<b>Sunway Berhad</b>							
<b>Direct interests:</b>							
Chung Soo Kiong	100,000	-	100,000	-	100,000	-	100,000

<sup>@</sup> Vested on 2 September 2016.

The options over ordinary shares are pursuant to Sunway Berhad's Employees' Share Option Scheme 2013/2019.

## Directors' Report • cont'd

### Directors' Interests • cont'd

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 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.

### Other Statutory Information Regarding the Group and the Company

#### (I) As at the end of the financial year

- (a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) 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.
- (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:
- (i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
  - (iii) 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:
- (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
  - (ii) 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.

**Significant Event Subsequent to the end of the Reporting Period**

Details of the significant event subsequent to the end of the reporting period are disclosed in Note 42 to the financial statements.

**Auditors**

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 21 March 2017.



**DATUK KWAN FOH KWAI**  
DIRECTOR



**CHUNG SOO KIONG**  
DIRECTOR



## Statement by Directors

### Pursuant to Section 169(15) of the Companies Act, 1965

We, Datuk Kwan Foh Kwai 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 186 to 252 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016 and of their financial performance and cash flows for the financial year then ended.

The information set out in Note 43 on page 253 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 21 March 2017.



**DATUK KWAN FOH KWAI**  
DIRECTOR



**CHUNG SOO KIONG**  
DIRECTOR

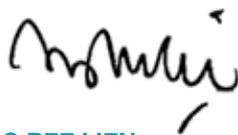
## Statutory Declaration

### Pursuant to Section 169(16) of the Companies Act, 1965

I, Ng Bee Lien, 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 186 to 253 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 21 March 2017.

Before me,



**NG BEE LIEN**  
CHIEF FINANCIAL OFFICER



No. 69A, Jalan SS21/37  
Damansara Utama (Up Town)  
47400 Petaling Jaya, Selangor D.E

## Independent Auditors' Report

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNWAY CONSTRUCTION GROUP BERHAD (INCORPORATED IN MALAYSIA)

#### REPORT ON 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 2016 of the Group and of the Company, income statements and statements of 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 186 to 252.

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 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 1965 in Malaysia.

##### Basis of 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 *Auditor's 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 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 judgment, 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.

##### (a) Revenue recognition for construction contracts

We refer to Notes 5 and 28 to the financial statements on the recognition of revenue and expenses for construction contracts, which is based on the stage of completion method. The determination of the stage of completion requires the management to exercise significant judgement in estimating the total costs to complete.

In estimating the total costs to complete, the Group considers the completeness and accuracy of its cost estimation, including its obligations to contract variations, claims and cost contingencies. The total cost to complete including sub-contractor costs, varies with market conditions and may also be incorrectly forecasted due to unforeseen events during construction.

##### **Audit response**

Our audit procedures included the following:

- i. assessed the estimated total costs to complete through inquiries with the operational and financial personnel of the Group;
- ii. inspected documentation to support cost estimates made including contract variations and cost contingencies;
- iii. compared contract budgets to actual outcomes to assess reliability of management budgeting process and controls; and
- iv. inspected correspondences from sub-contractors in relation to variations and claims to corroborate key judgements applied by management.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNWAY CONSTRUCTION GROUP BERHAD (INCORPORATED IN MALAYSIA) • CONT'D

### Key Audit Matters • cont'd

#### (b) Assessment of liquidated and ascertained damages (LAD) on construction contracts

Based on Note 28 to the financial statements regarding key estimation uncertainty arising from the assessment of LAD on construction contracts as at 31 December 2016, the Group is of the opinion that no LAD recognition is required at this juncture.

The determination of whether there is any exposure to LAD or otherwise involves significant management judgement based on available facts and circumstances, including:

- i. extension of time submitted to contract customers due to circumstances that were beyond the control of the Group;
- ii. the likelihood of impact on the outcome of the negotiations with contract customers; and
- iii. consultations and opinions from legal and technical experts.

#### **Audit response**

Our audit procedures included the following:

- i. inquired the in-house operational, financial and legal personnel of the Group to assess the merits of the extension of time submitted to the contract customers;
- ii. inspected the relevant correspondences and reports, including on-going negotiations with contract customers for the late delivery of contract works;
- iii. verified the evidences of acceptance by contract customers of the work performed by the Group to-date;
- iv. obtained confirmation from an external legal expert and evaluated the legal opinion on the merits of the circumstances that supported the key judgements applied by management; and
- v. inquired and inspected the correspondences from the external technical experts to corroborate the key judgements applied by management.

#### 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 MFRS, IFRS and the requirements of the Companies Act, 1965 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 intends to liquidate the Group or the Company, or to cease operations, or have no realistic alternative but to do so.

## Independent Auditors' Report • cont'd

### **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**

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 ISAs, we exercise professional judgment 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 Group's and of the Company's internal control.
- (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 Group's and of the Company's ability 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.

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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNWAY CONSTRUCTION GROUP BERHAD (INCORPORATED IN MALAYSIA) • CONT'D**

### **Auditor's Responsibilities for the Audit of the Financial Statements • cont'd**

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, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 17 to the financial statements, being accounts that have been included in the consolidated financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### **Other Reporting Responsibilities**

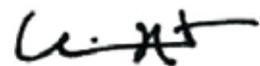
The supplementary information set out in Note 43 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (MIA Guidance) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### **Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**BDO**  
**AF: 0206**  
**CHARTERED ACCOUNTANTS**



**LAW KIAN HUAT**  
**2855/06/18 (J)**  
**CHARTERED ACCOUNTANT**

Kuala Lumpur,  
21 March 2017

## Income Statements

For the financial year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Revenue</b>	5	1,788,844	1,916,859	132,500	-
Cost of sales	6	(1,409,876)	(1,528,467)	-	-
<b>Gross profit</b>		378,968	388,392	132,500	-
Other income	7	35,853	24,552	-	-
Administrative expenses		(256,103)	(263,059)	(1,842)	(1,950)
Other expenses		(9,473)	(13,597)	-	-
<b>Operating profit/(loss)</b>		149,245	136,288	130,658	(1,950)
Finance and other distribution income	8	10,488	8,045	310	-
Finance costs	8	(6,056)	(3,507)	(39)	-
Share of results of joint ventures		-	(76)	-	-
<b>Profit/(Loss) before tax</b>	9	153,677	140,750	130,929	(1,950)
Income tax expense	12	(30,039)	(13,012)	(4)	-
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		123,638	127,738	130,925	(1,950)
<b>Profit/(Loss) attributable to:</b>					
Owners of the parent		123,519	127,164	130,925	(1,950)
Non-controlling interests		119	574	-	-
		123,638	127,738	130,925	(1,950)
<b>Earnings per share attributable to owners of the parent (sen per share):</b>					
Basic	13	9.55	9.84	-	-
Diluted	13	9.55	9.84	-	-

The accompanying notes form an integral part of the financial statements.

## Statements of Comprehensive Income

For the financial year ended 31 December 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Profit/(Loss) for the financial year</b>	123,638	127,738	130,925	(1,950)
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>				
Foreign currency translation	2,505	13,728	-	-
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR, NET OF TAX</b>	126,143	141,466	130,925	(1,950)
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the parent	126,024	140,892	130,925	(1,950)
Non-controlling interests	119	574	-	-
	126,143	141,466	130,925	(1,950)

The accompanying notes form an integral part of the financial statements.

## Statements of Financial Position

### Statements of financial position as at 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	15	138,381	161,783	-	-
Intangible assets	16	2,307	746	-	-
Investments in subsidiaries	17	-	-	258,580	258,580
Investment in an associate	18	-	-	-	-
Other investments	19	273	273	-	-
Investments in joint ventures	20	-	-	-	-
Goodwill	21	3,647	3,647	-	-
Deferred tax assets	32	10,502	13,760	-	-
		<b>155,110</b>	<b>180,209</b>	<b>258,580</b>	<b>258,580</b>
<b>Current Assets</b>					
Inventories	22	23,950	17,293	-	-
Trade receivables	23	732,034	579,208	-	-
Other receivables	24	31,912	47,297	-	-
Amounts due from intermediate holding company	26	3	534	-	-
Amounts due from related companies	26	147,542	86,333	-	-
Amount due from an associate	27	26,665	3,717	-	-
Amount due from a joint venture	26	233	-	-	-
Tax recoverable		12,737	14,370	-	-
Derivative assets	29	1,341	-	-	-
Placement in funds	30	-	78,000	-	-
Cash and bank balances	30	465,768	390,477	46,181	161
		<b>1,442,185</b>	<b>1,217,229</b>	<b>46,181</b>	<b>161</b>
<b>TOTAL ASSETS</b>		<b>1,597,295</b>	<b>1,397,438</b>	<b>304,761</b>	<b>258,741</b>

The accompanying notes form an integral part of the financial statements.

## Statements of financial position as at 31 December 2016 - cont'd

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>EQUITY AND LIABILITIES</b>					
<b>Current liabilities</b>					
Borrowings	31	136,515	136,841	-	-
Trade payables	33	693,276	604,679	-	-
Other payables	34	178,736	137,077	989	627
Amounts due to intermediate holding company	26	26,049	18,783	7	-
Amounts due to subsidiaries	25	-	-	13	1,553
Amounts due to related companies	26	56,911	35,024	312	7
Amount due to a joint venture	26	-	3	-	-
Tax payable		11,418	9,258	-	-
		<b>1,102,905</b>	<b>941,665</b>	<b>1,321</b>	<b>2,187</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	32	608	4,095	-	-
		<b>608</b>	<b>4,095</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>1,103,513</b>	<b>945,760</b>	<b>1,321</b>	<b>2,187</b>
<b>Equity attributable to owners of the parent</b>					
Share capital	35	258,580	258,580	258,580	258,580
Foreign currency translation reserve	36	14,651	12,146	-	-
Merger reserve	36	(37,894)	(37,894)	-	-
Capital contribution by immediate holding company	36	670	670	-	-
Retained earnings/ (Accumulated losses)	36	257,022	217,542	44,860	(2,026)
		<b>493,029</b>	<b>451,044</b>	<b>303,440</b>	<b>256,554</b>
Non-controlling interests		753	634	-	-
<b>TOTAL EQUITY</b>		<b>493,782</b>	<b>451,678</b>	<b>303,440</b>	<b>256,554</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,597,295</b>	<b>1,397,438</b>	<b>304,761</b>	<b>258,741</b>

The accompanying notes form an integral part of the financial statements.

# Statements of Changes In Equity

For the financial year ended 31 December 2016

Group	Note	Attributable to owners of the parent		Share capital (Note 35) RM'000	Share premium (Note 36) RM'000	Merger reserve (Note 36) RM'000	Foreign currency translation reserve (Note 36) RM'000	Capital contribution by immediate holding company (Note 36) RM'000	Distributable retained earnings (Note 36) RM'000	Equity attributable to owner of the parent, total RM'000	Non-controlling interests RM'000	Equity, total RM'000
		At 31 December 2016	At 1 January 2016									
<b>At 1 January 2016</b>		258,580	-	(37,894)	12,146	670	217,542	451,044	634	451,678		
Profit for the financial year		-	-	-	-	-	123,519	123,519	119	123,638		
Other comprehensive income, net of tax		-	-	-	2,505	-	-	2,505	-	2,505		2,505
<b>TOTAL COMPREHENSIVE INCOME</b>		-	-	-	2,505	-	123,519	126,024	119	126,143		
<b>Transactions with owners</b>												
Dividends paid	14	-	-	-	-	-	(84,039)	(84,039)	-	(84,039)		(84,039)
<b>At 31 December 2016</b>		258,580	-	(37,894)	14,651	670	257,022	493,029	753	493,782		
<b>At 1 January 2015</b>		193,954	38,515	(11,783)	(1,582)	670	160,378	380,152	60	380,212		
Profit for the financial year		-	-	-	-	-	127,164	127,164	574	127,738		
Other comprehensive income, net of tax		-	-	-	13,728	-	-	13,728	-	13,728		13,728
<b>TOTAL COMPREHENSIVE INCOME</b>		-	-	-	13,728	-	127,164	140,892	574	141,466		
<b>Transactions with owners</b>												
Issuance of ordinary shares	35	258,580	-	-	-	-	-	258,580	-	258,580		258,580
Arising from acquisition of SunCon		(193,954)	(38,515)	(26,111)	-	-	-	(258,580)	-	(258,580)		(258,580)
Dividends paid	14	-	-	-	-	-	(70,000)	(70,000)	-	(70,000)		(70,000)
<b>TOTAL TRANSACTIONS WITH OWNERS</b>		64,626	(38,515)	(26,111)	-	-	(70,000)	(70,000)	-	(70,000)		(70,000)
<b>At 31 December 2015</b>		258,580	-	(37,894)	12,146	670	217,542	451,044	634	451,678		

## Statements of changes in equity for the financial year ended 31 December 2016

Company	Note	Share capital (Note 35) RM'000	(Accumulated losses)/ Distributable retained earnings (Note 36) RM'000	Equity, total RM'000
<b>At 1 January 2016</b>		258,580	(2,026)	256,554
Profit for the financial year		-	130,925	130,925
Other comprehensive income, net of tax		-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		-	130,925	130,925
<b>Transactions with owners</b>				
Dividends paid	14	-	(84,039)	(84,039)
<b>At 31 December 2016</b>		258,580	44,860	303,440
<b>At 1 January 2015</b>		- *	(76)	(76)
Loss for the financial year		-	(1,950)	(1,950)
Other comprehensive income, net of tax		-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		-	(1,950)	(1,950)
<b>Transactions with owners</b>				
Issuance of ordinary shares	35	258,580	-	258,580
<b>At 31 December 2015</b>		258,580	(2,026)	256,554

\* Represents 10 ordinary shares of RM0.20 each amounting to RM2.00.

The accompanying notes form an integral part of the financial statements.

