

SUNWAY[®]

CONSTRUCTION

SUNWAY CONSTRUCTION GROUP BERHAD

INTERIM FINANCIAL REPORT

FIRST QUARTER ENDED 31ST MARCH 2017



SUNWAY CONSTRUCTION GROUP BERHAD

(Company No. 1108506-W)
(Incorporated in Malaysia)

Level 8, Menara Sunway
Jalan Lagoon Timur
Bandar Sunway
47500 Subang Jaya
Selangor Darul Ehsan
Malaysia

Tel. No.: (603) 5639 9696
Fax. No.: (603) 5639 9601
Email: irsuncongroup@sunway.com.my
Website: www.sunwayconstruction.com.my



CONTENT

| | | |
|--|-------|---------------|
| Unaudited Condensed Consolidated Income Statements | | 1 |
| Unaudited Condensed Consolidated Statements of Comprehensive Income | | 2 |
| Unaudited Condensed Consolidated Statements of Financial Position | | 3 |
| Unaudited Condensed Consolidated Statements of Changes in Equity | | 4 |
| Unaudited Condensed Consolidated Statements of Cash Flows | | 5 |
| Notes to Financial Statements | | 6 - 14 |

SUNWAY CONSTRUCTION GROUP BERHAD (Company No : 1108506-W)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017
 THE FIGURES HAVE NOT BEEN AUDITED

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

| | NOTE | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|------------|---------------------------------------|--|---------------------------------------|---|
| | | CURRENT YEAR QUARTER 31/03/2017 | PRECEDING YEAR CORRESPONDING QUARTER 31/03/2016 | CURRENT YEAR TO DATE 31/03/2017 | PRECEDING YEAR CORRESPONDING PERIOD 31/03/2016 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| REVENUE | | 419,531 | 424,351 | 419,531 | 424,351 |
| OPERATING EXPENSES | | (380,096) | (399,205) | (380,096) | (399,205) |
| OTHER OPERATING INCOME | | 2,615 | 10,240 | 2,615 | 10,240 |
| PROFIT FROM OPERATIONS | | 42,050 | 35,386 | 42,050 | 35,386 |
| FINANCE INCOME AND OTHER DISTRIBUTION INCOME | | 3,190 | 2,848 | 3,190 | 2,848 |
| FINANCE COSTS | | (1,076) | (713) | (1,076) | (713) |
| PROFIT BEFORE TAX | B6 | 44,164 | 37,521 | 44,164 | 37,521 |
| INCOME TAX EXPENSE | B5 | (9,518) | (8,466) | (9,518) | (8,466) |
| PROFIT FOR THE PERIOD | | 34,646 | 29,055 | 34,646 | 29,055 |
| ATTRIBUTABLE TO: | | | | | |
| - OWNERS OF THE PARENT | | 34,659 | 29,055 | 34,659 | 29,055 |
| - NON-CONTROLLING INTERESTS | | (13) | - | (13) | - |
| | | 34,646 | 29,055 | 34,646 | 29,055 |
| EARNINGS PER SHARE | | | | | |
| (i) BASIC (sen) | B10 | 2.68 | 2.25 | 2.68 | 2.25 |
| (ii) DILUTED (sen) | | 2.68 | 2.25 | 2.68 | 2.25 |

(The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.)

SUNWAY CONSTRUCTION GROUP BERHAD (Company No : 1108506-W)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017
 THE FIGURES HAVE NOT BEEN AUDITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2017

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|--|--|--|---|
| | CURRENT YEAR QUARTER 31/03/2017 | PRECEDING YEAR CORRESPONDING QUARTER 31/03/2016 | CURRENT YEAR TO DATE 31/03/2017 | PRECEDING YEAR CORRESPONDING PERIOD 31/03/2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| PROFIT FOR THE PERIOD | 34,646 | 29,055 | 34,646 | 29,055 |
| OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT AND LOSS IN SUBSEQUENT PERIODS | | | | |
| FOREIGN CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN OPERATION | 5,209 | (17) | 5,209 | (17) |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | <u>5,209</u> | <u>(17)</u> | <u>5,209</u> | <u>(17)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | <u>39,855</u> | <u>29,038</u> | <u>39,855</u> | <u>29,038</u> |
| ATTRIBUTABLE TO: | | | | |
| - OWNERS OF THE PARENT | 40,058 | 29,038 | 39,868 | 29,038 |
| - NON-CONTROLLING INTERESTS | (203) | - | (13) | - |
| | <u>39,855</u> | <u>29,038</u> | <u>39,855</u> | <u>29,038</u> |

(The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.)