## Statements of Cash Flows

For the financial year ended 31 December 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Profit/(Loss) before taxation</b>	153,677	140,750	130,929	(1,950)
<b>Adjustments for:</b>				
Finance income	(10,488)	(8,045)	(310)	-
Finance costs	6,056	3,507	39	-
Dividend income	(9)	(17)	(132,500)	-
Depreciation and amortisation of property, plant and equipment, and software	39,064	41,921	-	-
Gain on disposal of property, plant and equipment, and software	(995)	(1,291)	-	-
Property, plant and equipment written off	813	240	-	-
Unrealised foreign exchange loss	-	2,604	-	-
Employees' share option scheme	991	4,904	-	-
Bad debts written off	370	417	-	-
Allowance for impairment of trade receivables	2,670	2,478	-	-
Reversal of allowance for impairment of trade receivables, other receivables and amount due from an associate	(20,634)	(12,684)	-	-
Fair value gain on derivative assets	(1,341)	-	-	-
Accretion of financial assets and financial liabilities	(4,327)	-	-	-
Loss on liquidation of subsidiary	492	-	-	-
Share of loss of joint ventures	-	76	-	-
<b>Operating cash flows before working capital changes carried forward</b>	166,339	174,860	(1,842)	(1,950)

## For the financial year ended 31 December 2016 • cont'd

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES • CONT'D</b>				
Operating cash flows before working capital changes brought forward	166,339	174,860	(1,842)	(1,950)
Inventories	(6,657)	4,401	-	-
Trade receivables	(150,005)	124,078	-	-
Other receivables	15,585	3,704	-	-
Trade payables	88,597	(4,735)	-	-
Other payables	41,167	(59,196)	362	626
Amounts due from/ (to) intermediate holding company	6,806	8,528	7	-
Amounts due to subsidiaries	-	-	(1,540)	978
Amount due from an associate	(3,350)	8,665	-	-
Amounts due from/(to) related companies	(50,572)	(20,500)	305	7
Amount due from/(to) joint ventures	(236)	3	-	-
<b>Cash flow generated from/(used in) operations</b>	<b>107,674</b>	<b>239,808</b>	<b>(2,708)</b>	<b>(339)</b>
Interest received	10,488	8,045	310	-
Interest paid	(6,056)	(3,507)	(39)	-
Dividend received from joint ventures	-	24,841	-	-
Tax refunded	125	220	-	-
Tax paid	(26,615)	(29,778)	(4)	-
<b>Net cash flow generated from/(used in) operating activities</b>	<b>85,616</b>	<b>239,629</b>	<b>(2,441)</b>	<b>(339)</b>

## Statements of Cash Flows • cont'd

For the financial year ended 31 December 2016 • cont'd

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from disposal of property, plant and equipment, and software	2,055	14,980	-	-
Acquisition of property, plant and equipment, and software	(19,016)	(38,673)	-	-
Advances from immediate holding company	-	-	-	500
Advances from related companies	11,250	24,542	-	-
Withdrawal of deposits with licensed banks with maturity of more than 3 months	370	-	-	-
Net cash flow from/(to) placement in fund	78,000	(64,800)	-	-
Dividend received	9	17	132,500	-
<b>Net cash generated from/ (used in) investing activities</b>	<b>72,668</b>	<b>(63,934)</b>	<b>132,500</b>	<b>500</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Drawdown of revolving credits	-	50,189	-	-
Drawdown of bills discounting	136,515	2,813	-	-
Repayment of term loans	-	(208)	-	-
Repayment of revolving credits	(50,189)	(50,168)	-	-
Repayment of bills discounting	(86,652)	(546)	-	-
Repayment of hire purchase and finance lease liabilities	-	(481)	-	-
Dividends paid	(84,039)	(70,000)	(84,039)	-
<b>Net cash used in financing activities</b>	<b>(84,365)</b>	<b>(68,401)</b>	<b>(84,039)</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>73,919</b>	<b>107,294</b>	<b>46,020</b>	<b>161</b>
<b>Effects of foreign exchange rates changes</b>	<b>1,742</b>	<b>4,766</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of financial year</b>	<b>389,672</b>	<b>277,612</b>	<b>161</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 30)</b>	<b>465,333</b>	<b>389,672</b>	<b>46,181</b>	<b>161</b>

The accompanying notes form an integral part of the financial statements.

# Notes to the Financial Statements

For the financial year ended 31 December 2016 • cont'd

## 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 2016 were authorised for issue in accordance with a resolution by the Directors on 21 March 2017.

## 2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. However, Note 43 to the financial statements set out in page 253 has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

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.

## 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.

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.

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 3. SEGMENT INFORMATION • CONT'D

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 RM'000	Precast concrete RM'000	Elimination RM'000	Note	Total RM'000
<b>At 31 December 2016</b>					
<b>Revenue</b>					
Sales to external customers	1,502,099	286,745	-		1,788,844
Inter-segment sales	387,070	80,695	(467,765)	A	-
<b>TOTAL REVENUE</b>	<b>1,889,169</b>	<b>367,440</b>	<b>(467,765)</b>		<b>1,788,844</b>
<b>Results</b>					
Operating profit	91,052	58,193	-	A	149,245
Finance and other distribution income	10,456	32	-		10,488
Finance costs	(6,054)	(2)	-		(6,056)
Profit before tax	95,454	58,223	-		153,677
Income tax expense	(18,261)	(11,778)	-		(30,039)
Net profit for the year	77,193	46,445	-		123,638
Non-controlling interests	(119)	-	-		(119)
Attributable to owners of the parent	77,074	46,445	-		123,519
<b>Assets</b>					
Segment assets	1,346,351	227,705	-		1,574,056
Unallocated assets			-		23,239
<b>TOTAL ASSETS</b>					<b>1,597,295</b>
<b>Liabilities</b>					
Segment liabilities	994,026	97,461	-		1,091,487
Unallocated liabilities			-		12,026
<b>TOTAL LIABILITIES</b>					<b>1,103,513</b>
<b>Other segment information</b>					
Capital expenditure	14,827	4,189	-	B	19,016
Depreciation and amortisation	35,823	3,241	-		39,064

For the financial year ended 31 December 2016 • 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 RM'000	Precast concrete RM'000	Elimination RM'000	Note	Total RM'000
<b>At 31 December 2015</b>					
<b>Revenue</b>					
Sales to external customers	1,664,016	252,843	-		1,916,859
Inter-segment sales	488,732	56,122	(544,854)	A	-
<b>TOTAL REVENUE</b>	<b>2,152,748</b>	<b>308,965</b>	<b>(544,854)</b>		<b>1,916,859</b>
<b>Results</b>					
Operating profit	59,157	77,131	-	A	136,288
Finance and other distribution income	8,000	45	-		8,045
Finance costs	(3,291)	(216)	-		(3,507)
Share of results of joint ventures	(76)	-	-		(76)
Profit before tax	63,790	76,960	-		140,750
Income tax expense	(1,435)	(11,577)	-		(13,012)
Net profit for the year	62,355	65,383	-		127,738
Non-controlling interests	(574)	-	-		(574)
Attributable to owners of the parent	61,781	65,383	-		127,164
<b>Assets</b>					
Segment assets	1,251,262	118,046	-		1,369,308
Unallocated assets					28,130
<b>TOTAL ASSETS</b>					<b>1,397,438</b>
<b>Liabilities</b>					
Segment liabilities	873,811	58,596	-		932,407
Unallocated liabilities					13,353
<b>TOTAL LIABILITIES</b>					<b>945,760</b>
<b>Other segment information</b>					
Capital expenditure	21,997	16,676	-	B	38,673
Depreciation and amortisation	38,676	3,245	-		41,921

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • 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 RM'000	Profit before tax RM'000	Net profit RM'000	Attributable to owners of the parent RM'000	Segment assets RM'000
<b>At 31 December 2016</b>					
Malaysia	1,502,100	100,793	76,688	76,557	1,326,039
Singapore	286,744	34,316	28,382	28,382	167,345
India	-	(816)	(816)	(816)	32,252
United Arab Emirates	-	19,384	19,384	19,396	48,420
	<b>1,788,844</b>	<b>153,677</b>	<b>123,638</b>	<b>123,519</b>	<b>1,574,056</b>
<b>At 31 December 2015</b>					
Malaysia	1,661,055	79,938	75,880	75,475	1,221,038
Singapore	255,804	50,581	41,627	41,627	124,302
India	-	(1,258)	(1,258)	(1,258)	23,139
United Arab Emirates	-	11,489	11,489	11,320	829
	<b>1,916,859</b>	<b>140,750</b>	<b>127,738</b>	<b>127,164</b>	<b>1,369,308</b>

**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:

	2016 RM'000	2015 RM'000
Property, plant and equipment	15,386	38,189
Software	3,630	484
	<b>19,016</b>	<b>38,673</b>

For the financial year ended 31 December 2016 • cont'd

### 3. SEGMENT INFORMATION • CONT'D

#### Geographical Segments • cont'd

##### Major customers

Revenue from three (3) customers (2015: three (3) customers) from the construction segment represent approximately RM458,998,000 (2015: RM587,094,000) of the Group revenue.

The following are major customers with revenue equal or more than ten percent (10%) of Group revenue:

	Revenue	
	2016 RM'000	2015 RM'000
Customer A	43,572	239,012
Customer B	230,807	235,723
Customer C	184,619	112,359
	458,998	587,094

### 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 maximising shareholder's 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 loans and borrowings divided by total equity. Total equity is the equity attributable to owners of the parent.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loans and borrowings (Note 31)	136,515	136,841	-	-
Equity attributable to owner of the parent	493,029	451,044	303,440	256,554
Gearing ratio	28%	30%	N/A	N/A

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • 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 related companies, deposits with licensed banks, and borrowings.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Notes 26, 30 and 31 respectively.

#### Foreign Currency Risk

The currency giving rise to this risk is primarily Singapore Dollar (SGD).

Approximately 16% (2015: 13%) of the Group's sales are denominated in foreign currencies whilst almost 17% (2015: 13%) 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 hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting date, such foreign currency balances amounted to RM49 million (2015: RM32 million).

Material foreign currency transactions exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

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.

#### Foreign currency risk exposure

The currency risk exposure profiles for each class of financial instruments are as follows:

Group	SGD RM'000	Others RM'000
<b>At 31 December 2016</b>		
<b>Financial assets in foreign currencies</b>		
Cash and bank balances	47,651	1,385
Trade and other receivables	103,405	16,325
<b>Financial liabilities in foreign currencies</b>		
Trade and other payables	(62,874)	(25,502)
<b>NET EXPOSURE</b>	<b>88,182</b>	<b>(7,792)</b>

For the financial year ended 31 December 2016 • cont'd

#### 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 • cont'd

The currency risk exposure profiles for each class of financial instruments are as follows • cont'd:

Group	SGD RM'000	Others RM'000
<b>At 31 December 2015</b>		
<b>Financial assets in foreign currencies</b>		
Cash and bank balances	30,893	759
Trade and other receivables	88,686	17,308
<b>Financial liabilities in foreign currencies</b>		
Trade and other payables	(47,674)	(49,994)
<b>NET EXPOSURE</b>	<b>71,905</b>	<b>(31,927)</b>

###### Company

###### At 31 December 2015/2016

The currency risk exposure profile of the Company is not presented as there is no exposure to foreign currencies at the end of the reporting period.

###### 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	
	2016 RM'000	2015 RM'000
SGD/RM		
• strengthened 1% (2015: 1%)	653	823
• weakened 1% (2015: 1%)	(653)	(823)

###### 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 31 and 33 respectively.

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 4. CAPITAL AND FINANCIAL RISK MANAGEMENT • CONT'D

#### b) Financial Risk Management Objectives and Policies • cont'd

##### 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 Note 23 to the financial statements.

### 5. REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Contract revenue	1,502,099	1,664,016	-	-
Sale of goods	286,745	252,843	-	-
Dividend income	-	-	132,500	-
	1,788,844	1,916,859	132,500	-

#### (a) Contract Revenue

Revenue from construction contracts is accounted for by the stage of completion method as disclosed in Note 28 to the financial statements.

#### (b) Sale of Goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods has been transferred to the customer and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### (c) Dividend Income

Dividend income is recognised when the right of the Group to receive payment is established.

### 6. COST OF SALES

	Group	
	2016 RM'000	2015 RM'000
Construction costs	1,191,754	1,364,251
Cost of goods sold	218,122	164,216
	1,409,876	1,528,467

## For the financial year ended 31 December 2016 • cont'd

**7. OTHER INCOME**

Included in other income are the following:

	Group	
	2016 RM'000	2015 RM'000
Rental income of plant and machinery	2,047	994
Reversal of allowance for impairment		
• trade receivables (Note 23)	1,534	345
• other receivables (Note 24)	200	-
• amount due from an associate (Note 27)	18,900	12,339
Bad debts recovered	-	68
Dividend income	9	17
Gain on disposal of property, plant and equipment, and software	995	1,291
Rental income from buildings	130	134
Fair value gain on derivative assets	1,341	-
Accretion of financial assets and financial liabilities	4,327	-
Foreign exchange gain:		
• realised	353	2,177
• unrealised	-	12

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease.

**8. FINANCE AND OTHER DISTRIBUTION INCOME AND FINANCE COSTS**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>FINANCE AND OTHER DISTRIBUTION INCOME</b>				
Finance and other distribution income from:				
Advances to:				
• related company (Note 40)	230	-	-	-
Deposits with licensed banks	383	2,622	17	-
Deposits with other financial institutions	9,813	745	293	-
Placement in cash funds	-	3,574	-	-
Others	62	1,104	-	-
	10,488	8,045	310	-

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 8. FINANCE AND OTHER DISTRIBUTION INCOME AND FINANCE COSTS • CONT'D

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>FINANCE COSTS</b>				
Interest expense on:				
Advances from:				
• a subsidiary (Note 40)	-	-	(39)	-
• related companies (Note 40)	(3,132)	(305)	-	-
Hire purchase obligations	-	(47)	-	-
Bank borrowings	(2,924)	(3,155)	-	-
	<b>(6,056)</b>	<b>(3,507)</b>	<b>(39)</b>	<b>-</b>

Interest income from short term deposits and advances is 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/(LOSS) BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the following amounts have been included in arriving at profit/(loss) before tax:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Auditors' remuneration:				
• statutory audits	709	704	17	15
• underprovision in prior year	31	102	-	-
• other services	4	-	-	-
Bad debts written off	370	417	-	-
Foreign exchange losses:				
• realised	358	2,447	-	-
• unrealised	-	2,616	-	-
Rental of land and buildings	13,515	12,421	-	-
Hire of plant and machinery	175	41	-	-
Management fees paid to intermediate holding company (Note 40)	17,319	18,842	-	-
Loss on liquidation of subsidiary	492	-	-	-
Service level agreement fee paid to related company	5,334	5,046	43	2

For the financial year ended 31 December 2016 • cont'd

**10. EMPLOYEE BENEFITS EXPENSE**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Wages, salaries, allowances and bonuses	152,019	147,608	-	-
Social security contributions	937	842	-	-
Contributions to defined contribution plan	13,504	12,292	-	-
Employees' share option scheme	991	4,904	-	-
Other benefits	6,335	7,212	64	-
	<b>173,786</b>	<b>172,858</b>	<b>64</b>	<b>-</b>

Included in employee benefits expense of the Group are Executive Directors' remuneration amounting to RM2,062,000 (2015 : RM4,237,000) as further disclosed in Note 11 to the financial statements.