SUNWAY CONSTRUCTION GROUP BERHAD (Company No : 1108506-W)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017
 THE FIGURES HAVE NOT BEEN AUDITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2017

| | AS AT END OF CURRENT QUARTER 31/03/2017 RM'000 (UNAUDITED) | AS AT FINANCIAL YEAR ENDED 31/12/2016 RM'000 (AUDITED) |
|---|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment, and software | 138,017 | 140,688 |
| Other investments | 273 | 273 |
| Goodwill | 3,647 | 3,647 |
| Deferred tax assets | 6,875 | 10,502 |
| | <u>148,812</u> | <u>155,110</u> |
| Current assets | | |
| Inventories | 18,626 | 23,950 |
| Receivables, deposits and prepayments | 777,791 | 938,389 |
| Tax recoverable | 15,561 | 12,737 |
| Cash and bank balances | 373,418 | 465,768 |
| Derivative assets | - | 1,341 |
| | <u>1,185,396</u> | <u>1,442,185</u> |
| TOTAL ASSETS | <u>1,334,208</u> | <u>1,597,295</u> |
| EQUITY AND LIABILITIES | | |
| Current liabilities | | |
| Payables, accruals and other current liabilities | 696,705 | 954,972 |
| Borrowings | B7 93,516 | 136,515 |
| Tax payable | 8,541 | 11,418 |
| | <u>798,762</u> | <u>1,102,905</u> |
| Non-current liabilities | | |
| Deferred taxation liabilities | 1,809 | 608 |
| | <u>1,809</u> | <u>608</u> |
| Total liabilities | <u>800,571</u> | <u>1,103,513</u> |
| Equity attributable to Owners of the Parent | | |
| Share capital | 258,580 | 258,580 |
| Negative merger reserve | (37,894) | (37,894) |
| Retained profits | 291,681 | 257,022 |
| Other reserves | 20,530 | 15,321 |
| | <u>532,897</u> | <u>493,029</u> |
| NON-CONTROLLING INTERESTS | 740 | 753 |
| Total equity | <u>533,637</u> | <u>493,782</u> |
| TOTAL EQUITY AND LIABILITIES | <u>1,334,208</u> | <u>1,597,295</u> |
| Net Assets Per Share Attributable To Owners Of The Parent (RM) | 0.41 | 0.38 |

(The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.)

SUNWAY CONSTRUCTION GROUP BERHAD (Company No : 1108506-W)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017
 THE FIGURES HAVE NOT BEEN AUDITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2017

| | ATTRIBUTABLE TO OWNERS OF THE PARENT | | | | | DISTRIBUTABLE | | | |
|-----------------------------------|--------------------------------------|-------------------------|----------------------|---|--------------------------|------------------|---------|---------------------------|--------------|
| | NON-DISTRIBUTABLE | | | CAPITAL CONTRIBUTION BY IMMEDIATE HOLDING COMPANY | | RETAINED PROFITS | TOTAL | NON-CONTROLLING INTERESTS | TOTAL EQUITY |
| | SHARE CAPITAL | NEGATIVE MERGER RESERVE | OTHER RESERVES TOTAL | BY IMMEDIATE HOLDING COMPANY | FOREIGN EXCHANGE RESERVE | | | | |
| RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| PERIOD ENDED 31 MARCH 2017 | | | | | | | | | |
| At 1 January 2017 | 258,580 | (37,894) | 15,321 | 670 | 14,651 | 257,022 | 493,029 | 753 | 493,782 |
| Profit for the year | - | - | - | - | - | 34,659 | 34,659 | (13) | 34,646 |
| Other comprehensive income | - | - | 5,209 | - | 5,209 | - | 5,209 | - | 5,209 |
| Total comprehensive income | - | - | 5,209 | - | 5,209 | 34,659 | 39,868 | (13) | 39,855 |
| At 31 March 2017 | 258,580 | (37,894) | 20,530 | 670 | 19,860 | 291,681 | 532,897 | 740 | 533,637 |
| PERIOD ENDED 31 MARCH 2016 | | | | | | | | | |
| At 1 January 2016 | 258,580 | (37,894) | 12,816 | 670 | 12,146 | 217,542 | 451,044 | 634 | 451,678 |
| Profit for the year | - | - | - | - | - | 29,055 | 29,055 | - | 29,055 |
| Other comprehensive income | - | - | (17) | - | (17) | - | (17) | - | (17) |
| Total comprehensive income | - | - | (17) | - | (17) | 29,055 | 29,038 | - | 29,038 |
| At 31 March 2016 | 258,580 | (37,894) | 12,799 | 670 | 12,129 | 246,597 | 480,082 | 634 | 480,716 |

(The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.)