**11. DIRECTORS' REMUNERATION**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive Directors' remuneration:				
Salaries and bonuses	1,518	1,323	-	-
Contribution to defined contribution plan	179	444	-	-
Employees' share option scheme	301	734	-	-
Other benefits	64	1,736	-	-
<b>TOTAL EXECUTIVE DIRECTORS' REMUNERATION</b>	<b>2,062</b>	<b>4,237</b>	<b>-</b>	<b>-</b>
Estimated money value of benefits-in-kind	16	26	-	-
<b>TOTAL EXECUTIVE DIRECTORS' REMUNERATION (NOTE 40)</b>	<b>2,078</b>	<b>4,263</b>	<b>-</b>	<b>-</b>
<b>Non-executive:</b>				
Fees	641	612	641	612
Other emoluments	64	27	64	27
	<b>705</b>	<b>639</b>	<b>705</b>	<b>639</b>
<b>TOTAL DIRECTORS' REMUNERATION INCLUDING BENEFITS-IN-KIND</b>	<b>2,783</b>	<b>4,902</b>	<b>705</b>	<b>639</b>

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 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	
	2016	2015
<b>Executive Directors:</b>		
RM250,000 - RM300,000	-	1
RM1,750,000 - RM1,800,000	1	-
RM3,200,000 - RM3,250,000	-	1
<b>Non-Executive Directors:</b>		
Below RM150,000	6	5
Above RM150,000*	1	-

\*The remuneration included fee payable to the director appointed as an advisor of the Company.

### 12. INCOME TAX EXPENSE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Current income tax:</b>				
Malaysian income tax	24,376	10,781	4	-
Foreign tax	5,939	9,047	-	-
	30,315	19,828	4	-
<b>(Over)/Underprovision in prior years:</b>				
Malaysian income tax	733	129	-	-
Foreign tax	(765)	-	-	-
	(32)	129	-	-
	30,283	19,957	4	-
<b>Deferred tax (Note 32):</b>				
Relating to origination and reversal of temporary differences	1,564	(6,939)	-	-
Overprovision in prior years	(1,808)	(6)	-	-
	(244)	(6,945)	-	-
<b>TOTAL INCOME TAX EXPENSE</b>	<b>30,039</b>	<b>13,012</b>	<b>4</b>	<b>-</b>

## For the financial year ended 31 December 2016 • cont'd

**12. INCOME TAX EXPENSE • CONT'D**

- (a) Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.
- (b) Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.
- (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	
	2016 RM'000	2015 RM'000
Profit before tax	153,677	140,750
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	36,882	35,188
Different tax rates in other countries	(2,403)	(1,510)
Differences in current and future tax rate	-	261
Income not subject to tax	(7,748)	(5,680)
Expenses not deductible for tax purposes	5,161	4,993
Deferred tax assets not recognised in respect of current year's tax losses, unabsorbed capital allowances and other deductible temporary differences	41	-
Utilisation of deferred tax assets previously not recognised	(54)	(20,344)
Effect of share of profit of joint ventures	-	(19)
(Over)/Underprovision of income tax in prior years	(32)	129
Overprovision of deferred tax in prior year	(1,808)	(6)
<b>INCOME TAX EXPENSE FOR THE YEAR</b>	<b>30,039</b>	<b>13,012</b>

	Company	
	2016 RM'000	2015 RM'000
Profit/(Loss) before tax	130,929	(1,950)
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	31,423	(488)
Income not subject to tax	(31,874)	-
Expenses not deductible for tax purposes	455	488
<b>INCOME TAX EXPENSE FOR THE YEAR</b>	<b>4</b>	<b>-</b>

- (d) Tax savings of the Group during the financial year are as follows:

	Group	
	2016 RM'000	2015 RM'000
Utilisation of previously unrecognised tax losses	-	4,259

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 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	
	2016 RM'000	2015 RM'000
Profit attributable to owners of the parent	123,519	127,164
Weighted average number of ordinary shares in issue ('000)	1,292,900	1,292,900
Basic earnings per ordinary share (sen)	9.55	9.84

#### (b) Diluted

Diluted earnings per share equals basic earnings per ordinary share.

### 14. DIVIDENDS

	Group			
	Dividends in respect of year		Dividends recognised in year	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Interim dividend for 2015:</b>				
Single-tier dividend of 36.09103% for ordinary share of RM1.00 each	-	-	-	70,000
Single-tier dividend of 20% for ordinary share of RM0.20 each	-	51,716	51,716	-
	-	51,716	51,716	70,000
<b>Interim dividend for 2016:</b>				
Single-tier dividend of 12.5% for ordinary share of RM0.20 each	32,323	-	32,323	-
Single-tier dividend of 12.5% for ordinary share of RM0.20 each	32,323	-	-	-
	64,646	-	32,323	-

For the financial year ended 31 December 2016 • cont'd

**14. DIVIDENDS • CONT'D**

	Company			
	Dividends in respect of year		Dividends recognised in year	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Interim dividend for 2015:</b>				
Single-tier dividend of 20% for ordinary share of RM0.20 each	-	51,716	51,716	-
<b>Interim dividend for 2016:</b>				
Single-tier dividend of 12.5% for ordinary share of RM0.20 each	32,323	-	32,323	-
Single-tier dividend of 12.5% for ordinary share of RM0.20 each	32,323	-	-	-
	<b>64,646</b>	<b>-</b>	<b>32,323</b>	<b>-</b>

On 23 February 2017, the Board of Directors declared a second interim single-tier dividend of 2.5 sen per ordinary share for the financial year ended 31 December 2016. The total dividend payable amounted to approximately RM32,322,500. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

The Board of Directors do not recommend any final dividend for the financial year ended 31 December 2016.

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd  
15. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
<b>At 31 December 2016</b>							
<b>Cost</b>							
At beginning of financial year	8,538	11,491	296,057	24,238	15,741	4,719	360,784
Additions	-	1,870	7,927	3,866	1,723	-	15,386
Written-offs	-	(29)	(15,748)	(181)	(3,439)	-	(19,397)
Disposals	-	-	(6,164)	(3,646)	(200)	-	(10,010)
Exchange differences	-	-	262	51	42	-	355
<b>AT END OF FINANCIAL YEAR</b>	<b>8,538</b>	<b>13,332</b>	<b>282,334</b>	<b>24,328</b>	<b>13,867</b>	<b>4,719</b>	<b>347,118</b>
<b>Accumulated depreciation</b>							
At beginning of financial year	-	3,468	163,608	14,686	13,696	-	195,458
Depreciation charge for the year	-	723	31,459	3,922	1,039	-	37,143
Written-offs	-	(29)	(15,046)	(178)	(3,331)	-	(18,584)
Disposals	-	-	(6,126)	(2,830)	(142)	-	(9,098)
Exchange differences	-	-	207	39	29	-	275
<b>AT END OF FINANCIAL YEAR</b>	<b>-</b>	<b>4,162</b>	<b>174,102</b>	<b>15,639</b>	<b>11,291</b>	<b>-</b>	<b>205,194</b>
<b>Accumulated impairment losses</b>							
<b>AT BEGINNING/END OF FINANCIAL YEAR</b>	<b>-</b>	<b>-</b>	<b>3,543</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,543</b>
<b>NET CARRYING AMOUNT</b>	<b>8,538</b>	<b>9,170</b>	<b>104,689</b>	<b>8,689</b>	<b>2,576</b>	<b>4,719</b>	<b>138,381</b>

For the financial year ended 31 December 2016 • cont'd  
**15. PROPERTY, PLANT AND EQUIPMENT • CONT'D**

Group • cont'd	Purchased assets						Assets acquired under finance lease and hire purchase agreements	Total RM'000
	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000		
<b>At 31 December 2015</b>								
<b>Cost</b>								
At beginning of financial year	8,538	18,647	278,629	24,234	14,204	1,297	6,108	351,657
Additions	-	1,271	29,616	3,060	820	3,422	-	38,189
Written-offs	-	-	(7,894)	(169)	(89)	-	-	(8,152)
Disposals	-	(8,427)	(15,835)	(3,218)	(14)	-	-	(27,494)
Reclassifications	-	-	7,038	-	-	-	(7,038)	-
Exchange differences	-	-	4,503	331	820	-	930	6,584
<b>AT BEGINNING/END OF FINANCIAL YEAR</b>	<b>8,538</b>	<b>11,491</b>	<b>296,057</b>	<b>24,238</b>	<b>15,741</b>	<b>4,719</b>	<b>-</b>	<b>360,784</b>
<b>Accumulated depreciation</b>								
At beginning of financial year	-	4,751	135,219	13,219	11,002	-	3,145	167,336
Depreciation charge for the year	-	926	32,631	3,704	2,014	-	-	39,275
Written-offs	-	-	(7,701)	(154)	(57)	-	-	(7,912)
Disposals	-	(2,209)	(4,324)	(2,303)	(11)	-	-	(8,847)
Reclassifications	-	-	3,624	-	-	-	(3,624)	-
Exchange differences	-	-	4,159	220	748	-	479	5,606
<b>AT BEGINNING/END OF FINANCIAL YEAR</b>	<b>-</b>	<b>3,468</b>	<b>163,608</b>	<b>14,686</b>	<b>13,696</b>	<b>-</b>	<b>-</b>	<b>195,458</b>
<b>Accumulated impairment losses</b>								
At beginning of financial year	-	4,958	3,543	-	-	-	-	8,501
Reversal of impairment loss	-	(4,958)	-	-	-	-	-	(4,958)
<b>AT BEGINNING/END OF FINANCIAL YEAR</b>	<b>-</b>	<b>-</b>	<b>3,543</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,543</b>
<b>NET CARRYING AMOUNT</b>	<b>8,538</b>	<b>8,023</b>	<b>128,906</b>	<b>9,552</b>	<b>2,045</b>	<b>4,719</b>	<b>-</b>	<b>161,783</b>

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 15. PROPERTY, PLANT AND EQUIPMENT • CONT'D

(a) All items of property, plant and equipment are initially recorded at cost. After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings 15 - 24%	Plant And Machinery 10 - 20%	Motor Vehicles 20%	Office Equipment, Furniture And Fittings 10 - 33%
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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 are also 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.

### 16. INTANGIBLE ASSETS

	Group	
	2016 RM'000	2015 RM'000
<b>Software</b>		
<b>Cost</b>		
At beginning of financial year	9,200	8,716
Additions	3,630	484
Written-offs	(5)	-
Disposals	(794)	-
<b>AT END OF FINANCIAL YEAR</b>	<b>12,031</b>	<b>9,200</b>
<b>Accumulated amortisation</b>		
At beginning of financial year	8,454	5,808
Amortisation charge for the year	1,921	2,646
Written-offs	(5)	-
Disposals	(646)	-
<b>AT END OF FINANCIAL YEAR</b>	<b>9,724</b>	<b>8,454</b>
<b>NET CARRYING AMOUNT</b>	<b>2,307</b>	<b>746</b>

Intangible assets are initially measured at cost. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. 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.

For the financial year ended 31 December 2016 • cont'd

**17. INVESTMENTS IN SUBSIDIARIES**

	Company	
	2016 RM'000	2015 RM'000
<b>At cost</b>		
Unquoted ordinary shares	258,580	258,580

Investments in subsidiaries are stated in the separate financial statements at cost.

- (a) On 4 February 2016, Sunway M&E Sdn Bhd and Sunway Smartek Sdn Bhd had been dissolved pursuant to Section 254 of the Companies Act, 1965.
- (b) On 25 October 2016, Sunway Construction (S) Pte Ltd had applied to the Accounting and Corporate Regulatory Authority, Singapore for the striking off from the Registrar pursuant to Section 344A of the Singapore Companies Act, Cap. 50.
- (c) On 16 May 2016, Sunway Construction Sdn Bhd (SunCon), a wholly-owned subsidiary of the Company had disposed of its entire equity interest comprising 100 ordinary shares of RM1.00 each in Sunway Innopark Sdn Bhd (formerly known as Sun-Block (Batang Kali Sdn Bhd) to Sunway City Sdn Bhd, a subsidiary of Sunway Berhad, for a total disposal consideration of RM100.00 only.
- (d) On 28 June 2016, SunCon had disposed of its entire equity interest comprising 7 ordinary shares of RM1.00 each in Sunway Popbox Sdn Bhd (formerly known as Sunway IBS Sdn Bhd) to Sunway Holdings Sdn Bhd, a subsidiary of Sunway Berhad for a total disposal consideration of RM7.00 only.
- (e) On 26 July 2016, SunCon had acquired 100% equity interest in Sunway VDC Sdn Bhd for a cash consideration of RM2.00 only.
- (f) On 6 December 2016, SunCon had acquired 100% equity interest in Sunway Concrete Products (M) Sdn Bhd for a cash consideration of RM2.00 only.

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 17. INVESTMENTS IN SUBSIDIARIES • CONT'D

Details of the subsidiaries are as follows:

Name of companies	Country of incorporation	Principal activities	% of ownership interest held by			
			Group		Non-controlling interest	
			2016 %	2015 %	2016 %	2015 %
Sunway Construction Sdn Bhd	Malaysia	Turnkey, construction related design and build, civil engineering and building works and transportation agent	100.00	100.00	-	-
<b>Subsidiaries of Sunway Construction Sdn Bhd</b>						
Sunway Innopave Sdn Bhd	Malaysia	Construction of civil and building works and provision of project management	100.00	100.00	-	-
Sunway M & E Sdn Bhd #	Malaysia	Dormant	-	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 services	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	-	-
Sunway Machinerics Services Sdn Bhd	Malaysia	Investment holding	100.00	100.00	-	-

For the financial year ended 31 December 2016 • cont'd

**17. INVESTMENTS IN SUBSIDIARIES • CONT'D**

Name of companies	Country of incorporation	Principal activities	% of ownership interest held by			
			Group		Non-controlling interest	
			2016 %	2015 %	2016 %	2015 %
Sunway Creative Stones Sdn Bhd	Malaysia	Dormant	70.00	70.00	30.00	30.00
Sunway Precast Industries Sdn Bhd	Malaysia	Manufacturing precast concrete building components and undertaking of precast concrete building contracts	100.00	100.00	-	-
Sunway Builders Sdn Bhd	Malaysia	Construction of civil and building works	100.00	100.00	-	-
Sunway Construction Caribbean Limited ^	Trinidad and Tobago	Dormant	100.00	100.00	-	-
Sunway GD Piling Sdn Bhd ^	Malaysia	Dormant	100.00	100.00	-	-
Sunway Geotechnics (M) Sdn Bhd	Malaysia	Provision of geotechnical services and related products and hire of heavy machineries	100.00	100.00	-	-
Sunway Innopark Sdn Bhd (formerly known as Sun-Block (Batang Kali) Sdn Bhd) ®	Malaysia	Dormant	-	100.00	-	-
Sunway PopBox Sdn Bhd (formerly known as Sunway IBS Sdn Bhd) &	Malaysia	Dormant	-	70.00	-	30.00
Sunway Construction (S) Pte Ltd+	Singapore	Dormant	100.00	100.00	-	-
Sunspan Sdn Bhd ^	Malaysia	Dormant	100.00	100.00	-	-

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

## 17. INVESTMENTS IN SUBSIDIARIES • CONT'D

Name of companies	Country of incorporation	Principal activities	% of ownership interest held by			
			Group		Non-controlling interest	
			2016 %	2015 %	2016 %	2015 %
Sunway Facade Network Sdn Bhd	Malaysia	Facade engineering and consultancy services	60.00	60.00	40.00	40.00
Sunway VDC Sdn Bhd	Malaysia	Dormant	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	-	-	-
<b>Subsidiary of Sunway Machineries Services Sdn Bhd:</b>						
Sunway SK Sdn Bhd	Malaysia	Construction of building and civil works	100.00	100.00	-	-
<b>Subsidiary of Sunway Engineering Sdn Bhd:</b>						
Sunway Smartek Sdn Bhd #	Malaysia	Dormant	-	100.00	-	-
<b>Subsidiary of Sunway Industrial Products Sdn Bhd:</b>						
Sunway Concrete Products (S) Pte Ltd *	Singapore	Manufacturing and sale of precast concrete building components	100.00	100.00	-	-
<b>Subsidiary of Sunway Geotechnics (M) Sdn Bhd:</b>						
Sunway Geotechnics (S) Pte Ltd ^	Singapore	Dormant	100.00	100.00	-	-

\* Audited by BDO Member Firm

^ Audited by firms of auditors other than BDO in Malaysia and BDO Member Firms

# Dissolved on 4 February 2016 by way of members' voluntary winding-up

@ Disposed on 16 May 2016

&amp; Disposed on 28 June 2016

+ In the midst of striking off pursuant to Section 344(A) of Singapore Companies Act, Cap. 50

Summarised information of companies with non-controlling interests are not presented as the non-controlling interests of these companies are immaterial to the Group.

For the financial year ended 31 December 2016 • cont'd

**18. INVESTMENT IN AN ASSOCIATE**

	Group	
	2016 RM'000	2015 RM'000
<b>At cost:</b>		
<b>Unquoted:</b>		
Share of post-acquisition profits	-	-

(a) Investment in an associate is stated at cost in the separate financial statements while investment in an associate is accounted for using the equity method of accounting in the consolidated financial statements.

(b) The financial year of the associate is coterminous with the financial year of the Group.

(c) Details of the associate is as follows:

Name	Country of incorporation	Proportion of ownership interest		Principal activity
		2016 %	2015 %	
<b>Associate of Sunway Builders Sdn Bhd:</b>				
ISZL Consortium *	Unincorporated	25.00	25.00	Construction

\* Audited by firms of auditors other than BDO in Malaysia and BDO Member Firms

(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	
	2016 RM'000	2015 RM'000
Current assets	143,669	138,231
<b>TOTAL ASSETS</b>	<b>143,669</b>	<b>138,231</b>
Loan from Consortium Members	(54,848)	(49,830)
Current liabilities	(129,414)	(122,756)
<b>TOTAL LIABILITIES</b>	<b>(184,262)</b>	<b>(172,586)</b>
<b>NET LIABILITIES</b>	<b>(40,593)</b>	<b>(34,355)</b>

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • 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. • cont'd

#### (ii) Summarised statement of comprehensive income

	ISZL Consortium	
	2016 RM'000	2015 RM'000
Revenue	-	-
Loss before tax	(4,378)	(4,805)
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(4,378)</b>	<b>(4,805)</b>

#### (iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate

	ISZL Consortium	
	2016 RM'000	2015 RM'000
<b>Net liabilities at 1 January</b>	(34,355)	(23,669)
Loss for the year	(4,378)	(4,805)
Effect of translation to closing foreign exchange rates	(1,860)	(5,881)
<b>NET LIABILITIES AT 31 DECEMBER</b>	<b>(40,593)</b>	<b>(34,355)</b>
Interest in associate as at year end	25%	25%
Carrying value of Group's interest in associate	(10,148)	(8,589)
Less: Losses not recognised	10,148	8,589
	-	-

### 19. OTHER INVESTMENTS

	Group	
	2016 RM'000	2015 RM'000
<b>Non-current</b>		
<b>Available-for-sale financial assets:</b>		
• Corporate membership	273	273

For the financial year ended 31 December 2016 • cont'd

**20. INVESTMENTS IN JOINT VENTURES**

	Group	
	2016 RM'000	2015 RM'000
<b>At cost:</b>		
<b>Unquoted:</b>		
Share of post-acquisition profits, net of dividends received	-	-

(a) Investments in joint ventures are stated at cost in the separate financial statements while investments in joint ventures are accounted for using the equity method of accounting in the consolidated financial statements.

(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 of the joint ventures are coterminous with the financial year of the Group.

(d) Details of the joint ventures are as follows:

Name	Country of Incorporation	Principal activities	Effective interest in equity	
			2016 %	2015 %
SunCity SunCon Joint Venture	Unincorporated	Property Development	50.0	50.00
Silver Coast-Sunway Innopave J. V. *	Unincorporated	Construction works	60.00	60.00
Sunway Geotechnics (M) Sdn Bhd - Bauer (Malaysia) Sdn Bhd Joint Venture *	Unincorporated	Bored piling works, installation of plunge in column and associated ancillary works	50.00	50.00
IJM Sunway Sdn Bhd *	Malaysia	Dormant	50.00	50.00

\* Audited by firms of auditors other than BDO in Malaysia and BDO Member Firms

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 20. 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 and not the Group's share of those amounts. The other joint ventures are not material to the Group.

#### (i) Summarised statements of financial position

	SunCity SunCon* RM'000	Silver Coast- Sunway Innopave RM'000	Total RM'000
<b>At 31 December 2016</b>			
<b>Non-current assets</b>	39	613	652
Cash and cash equivalents	6,044	3,052	9,096
Other current assets	1,990	-	1,990
<b>Current assets</b>	8,034	3,052	11,086
<b>TOTAL ASSETS</b>	<b>8,073</b>	<b>3,665</b>	<b>11,738</b>
Trade and other payables and provisions	3,764	3,665	7,429
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,764</b>	<b>3,665</b>	<b>7,429</b>
<b>NET ASSETS</b>	<b>4,309</b>	<b>-</b>	<b>4,309</b>
<b>At 31 December 2015</b>			
<b>Non-current assets</b>	49	587	636
Cash and cash equivalents	38,905	3,250	42,155
Other current assets	-	-	-
<b>Current assets</b>	38,905	3,250	42,155
<b>TOTAL ASSETS</b>	<b>38,954</b>	<b>3,837</b>	<b>42,791</b>
Trade and other payables and provisions	39,394	3,837	43,231
<b>TOTAL CURRENT LIABILITIES</b>	<b>39,394</b>	<b>3,837</b>	<b>43,231</b>
<b>NET LIABILITIES</b>	<b>(440)</b>	<b>-</b>	<b>(440)</b>

For the financial year ended 31 December 2016 • cont'd

**20. 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 and not the Group's share of those amounts. The other joint ventures are not material to the Group. • cont'd

**(ii) Summarised statements of comprehensive income**

	SunCity SunCon* RM'000	Silver Coast- Sunway Innopave RM'000	Total RM'000
<b>At 31 December 2016</b>			
Revenue	1,128	-	1,128
Depreciation and amortisation	(10)	-	(10)
Interest income	593	-	593
Interest expense	(14)	-	(14)
Profit before tax	-	-	-
Income tax expense	-	-	-
Profit after tax	-	-	-
Other comprehensive income	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2015</b>			
Revenue	2,373	4,006	6,379
Depreciation and amortisation	(13)	-	(13)
Interest income	1,078	-	1,078
Interest expense	(251)	-	(251)
Profit before tax	-	2,427	2,427
Income tax expense	-	-	-
Profit after tax	-	2,427	2,427
Other comprehensive income	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-</b>	<b>2,427</b>	<b>2,427</b>
Dividend received from the joint venture during the year	20,587	4,092	24,679

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 20. 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 and not the Group's share of those amounts. The other joint ventures are not material to the Group. • cont'd.

#### (iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in joint ventures

	SunCity SunCon* RM'000	Silver Coast- Sunway Innopave RM'000	Total RM'000
<b>At 31 December 2016</b>			
<b>Net assets at 1 January</b>	20,587	-	20,587
Profit for the year	-	-	-
Dividend paid during the year	(20,587)#	-	(20,587)
<b>Net assets at 31 December</b>	-	-	-
Interest in joint ventures as at year end	50%	60%	
Carrying value of Group's interest in joint ventures	-	-	-
<b>At 31 December 2015</b>			
<b>Net assets at 1 January</b>	41,174	5,606	46,780
Profit for the year	-	2,427	2,427
Effect of translation to closing foreign exchange rates	-	(1,213)	(1,213)
Dividend paid during the year	(20,587)^	(6,820)	(27,407)
<b>Net assets at 31 December</b>	20,587	-	20,587
Interest in joint ventures as at year end	50%	60%	
	10,294	-	-
Adjustment on dividend paid solely to SunCon during the year	(10,294)	-	-
Carrying value of Group's interest in joint ventures	-	-	-

\* After adjustments to align to Group's accounting policies and sharing of profits based on percentage other than the Group's ownership interest

# Dividend paid during the year was solely attributable to joint venture partner

^ Dividend paid in the previous financial year was solely attributable to Sunway Construction Sdn Bhd

## For the financial year ended 31 December 2016 • cont'd

## 21. GOODWILL

	Group	
	2016 RM'000	2015 RM'000
<b>Cost</b>		
At beginning/end of financial year	35,397	35,397
<b>Accumulated impairment losses</b>		
At beginning/end of financial year	(31,750)	(31,750)
<b>NET CARRYING AMOUNT</b>	<b>3,647</b>	<b>3,647</b>

The carrying amounts of goodwill allocated to the Group's cash-generating unit (CGU) are as follows:

	Group	
	2016 RM'000	2015 RM'000
Precast concrete	3,647	3,647

**Key Assumption 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. The key assumptions used for value-in-use calculations are:

	Group	
	2016 %	2015 %
Gross margin	15.0	14.0
Discount rate	10.0	10.0

The following describes each key assumption 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.

**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.

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 22. INVENTORIES

	Group	
	2016 RM'000	2015 RM'000
Property stocks	497	677
Trading inventories	19,307	12,988
Spare parts	4,146	3,628
	23,950	17,293

- (a) Properties stocks comprise properties received from trade receivables as settlement of debts in the ordinary course of business.
- (b) Cost of trading inventories is determined using the first-in, first-out formula. Cost comprises costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.
- (c) Cost of spare parts is determined using the weighted average method. Cost comprises costs of purchase plus other costs incurred in bringing the inventories to their present location and condition.

For the financial year ended 31 December 2016 • cont'd

**23. TRADE RECEIVABLES**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Third parties	410,951	355,219	-	-
Retention sums (Note 28)	214,965	150,558	-	-
	<b>625,916</b>	<b>505,777</b>	-	-
Less: Allowance for impairment	(19,224)	(18,400)	-	-
	<b>606,692</b>	<b>487,377</b>	-	-
Amounts due from customers on contracts (Note 28)	125,342	91,831	-	-
<b>TOTAL TRADE RECEIVABLES</b>	<b>732,034</b>	<b>579,208</b>	-	-
Total trade receivables	732,034	579,208	-	-
Other receivables (Note 24)	31,912	47,297	-	-
Add: Amounts due from:				
• intermediate holding company				
• non-trade (Note 26)	3	534	-	-
• related companies	147,542	86,333	-	-
• trade (Note 26)	139,190	85,343	-	-
• non-trade (Note 26)	8,352	990	-	-
• joint venture				
• non-trade (Note 26)	233	-	-	-
• an associate	26,665	3,717	-	-
• non-trade (Note 27)	26,665	23,315	-	-
Less: Allowance for impairment	-	(19,598)	-	-
Less: Amounts due from customers on contracts (Note 28)	(125,342)	(91,831)	-	-
Less: Prepayments (Note 24)	(756)	(522)	-	-
Add: Cash, bank balances and placements (Note 30)	465,768	390,477	46,181	161
<b>TOTAL LOANS AND RECEIVABLES</b>	<b>1,278,059</b>	<b>1,015,213</b>	<b>46,181</b>	<b>161</b>

(a) Financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. The carrying amounts of the loans and receivables as at the reporting date approximate their fair values.

(b) 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 (2015: 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.