SUNWAY CONSTRUCTION GROUP BERHAD (Company No : 1108506-W)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017
THE FIGURES HAVE NOT BEEN AUDITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2017

| | FOR THE 3 MONTHS PERIOD ENDED 31/03/2017 RM'000 | FOR THE 3 MONTHS PERIOD ENDED 31/03/2016 RM'000 |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 44,164 | 37,521 |
| Adjustments for: | | |
| - non-cash items | 12,231 | 3,569 |
| - finance costs | 1,076 | 713 |
| - finance income and other distribution income | (3,190) | (2,848) |
| Operating cash flows before working capital changes | 54,281 | 38,955 |
| Changes in working capital | (59,607) | (63,466) |
| Cash flow used in operations | (5,326) | (24,511) |
| Interest and other distribution income received | 3,190 | 2,848 |
| Interest paid | (1,076) | (713) |
| Tax refunded | 99 | - |
| Tax paid | (10,490) | (6,214) |
| Net cash used in operating activities | (13,603) | (28,590) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of property, plant and equipment, and software | 190 | 55 |
| Acquisition of property, plant and equipment, and software | (6,777) | (3,418) |
| Advances from related companies | (34,677) | (2,022) |
| Net cash flow from placement in funds | (7) | (7,131) |
| Net cash used in investing activities | (41,271) | (12,516) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net bank and other borrowings | (42,999) | (106,583) |
| Net cash used in financing activities | (42,999) | (106,583) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (97,873) | (147,689) |
| EFFECTS OF EXCHANGE RATE CHANGES | 5,516 | 258 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD | 465,333 | 389,672 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD | 372,976 | 242,241 |
| Cash and cash equivalents at end of financial period comprise the following : | | |
| Deposits with licensed banks and other financial institutions | 259,169 | 197,441 |
| Placement in funds | - | 85,000 |
| Cash and bank balances | 114,249 | 45,736 |
| Cash and bank balances, and placement in funds | 373,418 | 328,177 |
| Less: Deposits with other financial institutions with maturity of over 3 months | (442) | (936) |
| Less: Placement in funds | - | (85,000) |
| Cash and cash equivalents | 372,976 | 242,241 |

(The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.)

NOTES TO FINANCIAL STATEMENTS

A1 Accounting Policies and Basis of Preparation

The interim financial report is unaudited and is prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2016.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2016 except for the adoption of the following new MFRSs, amendments to MFRSs and IC Interpretations that are effective for financial statements effective from 1 January 2017, as disclosed below:

| | |
|------------------------|--|
| Amendments to MFRS 12 | Annual Improvements to MFRS Standards 2014 – 2016 Cycle |
| Amendments to MFRS 107 | Disclosure Initiative |
| Amendments to MFRS 112 | Recognition of Deferred Tax Assets for Unrealised Losses |

A2 Report of the Auditors

The report of the auditors of preceding audited financial statements was not subject to any qualification.

A3 Seasonal or Cyclical Factors

The results for the current quarter under review were not materially affected by seasonal or cyclical factors.

A4 Unusual Items

There were no material unusual items affecting the amounts reported for the current quarter ended 31 March 2017 except for those disclosed in Note B6.

A5 Changes in Estimates

There were no changes in estimates that have a material effect on the amounts reported for the current quarter ended 31 March 2017.

A6 Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities in the current quarter ended 31 March 2017 except for those disclosed in Note B7.

A7 **Dividend paid**

On 23 February 2017, the Board of Directors declared a second interim single-tier dividend of 2.5 cents per ordinary shares for the financial year ended 31 December 2016. The total dividend payable amount to 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 interim dividend was paid on 20 April 2017.