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 23. TRADE RECEIVABLES • CONT'D

(c) Included in retention sums of the Group are amounts owing from related companies and a related party of RM59,033,643 (2015: RM50,370,000) and RM22,246,679 (2015: RM11,159,000) respectively.

(d) Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables are as follows:

	Group	
	2016 RM'000	2015 RM'000
Neither past due nor impaired	666,991	486,049
1 to 30 days past due not impaired	27,976	33,651
31 to 60 days past due not impaired	2,543	8,400
61 to 90 days past due not impaired	3,527	2,160
91 to 120 days past due not impaired	7,984	1,579
More than 121 past due not impaired	23,013	47,369
	65,043	93,159
Impaired	19,224	18,400
	751,258	597,608

#### Receivables That Are Neither Past Due Nor Impaired

Trade receivables that are neither past due nor impaired relate to customers with good track-records with the Group. Based on past experience, the Board believes that no allowance for impairment is necessary in respect of those balances.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

#### Receivables That Are Past Due But Not Impaired

Trade receivables that are past due but not impaired relate to customers for whom there is no objective evidence that the receivables are not fully recoverable. No impairment has been made on these amounts as the Group is closely monitoring these receivables and is confident of their eventual recovery.

## For the financial year ended 31 December 2016 • cont'd

**23. TRADE RECEIVABLES • CONT'D**

(d) Ageing analysis of trade receivables • cont'd

**Receivables That Are Past Due And Impaired**

The Group's trade receivables that are past due and impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	Individually impaired RM'000	Total RM'000
<b>At 31 December 2016</b>		
Trade receivables		
• nominal amounts	19,224	19,224
Less: Allowance for impairment	(19,224)	(19,224)
	-	-
<b>At 31 December 2015</b>		
Trade receivables		
• nominal amounts	18,400	18,400
Less: Allowance for impairment	(18,400)	(18,400)
	-	-

The reconciliation of movements in allowance for impairment for trade receivables is as follows:

	Group	
	2016 RM'000	2015 RM'000
At beginning of financial year	18,400	22,822
Charge for the year	2,670	2,478
Reversal of impairment losses	(1,534)	(345)
Written off	(312)	(6,555)
<b>AT END OF FINANCIAL YEAR</b>	<b>19,224</b>	<b>18,400</b>

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The Group assesses at the reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical experience for assets with similar credit risk characteristics.

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 23. TRADE RECEIVABLES • CONT'D

(e) 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 reporting date are as follows:

	Group			
	2016		2015	
	RM'000	% of total	RM'000	% of total
<b>By country:</b>				
Malaysia	623,304	85.1%	484,534	83.7%
Singapore	99,361	13.6%	87,025	15.0%
India	9,369	1.3%	7,649	1.3%
	<b>732,034</b>	<b>100.0%</b>	<b>579,208</b>	<b>100.0%</b>

#### 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 internationally dispersed, engage 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.

For the financial year ended 31 December 2016 • cont'd

**24. OTHER RECEIVABLES**

	Group	
	2016 RM'000	2015 RM'000
Deposits	7,879	6,729
Prepayments (Note 23)	756	522
Sundry receivables	30,909	48,074
	39,544	55,325
Less: Allowance for impairment	(7,632)	(8,028)
	31,912	47,297

(a) 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.

(b) The reconciliation of movements in allowance for impairment for other receivables is as follows:

	Group	
	2016 RM'000	2015 RM'000
At beginning of financial year	8,028	22,572
Reversal of impairment losses	(200)	-
Written off	(196)	(14,544)
<b>AT END OF FINANCIAL YEAR</b>	<b>7,632</b>	<b>8,028</b>

**25. AMOUNTS DUE TO SUBSIDIARIES**

Amounts due to subsidiaries (non-trade) are unsecured, interest free and the term of repayment is on demand.

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 26. AMOUNTS DUE FROM/(TO) INTERMEDIATE HOLDING COMPANY, RELATED COMPANIES AND JOINT VENTURES

- (a) Amounts due from/(to) intermediate holding company (non-trade) are unsecured, interest free and the term of repayment is on demand.
- (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 (2015: 30 days to 90 days).
- (c) Amounts due from/(to) related companies (non-trade) are unsecured, interest free and the term of repayment is on demand, except for amounts due to related companies of RM34,723,461 (2015: RM21,861,757), which bears interests at rates ranging from 4.45% to 5.67% (2015: 2.95% to 3.00%) per annum.
- (d) Amounts due from/(to) joint ventures (non-trade) are interest free and the term of repayment is on demand.
- (e) At the reporting date, the interest rate profile of the amounts due from/(to) related companies was:

	Group	
	2016 RM'000	2015 RM'000
<b>Variable rate instruments</b>		
Financial assets	6,092	-
Financial liabilities	(40,815)	(21,862)
	<b>(34,723)</b>	<b>(21,862)</b>

A change of 25 basis points in interest rates, assuming all other variables remained constant, at the reporting date would result in the profit net of tax of the Group and the Company to be higher/(lower) by RM65,970 (2015: RM41,540).

### 27. AMOUNT DUE FROM AN ASSOCIATE

Amount due from an associate (non-trade) is unsecured, bearing interest at a rate of 8.85% (2015: 8.85%) per annum and the term of repayment is on demand.

The reconciliation of movements in allowance for impairment for amount due from an associate (non trade) is as follows:

	Group	
	2016 RM'000	2015 RM'000
At beginning of financial year	19,598	26,882
Reversal of impairment losses	(18,900)	(12,339)
Exchange differences	(698)	5,055
<b>AT END OF FINANCIAL YEAR</b>	<b>-</b>	<b>19,598</b>

Sensitivity analysis for fixed rate amount due from an associate at the end of the reporting date is not presented as changes in interest rate would not affect profit or loss.

For the financial year ended 31 December 2016 • cont'd

**28. CONSTRUCTION CONTRACTS**

	Group	
	2016 RM'000	2015 RM'000
Cost incurred to date	8,865,005	8,233,829
Accrued profits to date	1,693,380	1,409,078
Less: Provision for foreseeable losses	(16)	(4,177)
<b>Total costs and accrued profits to date</b>	<b>10,558,369</b>	<b>9,638,730</b>
Progress billings to date	(10,549,274)	(9,602,742)
	<b>9,095</b>	<b>35,988</b>
Amounts due from customers on contracts (Note 23)	125,342	91,831
Amounts due to customers on contracts (Note 33)	(116,247)	(55,843)
	<b>9,095</b>	<b>35,988</b>
Advances received on contracts (included in payables) (Note 34)	50,663	5,185
Retention sums (Note 23)	214,965	150,558

The Group recognises construction contract revenue and expenses in the profit or loss based on the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date bear to the estimated total contract costs to complete or by reference to the physical completion of the contract.

Significant judgement is required in determining the stage of completion, the estimated total contract costs to complete 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.

Based on the assessment of the exposures to LAD for the relevant construction contracts, the Directors are of the opinion that no provision for LAD is necessary at this juncture.

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 29. DERIVATIVE ASSETS

Group	2016		2015	
	Contract/ Notional Amount RM'000	Assets RM'000	Contract/ Notional Amount RM'000	Assets RM'000
<b>Current</b>				
Forward currency contracts	20,048	1,341	-	-

(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.

### 30. CASH AND BANK BALANCES AND PLACEMENT IN FUNDS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Cash and bank balances</b>				
Cash at banks and on hand	88,233	112,922	188	161
<b>Deposits with:</b>				
Licensed banks	583	946	-	-
Other financial institutions	376,952	276,609	45,993	-
<b>CASH AND BANK BALANCES (NOTE 23)</b>	<b>465,768</b>	<b>390,477</b>	<b>46,181</b>	<b>161</b>
Fair value through profit or loss				
Placement of funds	-	78,000	-	-

(a) The weighted average interest rates per annum of deposits that were effective as at reporting date were as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Deposits with licensed banks	1.51	1.33	-	-
Deposits with other financial institutions	4.83	5.26	4.63	-
Placement in funds	-	5.59	-	-

The maturity of deposits with licensed banks during the years under review ranged from 11 days to 365 days (2015: 90 days to 253 days).

## For the financial year ended 31 December 2016 • cont'd

**30. CASH AND BANK BALANCES AND PLACEMENT IN FUNDS • CONT'D**

The average maturity of deposits with other financial institutions of the Group and of the Company are 14 days (2015: 16 days) and 28 days (2015: Nil) respectively at the reporting date.

In the prior financial year, the average maturity of placement in funds of the Group was 17 days.

(b) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the reporting date:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Cash and bank balances</b>	465,768	390,477	46,181	161
Less: Deposits with licensed banks with maturity of more than 3 months	(435)	(805)	-	-
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>465,333</b>	<b>389,672</b>	<b>46,181</b>	<b>161</b>

(c) At the reporting date, the interest rate profile of the cash and bank balances and placement in funds was:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate	377,535	355,555	45,993	-

Sensitivity analysis for fixed rate cash and bank balances at the end of the reporting date is not presented as change in interest rates would not affect profit or loss.

(d) Placement in funds were 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. The fair value was categorised as Level 1 in fair value hierarchy.

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 31. BORROWINGS

	Group	
	2016 RM'000	2015 RM'000
<b>Short term borrowings</b>		
<b>Unsecured:</b>		
Revolving credits	-	50,189
Bills discounting	136,515	86,652
	<b>136,515</b>	<b>136,841</b>
<b>Total borrowings (Note 33)</b>		
Revolving credits	-	50,189
Bills discounting	136,515	86,652
	<b>136,515</b>	<b>136,841</b>

(a) The weighted average interest rates per annum of borrowings that was effective as at reporting date were as follows:

	Group	
	2016 %	2015 %
Revolving credits	-	4.45
Bills discounting	3.85	3.95

(b) The borrowings are denominated in RM.

(c) At the reporting date, the interest rate profile of the borrowings was:

	Group	
	2016 RM'000	2015 RM'000
Fixed rate	136,515	136,841

Sensitivity analysis for fixed rate borrowings at the end of the reporting date is not presented as changes in interest rates would not affect profit or loss.

(d) The maturity profile of the borrowings of the Group at the reporting date based on contractual undiscounted repayment obligations is repayable within one year.

(e) The carrying amounts of these borrowings are reasonable approximation of their fair values due to their short-term nature.

For the financial year ended 31 December 2016 • cont'd

**32. DEFERRED TAX**

	Group	
	2016 RM'000	2015 RM'000
<b>At beginning of financial year</b>	9,665	2,869
Recognised in profit or loss (Note 12)	244	6,945
Exchange differences	(15)	(149)
<b>AT END OF FINANCIAL YEAR</b>	<b>9,894</b>	<b>9,665</b>
<b>Presented after appropriate offsetting as follows:</b>		
Deferred tax assets, net *	10,502	13,760
Deferred tax liabilities, net *	(608)	(4,095)
	<b>9,894</b>	<b>9,665</b>

\* The amount of set-off between deferred tax assets and deferred tax liabilities was RM6,789,000 (2015: RM2,449,000) for the Group.

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

**32. DEFERRED TAX • CONT'D**

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:**

	Unabsorbed capital allowances RM'000	Unutilised business losses RM'000	Provision for liabilities RM'000	Receivables and inventories RM'000	Others RM'000	Total RM'000
<b>At 1 January 2015</b>	-	695	5,992	428	2,515	9,630
Recognised in profit or loss	8,365	(354)	(884)	(428)	(120)	6,579
<b>At 31 December 2015</b>	8,365	341	5,108	-	2,395	16,209
Recognised in profit or loss	(8,365)	(341)	(2,831)	-	12,619	1,082
<b>At 31 December 2016</b>	-	-	2,277	-	15,014	17,291

**Deferred tax liabilities of the Group:**

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
<b>At 1 January 2015</b>	7,858	(1,097)	6,761
Recognised in profit or loss	(3,830)	3,464	(366)
Exchange differences	-	149	149
<b>At 31 December 2015</b>	4,028	2,516	6,544
Recognised in profit or loss	3,369	(2,531)	838
Exchange differences	-	15	15
<b>At 31 December 2016</b>	7,397	-	7,397

For the financial year ended 31 December 2016 • cont'd

### 32. DEFERRED TAX • CONT'D

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2016 RM'000	2015 RM'000
Unused tax losses	6,553	6,382
Unabsorbed capital allowances	1,316	1,541
Other deductible temporary differences	201	201
	8,070	8,124

Deferred tax assets have not been recognised in respect of these items as they have arisen in companies that have a recent history of losses or in companies where future taxable profits may be insufficient to trigger the utilisation of these items. The deductible temporary differences do not expire under the current tax legislation.

### 33. TRADE PAYABLES

	Group	
	2016 RM'000	2015 RM'000
Third parties	577,029	548,836
Amounts due to customers on contracts (Note 28)	116,247	55,843
<b>TOTAL TRADE PAYABLES</b>	<b>693,276</b>	<b>604,679</b>

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 33. TRADE PAYABLES • CONT'D

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total trade payables	693,276	604,679	-	-
Total other payables (Note 34)	178,736	137,077	989	627
<b>Amounts due to:</b>				
• intermediate holding company				
• non-trade (Note 26)	26,049	18,783	7	-
• subsidiaries				
• non-trade (Note 25)	-	-	13	1,553
• related companies	56,911	35,024	312	7
• trade (Note 26)	13,334	3,821	-	-
• non-trade (Note 26)	43,577	31,203	312	7
• joint venture				
• non-trade (Note 26)	-	3	-	-
Less: Amounts due to customers				
on contracts (Note 28)	(116,247)	(55,843)	-	-
Add: Total borrowings (Note 31)	136,515	136,841	-	-
<b>TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST</b>	<b>975,240</b>	<b>876,564</b>	<b>1,321</b>	<b>2,187</b>

(a) The carrying amounts of the financial liabilities carried at amortised cost as at the reporting date approximate their fair values.

(b) Included in trade payables of the Group is amounts owing to related parties of RM1,300,000 (2015: RM182,000).

(c) Credit terms of trade payables granted to the Group range from 14 days to 60 days (2015: 14 days to 60 days).

(d) The maturity profile of the trade payables of the Group and of the Company (excluding amounts due to customers on contracts) at the reporting date based on contractual undiscounted repayment obligations is repayable on demand or within one year.

### 34. OTHER PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sundry payables	73,496	89,488	4	14
Advances received on contracts	50,663	5,185	-	-
Accruals	54,577	42,404	985	613
	<b>178,736</b>	<b>137,077</b>	<b>989</b>	<b>627</b>

## For the financial year ended 31 December 2016 • cont'd

**34. OTHER PAYABLES • CONT'D**

The maturity profile of the other payables of the Group and of the Company at the reporting date based on contractual undiscounted repayment obligations is repayable within one year.

As at 31 December 2016, included in the advances received on contracts are advances received in relation to two construction contracts awarded to the Group during the current financial year.

**35. SHARE CAPITAL**

	Group			
	Number of shares of RM0.20 each		Amount	
	2016 '000	2015 '000	2016 RM'000	2015 RM'000
<b>Authorised:</b>				
<b>As at 1 January</b>	10,000,000	1,000,000	2,000,000	1,000,000
Adjustment on acquisition of SunCon and its subsidiaries on 15 May 2015				
• elimination of SunCon's authorised share capital	-	(1,000,000)	-	(1,000,000)
• restated to the Company's authorised ordinary share capital	-	10,000,000	-	2,000,000
<b>At 31 December</b>	10,000,000	10,000,000	2,000,000	2,000,000
<b>Issued and fully paid:</b>				
<b>As at 1 January</b>	1,292,900	193,954	258,580	193,954
Adjustment on acquisition of SunCon and its subsidiaries on 15 May 2015				
• elimination of SunCon's issued and fully paid-up ordinary share capital	-	(193,954)	-	(193,954)
• restated to the Company's issued and fully paid-up ordinary share capital	-	1,292,900	-	258,580
<b>At 31 December</b>	1,292,900	1,292,900	258,580	258,580

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 35. SHARE CAPITAL • CONT'D

	Company			
	Number of shares of RM0.20 each		Amount	
	2016 '000	2015 '000	2016 RM'000	2015 RM'000
<b>Authorised:</b>				
At beginning/end of financial year	10,000,000	10,000,000	2,000,000	2,000,000
<b>Issued and fully paid:</b>				
Ordinary shares of RM0.20 each				
At beginning of the financial year	1,292,900	- *	258,580	- *
Issued during the financial year	-	1,292,900	-	258,580
<b>At 31 December</b>	<b>1,292,900</b>	<b>1,292,900</b>	<b>258,580</b>	<b>258,580</b>

\* Represents 10 ordinary shares of RM0.20 each amounting to RM2.00

A second interim single-tier dividend of 2.5 sen per ordinary share for the financial year ended 31 December 2016 has been declared by the Board of Directors on 23 February 2017. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

The Board of Directors do not recommend any final dividend for the financial year ended 31 December 2016.

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.

## For the financial year ended 31 December 2016 • cont'd

**36. RESERVES**

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Non-distributable:</b>					
Capital contribution by immediate holding company	(a)	670	670	-	-
Merger reserve	(b)	(37,894)	(37,894)	-	-
Foreign currency translation reserve	(c)	14,651	12,146	-	-
		(22,573)	(25,078)	-	-
<b>Distributable:</b>					
Retained earnings/ (Accumulated losses)		257,022	217,542	44,860	(2,026)
		234,449	192,464	44,860	(2,026)

The movements in each category of reserves are disclosed in the statements of changes in equity.

The natures of each category of reserves are as follows:

**(a) Capital contribution by immediate holding company**

Capital contribution by immediate 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
- (ii) The excess of the consideration paid over the share capital and capital reserves of SunCon 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.

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 37. OPERATING LEASE AGREEMENTS

The Group has entered into a non-cancellable operating lease agreement with a related party, Sunway REIT. The lease with Sunway REIT is for the use of leasehold land and buildings.

The future minimum lease payments payable under the above non-cancellable operating leases of the Group contracted for as at the reporting date but not recognised as payables, are as follows:

	Group	
	2016 RM'000	2015 RM'000
<b>Future minimum lease payments:</b>		
Not later than 1 year	4,494	7,583
Later than 1 year and not later than 5 years	1,430	7,350
	<b>5,924</b>	<b>14,933</b>

### 38. CAPITAL COMMITMENTS

	Group	
	2016 RM'000	2015 RM'000
<b>Capital expenditure:</b>		
Approved and contracted for property, plant and equipment	13,825	208
Approved but not contracted for property, plant and equipment	-	5,860
	<b>13,825</b>	<b>6,068</b>

### 39. CONTINGENT LIABILITIES

#### a) Guarantees

	Group	
	2016 RM'000	2015 RM'000
<b>Unsecured:</b>		
Guarantees given to third parties in respect of contracts and trade performance	364,697	418,241
Guarantees given to related companies in respect of contracts and trade performance	38,532	50,845
	<b>403,229</b>	<b>469,086</b>

**For the financial year ended 31 December 2016 • cont'd**

**39. CONTINGENT LIABILITIES • CONT'D**

**(a) Guarantees • cont'd**

The Group designates guarantees given to third parties and related companies as insurance contracts as defined in MFRS 4 *Insurance Contracts*. 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 reporting date, 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 143.6km to 170.0km, 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 and two preliminary sittings have been held to date. The Claimant then filed its Statement of Claim on 4 September 2008.

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.

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.

75 hearings had been held and on 11 January 2013, the arbitrator that presided over the case passed away. The Claimant and SunCon were able to proceed to appoint another arbitrator that is agreeable by both parties, failing such agreement an application can be filed to the Supreme Court for an appointment.

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 39. CONTINGENT LIABILITIES • CONT'D

#### (b) Material outstanding litigations • cont'd

- (i) SunCon was notified by its solicitors that an arbitration petition has been filed by Shristi on 7 January 2016 in the Supreme Court of India for the appointment of a new arbitrator and the petition was served on SunCon's solicitors on 5 May 2016. Matter was not listed on 17 October 2016. Hearing continued on 5 January 2017 and the Supreme Court appointed Hon'ble Mr Justice Vikramajit Sen (Former Judge of the Supreme Court) as arbitrator in place of the late Justice H.L. Agrawal (Retd.) for adjudication of the disputes and differences between the Parties. A sitting of the Tribunal stands fixed for 17 April 2017.

The Directors are of the opinion, after taking appropriate legal advise, that no provision for the abovementioned claims is necessary.

- (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.

Sunway Creative Stones has 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.

Hearing of the arbitration proceeding had been completed and award on this arbitration is pending. The solicitors acting for Sunway Creative Stones is of the view that Sunway Creative Stones has a fairly good case against SPYTL.

- (iii) Sunway Construction Caribbean Limited (Sunway Construction Caribbean) was awarded a contract to carry out the fit-out works by the Urban Development Corporation of Trinidad and Tobago (UDCTT) in 2009 at a fixed design-build contract price of TTD298,138,765.48. By wrongfully repudiating the contract, the design fees and standby costs for the package 6 of the interior fit-out works payable by UDCTT from October 2009 to March 2011 remained unpaid by UDCTT. In December 2013, Sunway Construction Caribbean filed a claim at the High Court of Justice, Republic of Trinidad and Tobago, against UDCTT for an accumulated sum of TTD55,006,143.00, being loss and damages arising from UDCTT's wrongful repudiation of the contract.

On 18 November 2015, UDCTT had changed its advocates. Security for costs in the sum of TTD750,000.00 has been paid into court by Claimant on 5 August 2015.

An oral submission on Evidential Objections is to be heard on 4 December 2015. Trial of this matter fixed for Monday 25 April 2016, Tuesday 26 April 2016, Wednesday 27 April 2016 and Friday 29 April 2016.

On 4 December 2015, the High Court of Justice issued a notice of re-assignment on change of judge. After the status hearing on 28 January 2016, evidential objections pre trial review came up on the 12 July 2016. The trial dates fixed for 19 and 20 July 2016 have been vacated pending settlement discussions. Matter has been adjourned several times and has been further adjourned to 4 April 2017 pending further settlement discussions.

The solicitors acting for Sunway Construction Caribbean is of the view that the chances of success is in favor of Sunway Construction Caribbean although the full amount of Sunway Construction Caribbean's claim may not be recoverable based on the information before them.

**For the financial year ended 31 December 2016 • cont'd**

**39. CONTINGENT LIABILITIES • CONT'D**

**(b) Material outstanding litigations • cont'd**

- (iv) 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 favor of NHA and set aside SunCon's award.

SunCon appealed to the Supreme Court of India and was granted leave of appeal. Matter was not listed on 28 July 2016 and 13 September 2016. On 25 January 2017, the case was adjourned to 7 April 2017. The solicitors acting for SunCon is of the view that SunCon has a good case on the merits and a correspondingly high probability of success before the Supreme Court.

**Reference 2**

In April 2009, SunCon commenced an arbitration proceeding against NHA for the loss suffered as a result of the adjustment made by the engineer on the payment of a monthly interim payment certificate without taking into consideration the component of excise duty. The Arbitral Tribunal had, via an award dated 3 October 2011, awarded SunCon a sum of Rs.25,840,810.00. SunCon have not received the award sum to-date.

**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 for both Reference 2 and Reference 3, NHA appealed to the High Court in year 2012. The hearing date of the appeal has yet to be fixed. 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 in both Reference 2 and Reference 3.

**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.

NHA appealed against the Arbitral Tribunal's award to the High Court. On 13 April 2015, the matter came up for scrutiny before the Registrar of the High Court. NHA requested for time to file the rejoinder. The case came up for hearing on 17 March 2017 but is adjourned to 30 August 2017.

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 in this Reference 4.

**Reference 5**

In March 2013, SunCon claimed against NHA for short payment for work done due to the differences in the rate of the Bill of Quantities. The Arbitral Tribunal had, via an award dated 29 April 2014, awarded SunCon a sum of Rs.124,531,651.00.

NHA appealed against the Arbitral Tribunal's award to the High Court. The matter is fixed for hearing on 8 December 2016 and further adjourned to 20 February 2017. 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 in this Reference 5.

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • 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 companies during the financial year:

Group	2016 RM'000	2015 RM'000
<b>Contract revenue from:</b>		
<b>Related companies:</b>		
Sunway Medical Centre Sdn Bhd	101,109	45,784
Sunway South Quay Sdn Bhd	220,165	135,626
Sunway Forum Hotel Sdn Bhd	(9,987)	108,360
Sunway Velocity Mall Sdn Bhd	171,258	178,474
Sunway Integrated Properties Sdn Bhd	6,078	60,154
Sunway Destiny Sdn Bhd	10,908	66,383
Sunway City (JB) Sdn Bhd	49,834	42,800
Prosper Revenue Sdn Bhd	2,672	5,657
Daiwa Sunway Development Sdn Bhd	986	-
SunMed Velocity Sdn Bhd (Formerly known as Sunway Medical Holdings Sdn Bhd)	788	-
Sunway Kiara Sdn Bhd	7,111	-
Sunway Dimension Stones Sdn Bhd	414	-
<b>Related parties:</b>		
SunCity Suncon Joint Venture	-	2,097
Daiwa Sunway Development Sdn Bhd @	986	-
Sunway Iskandar Sdn Bhd ^	145,974	72,387
Sunway Real Estate Investment Trust *	3,314	30,899
<b>Rental income of plant and machinery from:</b>		
<b>Related company:</b>		
Sunway Enterprise (1988) Sdn Bhd	72	119

## For the financial year ended 31 December 2016 • 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 companies during the financial year • cont'd:

Group • cont'd	2016 RM'000	2015 RM'000
<b>Interest income from:</b>		
<b>Related company:</b>		
Sunway Treasury Sdn Bhd (Note 8)	230	-
<b>Purchases of goods/services from:</b>		
<b>Related companies:</b>		
Sunway Marketing Sdn Bhd	(71,604)	(76,331)
Sunway Quarry Industries Sdn Bhd	(10,225)	(5,986)
Sunway Paving Solutions Sdn Bhd	(3,897)	(778)
Sunway Enterprise (1988) Sdn Bhd	(964)	(3,231)
Sunway Risk Management Sdn Bhd	(2,140)	(4,742)
Sunway Marketing (S) Pte Ltd	-	(51)
Sunway Hose Centre Sdn Bhd	(192)	(250)
Sunway Travel Sdn Bhd	(582)	(233)
Sunway Medical Centre Sdn Bhd	(131)	(97)
Sunway FSSC Sdn Bhd	(2,500)	(1,993)
Sunway Lagoon Club Bhd	(94)	(101)
Sunway Resort Hotel Sdn Bhd	(397)	(303)
Sunway Leisure Sdn Bhd	(12)	(14)
Sunway Lagoon Sdn Bhd	(716)	(84)
Sunway PFM Sdn Bhd	(152)	13
Kinta Sunway Resort Sdn Bhd	-	(4)
Deco Style Sdn Bhd	(12,208)	(205)
Sunway Putra Hotel Sdn Bhd	(59)	(86)
Sunway Spun Pile (M) Sdn Bhd	(1,658)	-
Sunway HR Shared Services Sdn Bhd (Formerly known as Sunway BPO Sdn Bhd)	(1,080)	-
United Star Engineering & Hardware Sdn Bhd	(630)	-
Sunway South Quay Sdn Bhd	(662)	-
Sunway Shared Services Sdn Bhd	(5,346)	(5,046)
<b>Related parties:</b>		
Sunway Real Estate Investment Trust *	(164)	(202)
Sunway Iskandar Sdn Bhd ^	(182)	-
Hitachi Sunway Information Systems Sdn Bhd +	(894)	-

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • 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 companies during the financial year: • cont'd

Group • cont'd	2016 RM'000	2015 RM'000
<b>Rental of office space from:</b>		
<b>Related party:</b>		
Sunway Real Estate Investment Trust *	(557)	(1,381)
<b>Related companies:</b>		
Sunway Lagoon Sdn Bhd	(202)	(143)
Sunway Management Sdn Bhd	-	(17)
Sunway Leisure Sdn Bhd	(96)	(43)
Sunway Paving Solutions Sdn.Bhd	(1,204)	(1,324)
Sunway Integrated Properties Sdn Bhd	(341)	(343)
Sunway Pyramid Development Sdn Bhd	(72)	(29)
Sunway Leasing Sdn Bhd	(1,640)	(1,640)
<b>Interest expense charged by:</b>		
<b>Related companies:</b>		
Sunway Treasury Sdn Bhd (Note 8)	(306)	(305)
Sunway Treasury Sukuk Sdn Bhd (Note 8)	(2,826)	-
<b>Management fees charged by:</b>		
<b>Intermediate holding company:</b>		
Sunway Berhad (Note 9)	(17,319)	(18,842)

**For the financial year ended 31 December 2016 • 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 companies during the financial year: • cont'd

Company	2016 RM'000	2015 RM'000
<b>Interest expense charged by:</b>		
<b>Subsidiary:</b>		
Sunway Construction Sdn Bhd (Note 8)	(39)	-
<b>Purchases of goods/services from:</b>		
<b>Related company:</b>		
Sunway Shared Services Sdn Bhd (Note 9)	(43)	(2)

® 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 is a joint venture of Sunway City Sdn Bhd.

+ Hitachi Sunway Information Systems Sdn Bhd is a company in which a Director has deemed substantial interests.

**(b) Remuneration of key management personnel**

Key management personnel are the 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 the Company.

The remuneration of the Executive Directors and other members of key management during the financial year are as follows:

	Group	
	2016 RM'000	2015 RM'000
Short-term employee benefits	12,799	9,935
Post-employment benefits:		
• Defined contribution plan	1,292	1,180
Employees' share option scheme	750	1,150
Estimated money value of benefits-in-kind	178	149
	15,019	12,414
<b>Included in the total key management personnel are:</b>		
Executive Directors' remuneration (Note 11)	2,078	4,263

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 41. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs

#### (a) New MFRSs adopted during the financial year

On 1 January 2016, the Group and the Company adopted the following amended MFRSs mandatory for the current financial year.

Description	Effective for annual periods beginning on or after
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs <i>Annual Improvements to 2012 - 2014 Cycle</i>	1 January 2016

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company, other than the adoption of Amendments to MFRS 101 *Disclosure Initiative*, which resulted in the following:

- (a) Grouping together supporting information for items presented in the income statements and statements of comprehensive income, statements of financial position, statements of changes in equity and statements of cash flows, in the order in which each statement and each line item is presented.
- (b) Disclosures of only significant accounting policies comprising the measurement bases used in preparing the financial statements and other accounting policies that are relevant to the financial statements.

For the financial year ended 31 December 2016 • cont'd

#### 41. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs • CONT'D

##### (b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2017 • cont'd

The Standards and Amendments that are issued but not yet effective up to the date of issuance the financial statements of the Group and of the Company are disclosed below. The Company intends to adopt these Standards and Amendments, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 – 2016 Cycle</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS 9 as issued by IASB in July 2014)</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications of MFRS 15	1 January 2018

## Notes to the Financial Statements • cont'd

For the financial year ended 31 December 2016 • cont'd

### 41. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs • CONT'D

(b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2017 • cont'd

Description	Effective for annual periods beginning on or after
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred

The Group is in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for the future financial years.

### 42. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

#### Companies Act 2016

The Companies Act, 2016 (New Act) was enacted to replace the Companies Act, 1965 and was passed by Parliament on 4 April 2016. The New Act was subsequently gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part III of the New Act, to be 31 January 2017.

Amongst the key changes introduced in the New Act, which will affect the financial statements of the Group and of the Company would include the removal of the authorised share capital, replacement of no par value shares in place of par or nominal value shares, and the treatment of share premium and capital redemption reserves.

The adoption of the New Act does not have any financial impact on the Group and the Company for the financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ending 31 December 2017.

For the financial year ended 31 December 2016 • cont'd

**43. SUPPLEMENTARY INFORMATION**

The breakdown of the retained earnings/(accumulated losses) of the Group and of the Company as at 31 December 2016 and 31 December 2015 into realised and unrealised profits is prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by Malaysian Institute of Accountants.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Total retained earnings/ (accumulated losses)</b>				
• realised	268,822	222,474	44,860	(2,026)
• unrealised	15,561	13,109	-	-
	284,383	235,583	44,860	(2,026)
Less: Consolidation adjustments	(27,361)	(18,041)	-	-
<b>TOTAL RETAINED EARNINGS/ (ACCUMULATED LOSSES)</b>	<b>257,022</b>	<b>217,542</b>	<b>44,860</b>	<b>(2,026)</b>



Pulling Out  
All The Stops

Every investment made is to obtain a successful return. A plier is a fundamental tool that gets a firm grip on a target, which is similar to how we make the right investments to deliver the best returns to our shareholders.

<b>SHAREHOLDINGS INFORMATION</b>	<b>254</b>
Directors' Interest in Shares and Options Over Ordinary Shares	256
Analysis of Shareholdings	257

# Directors' Interests in Shares and Options Over Ordinary Shares

## AS AT 20 MARCH 2017

### Directors' Interests In The Company

Sunway Construction Group Berhad

Ordinary shares		
	No.	%
<b>DIRECT INTEREST</b>		
Dato' Ir Goh Chye Koon	5,000	#
Chung Soo Kiong	200,046	0.02
Dato' Chew Chee Kin	334,355	0.03
Datuk Kwan Foh Kwai	725,216	0.06
Evan Cheah Yean Shin	13,435	#
<b>DEEMED INTEREST</b>		
Dato' Chew Chee Kin <sup>a</sup>	34,695	#
Datuk Kwan Foh Kwai <sup>b</sup>	246,685	0.02
Evan Cheah Yean Shin <sup>c</sup>	841,282,318	65.07

### Directors' Interests In Intermediate Holding Company

Sunway Berhad

Ordinary shares		
	No.	%
<b>DIRECT INTEREST</b>		
Dato' Ir Goh Chye Koon	50,000	#
Dato' Chew Chee Kin	5,409,729	0.27
Datuk Kwan Foh Kwai	1,030,465	0.05
Evan Cheah Yean Shin	556,946	0.03
<b>DEEMED INTEREST</b>		
Dato' Chew Chee Kin <sup>a</sup>	650,932	0.03
Datuk Kwan Foh Kwai <sup>a</sup>	466,854	0.02
Evan Cheah Yean Shin <sup>d</sup>	1,236,452,384	61.03

Options over ordinary shares		
	No. Granted	No. Vested
<b>DIRECT INTEREST</b>		
Dato' Chew Chee Kin	3,375,000	3,375,000
Chung Soo Kiong	795,000	795,000
Datuk Kwan Foh Kwai	600,000	600,000
Evan Cheah Yean Shin	1,200,000	1,200,000

### Directors' Interests In Penultimate Holding Company

Sungei Way Corporation Sdn Bhd

Ordinary shares		
	No.	%
<b>DEEMED INTEREST</b>		
Evan Cheah Yean Shin <sup>e</sup>	10,000,000	100.00

Non-cumulative redeemable preference shares		
	No.	%
<b>DEEMED INTEREST</b>		
Evan Cheah Yean Shin <sup>f</sup>	50,000,000	100.00

### Directors' Interests In Ultimate Holding Company

Active Equity Sdn Bhd

Ordinary shares		
	No.	%
<b>DIRECT INTEREST</b>		
Evan Cheah Yean Shin	12,750	10.00
<b>DEEMED INTEREST</b>		
Evan Cheah Yean Shin <sup>f</sup>	102,000	80.00

### NOTES

# Negligible

**a** Deemed interest by virtue of Section 8 of the Companies Act 2016 (Act) held through spouse.

**b** Deemed interest by virtue of Section 8 of the Act held through spouse and children.

**c** 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.

**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 by virtue of Section 8 of the Act held through parent.

### Directors' Interests In Related Corporation

Sunway Global Limited

Ordinary Shares of HK\$1.00 each		
	No.	%
<b>DEEMED INTEREST</b>		
Dato' Chew Chee Kin	869,684	0.31

## Analysis of Shareholdings

### AS AT 20 MARCH 2017

**Issued Share Capital**  
RM258,580,002 comprising  
1,292,900,010 ordinary shares

**Class of Shares**  
Ordinary shares

**Voting Rights**  
One vote per ordinary share

### DISTRIBUTION OF SHAREHOLDINGS



Size of Shareholdings	No. of shareholders	% of shareholders	No. of shares held	% of shareholdings
Less than 100	4,070	26.88	214,259	0.02
100 - 1,000	6,539	43.19	2,511,261	0.19
1,001 - 10,000	3,407	22.50	14,354,315	1.11
10,001 - 100,000	889	5.87	26,792,808	2.07
100,001 - 64,644,999 (Less than 5% of total number of issued shares)	234	1.55	609,994,758	47.18
64,645,000 (5%) and above of the total number of issued shares	2	0.01	639,032,609	49.43
	15,141	100.00	1,292,900,010	100.00

## Analysis of Shareholdings • cont'd

### THIRTY LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS

No.	Name of Shareholders	No. of shareholders	No. of shares %
1	Sunway Holdings Sdn Bhd	524,032,609	40.53
2	HSBC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Sunway Holdings Sdn Bhd	115,000,000	8.89
3	Cartaban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Sunway Holdings Sdn Bhd	64,500,000	4.99
4	Sungei Way Corporation Sendirian Berhad	55,520,000	4.29
5	Sungei Way Corporation Sendirian Berhad	50,205,817	3.88
6	True Paragon Sdn Bhd	35,000,000	2.71
7	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	32,037,643	2.48
8	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	18,908,200	1.46
9	Amanahraya Trustees Berhad - Amanah Saham Bumiputera	17,570,500	1.36
10	True Paragon Sdn Bhd	15,775,800	1.22
11	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (AMUNDI)	14,000,000	1.08
12	Amanahraya Trustees Berhad - Amanah Saham Malaysia	13,000,400	1.01
13	HSBC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Sungei Way Corporation Sendirian Berhad	13,000,000	1.01
14	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Sungei Way Corporation Sendirian Berhad	11,300,000	0.87
15	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for J. P. Morgan Bank Luxembourg S. A. (2)	9,227,359	0.71
16	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (LSF)	9,120,000	0.71
17	Amanahraya Trustees Berhad - AS 1 Malaysia	8,547,900	0.66
18	Amanahraya Trustees Berhad - Amanah Saham Nasional	7,819,300	0.60
19	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-Cap Fund	7,657,400	0.59
20	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 9)	7,649,696	0.59
21	Permodalan Nasional Berhad	7,586,400	0.59
22	Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling. AO	7,556,406	0.58
23	Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)	7,049,200	0.55
24	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (WEST CLT OD67)	6,922,076	0.54
25	Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Participating Fund	6,197,010	0.48
26	CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Commerce Trustee Berhad - Kenanga Growth Fund	6,147,200	0.48
27	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U. S. A.)	5,565,341	0.43
28	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (Par 2)	5,493,900	0.42
29	Maybank Nominees (Tempatan) Sdn Bhd - Etiqa Insurance Berhad (Life Non-PAR FD)	5,249,900	0.41
30	Amanahraya Trustees Berhad - Amanah Saham Bumiputera 2	5,000,000	0.39

## SUBSTANTIAL SHAREHOLDERS



Name of Shareholders	No. of shares	%
Sunway Berhad		
• Deemed Interest <sup>a</sup>	703,532,609	54.42
Sunway Holdings Sdn Bhd	703,532,609	54.42
Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO		
• Direct Interest	7,723,892	0.60
• Deemed Interest <sup>b</sup>	833,629,588	64.48
Puan Sri Datin Seri (Dr) Susan Cheah Seok Cheng		
• Deemed Interest <sup>c</sup>	841,353,480	65.07
Sarena Cheah Yean Tih		
• Direct Interest	57,727	*
• Deemed Interest <sup>d</sup>	841,282,416	65.07
Evan Cheah Yean Shin		
• Direct Interest	13,435	*
• Deemed Interest <sup>e</sup>	841,282,318	65.07
Sungei Way Corporation Sdn Bhd		
• Direct Interest	130,025,817	10.06
• Deemed Interest <sup>f</sup>	703,532,609	54.42
Active Equity Sdn Bhd		
• Deemed Interest <sup>g</sup>	833,558,426	64.47

### NOTE

- 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 by virtue of Section 8 of the Act 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.
- \* Negligible

# The Pillar of Everything We Do



People are the most important part of everything we create. The Annual General Meeting unites all shareholders in one location to create growth.

<b>ANNUAL GENERAL MEETING</b>	<b>260</b>
Notice of 3 <sup>rd</sup> Annual General Meeting	262
- Proxy Form	
Corporate Directory	269

## Notice of 3<sup>rd</sup> Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the 3<sup>rd</sup> Annual General Meeting of SUNWAY CONSTRUCTION GROUP BERHAD (1108506-W) will be held at Grand Bahamas, Level 12, Sunway Resort Hotel & Spa, Persiaran Lagoon, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan on Thursday, 15 June 2017 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS	
1	To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon. <i>(Please refer to Explanatory Note 1)</i>
2	To approve the payment of fees to Non-Executive Directors amounting to RM657,421.91 for the financial year ended 31 December 2016. <span style="float: right;">Ordinary Resolution 1</span>
3	To re-elect the following Directors:-
3.1	Dato' Ir Goh Chye Koon who retires by rotation pursuant to Article 107 of the Company's Articles of Association and being eligible, offers himself for re-election. <span style="float: right;">Ordinary Resolution 2</span>
3.2	Dato' Siow Kim Lun who retires by rotation pursuant to Article 107 of the Company's Articles of Association and being eligible, offers himself for re-election. <span style="float: right;">Ordinary Resolution 3</span>
3.3	Dato' Dr Ir Johari Bin Basri who retires by rotation pursuant to Article 107 of the Company's Articles of Association and being eligible, offers himself for re-election. <span style="float: right;">Ordinary Resolution 4</span>
3.4	Tan Sri Datuk Dr Rebecca Fatima Sta Maria who retires pursuant to Article 90 of the Company's Articles of Association and being eligible, offers herself for re-election. <span style="float: right;">Ordinary Resolution 5</span>
4	To re-appoint Dato' Chew Chee Kin as Director of the Company. <span style="float: right;">Ordinary Resolution 6</span>
5	To re-appoint Messrs BDO as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. <span style="float: right;">Ordinary Resolution 7</span>
AS SPECIAL BUSINESS	
To consider and if thought fit, to pass the following Resolutions:	
6	<p><b>ORDINARY RESOLUTION:</b>  <b>Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016</b></p> <p>"THAT subject always to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company's Articles of Association and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016 to issue and allot new shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person(s) whomsoever as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."</p> <span style="float: right;">Ordinary Resolution 8</span>

7 **ORDINARY RESOLUTION:**  
**Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

"THAT approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions from time to time, which are necessary for the day-to-day operations as set out in Section 2D of the Circular to Shareholders dated 28 April 2017 which are of a revenue or trading nature and carried out in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company, subject to the compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Companies Act 2016 (the Act), the Company's Memorandum and Articles of Association and all other applicable laws, guidelines, rules and regulations.

THAT such authority shall commence upon the passing of this resolution and shall continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting (AGM) of the Company at which time the mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed; or
  - (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting,
- whichever is the earlier.

THAT authority be and is hereby given to the Directors of the Company to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

Ordinary Resolution 9

8 **ORDINARY RESOLUTION:**  
**Proposed Renewal of Share Buy-Back Authority**

"THAT subject to the Companies Act 2016 (the Act), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) and any other relevant authorities, the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company PROVIDED THAT:-

- (a) the aggregate number of ordinary shares in the Company (SunCon Shares) which may be purchased and/or held by the Company shall not exceed 10% of the total number of issued shares in the ordinary share capital of the Company at any point of time, subject to a restriction that the share capital of the Company does not fall below the applicable minimum share capital requirements of the Main Market Listing Requirements of Bursa Securities;
- (b) the maximum funds to be allocated by the Company for the purpose of purchasing the SunCon Shares shall not exceed the Company's audited retained profits at any point of time;

## Notice of 3<sup>rd</sup> Annual General Meeting • cont'd

### AS SPECIAL BUSINESS • CONT'D

#### 8 ORDINARY RESOLUTION:

##### Proposed Renewal of Share Buy-Back Authority (cont'd)

(c) the authority conferred by this resolution will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:-

- (i) the conclusion of the next Annual General Meeting (AGM) at which time it shall lapse unless by an Ordinary Resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (iii) revoked or varied by Ordinary Resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first; and

(d) upon completion of the purchase(s) of the SunCon Shares by the Company, the Directors of the Company be and are hereby authorised to cancel the SunCon Shares so purchased or to retain the SunCon Shares so purchased as treasury shares (of which may be dealt with in accordance with Section 127(7) of the Act), or to retain part of the SunCon Shares so purchased as treasury shares and cancel the remainder and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act, the Main Market Listing Requirements of Bursa Securities and any other relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise or to effect the purchase(s) of the SunCon Shares with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities and to do all such acts and things (including executing all documents) as the Directors may deem fit and expedient in the best interest of the Company.”

Ordinary Resolution 10

#### By Order of the Board

**TAN KIM AUN (MAICSA 7002988)**

**SOH KE YI (MAICSA 7060456)**

Company Secretaries

Bandar Sunway

28 April 2017

#### NOTES:

1. A member of the Company who is entitled to attend and vote at a general meeting of the Company, or at a meeting of any class of members, may appoint more than 1 proxy to attend and vote instead of the member at the meeting. A proxy need not be a member.
2. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. Where a member appoints more than 1 proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
5. If a member has appointed a proxy to attend a meeting and subsequently he attends such meeting in person, the appointment of such proxy shall be null and void, and his proxy shall not be entitled to attend the said meeting.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if such appointer is a corporation, either under its common seal or the hand of its officer or attorney duly authorised.
7. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof, either by hand, post, electronic mail or fax to (603) 5639 9507. In the case where the member is a corporation and the proxy form is delivered by fax or electronic mail, the original proxy form shall also be deposited at the Registered Office, either by hand or post not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof.
8. In respect of deposited securities, only members whose names appear in the Record of Depositors on 8 June 2017, shall be entitled to attend, speak and vote at the general meeting.

## EXPLANATORY NOTES ON:

### Ordinary Business

#### 1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon

The Audited Financial Statements are for discussion only as they do not require shareholders' approval pursuant to the provision of Section 340(1) of the Companies Act 2016. As such, this agenda will not be put for voting.

#### 2. Ordinary Resolution 6 - To re-appoint Dato' Chew Chee Kin as Director of the Company

The Companies Act 2016 which came into force on 31 January 2017 does not have a provision on the maximum age limit of 70 years for director. At the previous Annual General Meeting, Dato' Chew who is over the age of 70 years, has been re-appointed as Director to hold office until the conclusion of the next Annual General Meeting. In view of that, his tenure will expire at this Annual General Meeting. Dato' Chew, being eligible, has offered himself for re-appointment.

The Nomination Committee has assessed the performance of Dato' Chew and recommended him for re-appointment as Director of the Company due to his vast experience and contribution to the Company. His profile is enclosed in page 33 of this Annual Report. The Board has endorsed the Nomination Committee's recommendation subject to the shareholders' approval at this Annual General Meeting.

### Special Business

#### 3. Ordinary Resolution 8 - Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016

The Company is always on the look out for investment opportunities to enhance the earnings potential of the Company. If any investment opportunities involve the issue of new shares, the Directors, under present circumstances, would have to convene a general meeting to approve the issue of new shares even though the number involved may be less than 10% of the total number of issued shares of the Company.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be empowered to issue new shares in the Company, up to an amount not exceeding in total 10% of the total number of issued shares of the Company at any time, for such purpose. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

The renewal of this mandate will provide flexibility to the Company for any potential fund raising activities, including

but not limited to placement of shares, for purpose of funding future investments, working capital and/or any acquisition.

At this juncture, there is no decision to issue new shares. Should there be a decision to issue new shares after the authorisation is sought, the Company will make an announcement of the actual purpose and utilisation of proceeds arising from such issuance of shares.

The Company did not issue any new shares under the general mandate which was approved at its 2<sup>nd</sup> Annual General Meeting held on 9 June 2016.

#### 4. Ordinary Resolution 9 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The details of the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature are set out in the Circular to Shareholders dated 28 April 2017.

#### 5. Ordinary Resolution 10 - Proposed Renewal of Share Buy-Back Authority

The details of the proposed renewal of Share Buy-Back authority by the Company are set out in the Circular to Shareholders dated 28 April 2017.

## PERSONAL DATA NOTICE

The Personal Data Protection Act 2010 (Act), which regulates the processing of personal data in commercial transactions, applies to Sunway Management Sdn Bhd, the share registrar of Sunway Construction Group Berhad.

The personal data processed by Sunway Management Sdn Bhd may include your name, contact details, mailing address and any other personal data derived from any documentation.

Sunway Management Sdn Bhd may use or disclose your personal data to any person engaged for the purposes of issuing the above notice of meeting and convening the meeting.

Subject to the requirement under the Act, if you would like to make any enquiries on your personal data, please contact us at:

#### Sunway Management Sdn Bhd

Level 16, Menara Sunway  
Jalan Lagoon Timur, Bandar Sunway  
47500 Subang Jaya  
Selangor Darul Ehsan

T (603) 5639 8889

F (603) 5639 9507

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# Proxy Form

3<sup>rd</sup> Annual General Meeting



**SUNWAY CONSTRUCTION GROUP BERHAD**

(1108506-W)

(Incorporated in Malaysia)

Registered Office:

Level 16, Menara Sunway, Jalan Lagoon Timur

Bandar Sunway, 47500 Subang Jaya

Selangor Darul Ehsan, Malaysia

T (603) 5639 8889 / 5639 8840 F (603) 5639 9507

Number of share(s) held	
CDS Account No.	

\*I/We (Full Name) \_\_\_\_\_ \*NRIC No./Passport No./Company No. \_\_\_\_\_

Tel./Mobile No. \_\_\_\_\_ of \_\_\_\_\_

being a member of SUNWAY CONSTRUCTION GROUP BERHAD and entitled to vote hereby appoint: **1<sup>ST</sup> PROXY 'A'**

Full Name	Tel./Mobile No.	Proportion of shareholdings represented	
		No. of Shares	%
Address	NRIC No./Passport No.		

and/or failing \*him/her, **2<sup>ND</sup> PROXY 'B'**

Full Name	Tel./Mobile No.	Proportion of shareholdings represented	
		No. of Shares	%
Address	NRIC No./Passport No.		

**100%**

or failing \*him/her, the Chairman of the Meeting as \*my/our proxy to attend and vote for \*me/us on \*my/our behalf at the 3<sup>rd</sup> Annual General Meeting of the Company to be held at Grand Bahamas, Level 12, Sunway Resort Hotel & Spa, Persiaran Lagoon, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan on Thursday, 15 June 2017 at 3.00 p.m. and at any adjournment thereof.

\* Strike out whichever not applicable

My/our proxy/proxies shall vote as follows:

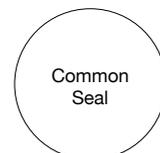
Please indicate with an "X" in the space below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting on the resolutions at his/their discretion.

NO.	ORDINARY RESOLUTIONS	1 <sup>ST</sup> PROXY 'A'		2 <sup>ND</sup> PROXY 'B'	
		FOR	AGAINST	FOR	AGAINST
1.	To approve the payment of fees to Non-Executive Directors				
2.	To re-elect Dato' Ir Goh Chye Koon as Director				
3.	To re-elect Dato' Siow Kim Lun as Director				
4.	To re-elect Dato' Dr Ir Johari Bin Basri as Director				
5.	To re-elect Tan Sri Datuk Dr Rebecca Fatima Sta Maria as Director				
6.	To re-appoint Dato' Chew Chee Kin as Director				
7.	To re-appoint Messrs BDO as Auditors of the Company and authorise the Directors to fix their remuneration				
8.	To authorise the issue of shares pursuant to Sections 75 and 76 of the Companies Act 2016				
9.	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature				
10.	To approve the Proposed Renewal of Share Buy-Back Authority				

Dated this \_\_\_\_\_

Signature of Member

\_\_\_\_\_ day of \_\_\_\_\_ 2017



**NOTES:**

1. A member of the Company who is entitled to attend and vote at a general meeting of the Company, or at a meeting of any class of members, may appoint more than 1 proxy to attend and vote instead of the member at the meeting. A proxy need not be a member.
2. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. Where a member appoints more than 1 proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
5. If a member has appointed a proxy to attend a meeting and subsequently he attends such meeting in person, the appointment of such proxy shall be null and void, and his proxy shall not be entitled to attend the said meeting.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if such appointer is a corporation, either under its common seal or the hand of its officer or attorney duly authorised.
7. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof, either by hand, post, electronic mail or fax to (603) 5639 9507. In the case where the member is a corporation and the proxy form is delivered by fax or electronic mail, the original proxy form shall also be deposited at the Registered Office, either by hand or post not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof.
8. In respect of deposited securities, only members whose names appear in the Record of Depositors on 8 June 2017, shall be entitled to attend, speak and vote at the general meeting.
9. Please refer to the Company's Personal Data Notice in page 265 of the Annual Report in relation to Personal Data Privacy.

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Stamp

**THE SHARE REGISTRAR**  
**SUNWAY CONSTRUCTION GROUP BERHAD (1108506-W)**  
LEVEL 16, MENARA SUNWAY  
JALAN LAGOON TIMUR  
BANDAR SUNWAY  
47500 SUBANG JAYA  
SELANGOR DARUL EHSAN  
MALAYSIA

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## Corporate Directory

### SUNWAY CONSTRUCTION GROUP BERHAD (1108506-W)

#### Sunway Construction Sdn Bhd (27175-V)

##### Head Office

Level 8, Menara Sunway  
Jalan Lagoon Timur, Bandar Sunway  
47500 Subang Jaya, Selangor Darul Ehsan.  
T (603) 5639 9696  
F (603) 5639 9601  
W sunwayconstruction.com.my

##### Johor Office

Plot F43, Lot PTD 183276  
Medini Zone F, Mukim Pulau  
81200 Johor, Johor Darul Takzim.  
T (607) 5098 800  
F (607) 5097 211

### FOUNDATION AND GEOTECHNICAL ENGINEERING SERVICES

#### Sunway Geotechnics (M) Sdn Bhd (414014-W)

Level 7, Menara Sunway  
Jalan Lagoon Timur, Bandar Sunway  
47500 Subang Jaya, Selangor Darul Ehsan.  
T (603) 5639 9696  
F (603) 5639 9533

### MECHANICAL, ELECTRICAL & PLUMBING SERVICES

#### Sunway Engineering Sdn Bhd (341887-W)

Level 9, Menara Sunway  
Jalan Lagoon Timur, Bandar Sunway  
47500 Subang Jaya, Selangor Darul Ehsan.  
T (603) 5639 9696  
F (603) 5639 9531

### MANUFACTURING AND SALE OF PRECAST CONCRETE PRODUCTS

#### Sunway Precast Industries Sdn Bhd (231775-X)

##### Senai, Johor

18, Jalan Idaman 1/1  
Taman Perindustrian Senai  
81400 Senai, Johor Darul Takzim.  
T (607) 5955 222  
F (607) 5951 246

#### Sunway Concrete Products (M) Sdn Bhd (1210329-A)

##### Iskandar, Johor

Plot F5, Lot PTD 200685, Medini Zone F  
Mukim Pulau, Daerah Johor Bahru  
81200 Johor Darul Takzim.

#### Sunway Concrete Products (S) Pte Ltd (199409213Z)

##### Singapore

Blk 65, Ubi Road 1#01-62  
Oxley Bizhub Singapore, 408729  
Singapore.  
T (602) 6582 8089  
F (602) 6581 0482

### MACHINERY & LOGISTICS

#### Sunway Machinery Sdn Bhd (389253-P)

Lot 656, Jalan Subang 1, Off Persiaran Subang  
47600 Subang Jaya, Petaling Jaya  
Selangor Darul Ehsan.  
T (603) 5633 6499  
F (603) 5631 2387

### FACADE SOLUTION

#### Sunway Facade Network Sdn Bhd (1153847-X)

1F09, Pusat Perdagangan IOI  
No.1, Persiaran Puchong Jaya Selatan  
Bandar Puchong Jaya, 47100 Puchong,  
Selangor Darul Ehsan.  
T (603) 8062 9792  
F (603) 8062 9762

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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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