A8 **Segmental Reporting**

Segmental results for the financial period ended 31 March 2017 are as follows:

| | Construction RM'000 | Precast Concrete RM'000 | Consolidated RM'000 |
|--|------------------------|-------------------------------|------------------------|
| <u>BY BUSINESS SEGMENTS</u> | | | |
| REVENUE AND EXPENSES | | | |
| Total revenue | 440,135 | 90,886 | 531,021 |
| Inter-segment revenue | (89,389) | (22,101) | (111,490) |
| External revenue | 350,746 | 68,785 | 419,531 |
| Results | | | |
| Operating segment results | 26,266 | 15,784 | 42,050 |
| Finance income and other distribution income | 3,184 | 6 | 3,190 |
| Finance costs | (1,076) | - | (1,076) |
| Profit before tax | 28,374 | 15,790 | 44,164 |
| Income tax expense | (6,819) | (2,699) | (9,518) |
| Profit after tax | 21,555 | 13,091 | 34,646 |
| Non controlling interests | 13 | - | 13 |
| Attributable to owners of the parent | 21,568 | 13,091 | 34,659 |

| | Revenue RM'000 | Profit before tax RM'000 | Profit after tax RM'000 | Attributable to owners of the parent RM'000 |
|--|-------------------|--------------------------------|-------------------------------|--|
| <u>BY GEOGRAPHICAL SEGMENTS</u> | | | | |
| Malaysia | 350,746 | 32,179 | 24,211 | 24,224 |
| Singapore | 68,785 | 9,059 | 7,509 | 7,509 |
| India | - | 3,007 | 3,007 | 3,007 |
| United Arab Emirates | - | (81) | (81) | (81) |
| | 419,531 | 44,164 | 34,646 | 34,659 |

A9 Material events

There were no material events subsequent to the current quarter ended 31 March 2017.

A10 Contingent Liabilities and Assets

There was no change in contingent liabilities since the last financial statements for the financial year ended 31 December 2016 to 31 March 2017, except for the following:

| | As at 31 March 2017 RM'000 (Unaudited) | As at 31 December 2016 RM'000 (Audited) |
|---|--|---|
| Guarantees given to third parties in respect of contracts and trade performance | 362,612 | 364,697 |
| Guarantees given to related companies in respect of contracts and trade performance | 38,727 | 38,532 |
| | <u>401,339</u> | <u>403,229</u> |

The Group does not have any material contingent assets to be disclosed as at 31 March 2017.

A11 Commitments

(a) Capital commitment not provided for in the financial year as at 31 March 2017 and 31 December 2016 is as follows:

| | As at 31 March 2017 RM'000 (Unaudited) | As at 31 December 2016 RM'000 (Audited) |
|---------------------------------|--|---|
| Approved and contracted for | 9,898 | 13,825 |
| Approved but not contracted for | 4,238 | - |
| | <u>14,136</u> | <u>13,825</u> |

(b) Operating lease commitment not provided for in the financial year as at 31 March 2017 and 31 December 2016 is as follows:

| | As at 31 March 2017 RM'000 (Unaudited) | As at 31 December 2016 RM'000 (Audited) |
|--|--|---|
| Future minimum lease payment: | | |
| - not later than 1 year | 4,805 | 4,494 |
| - later than 1 year and not later than 5 years | 1,716 | 1,430 |
| | <u>6,521</u> | <u>5,924</u> |

B1 Review of Performance

For the quarter

| <u>Total Group</u> | <u>Q1 2017</u> | <u>Q1 2016</u> |
|--------------------|----------------|----------------|
| Revenue | 419.5 | 424.3 |
| PBT | 44.2 | 37.5 |
| PBT Margin | 10.5% | 8.8% |

The Group recorded revenue of RM419.5 million and profit before tax of RM44.2 million for the current quarter ended 31 March 2017, compared to revenue of RM424.3 million and profit before tax of RM37.5 million in the corresponding quarter of the preceding financial year.

| <u>Construction Segment</u> | <u>Q1 2017</u> | <u>Q1 2016</u> |
|-----------------------------|----------------|----------------|
| Revenue | 350.7 | 373.8 |
| PBT | 28.4 | 26.0 |
| PBT Margin | 8.1% | 7.0% |

The construction segment reported revenue of RM350.7 million and profit before tax of RM28.4 million compared to revenue of RM373.8 million and profit before tax of RM26.0 million in the corresponding quarter of the preceding financial year. The lower revenue in the current quarter by 6.2% was due to lower contribution from Building division which was affected by completing jobs and also slower progress of new project due to design finalisation. In addition, our Geotechnical division saw a decline as new order obtained recently will only produce result in the remaining quarters of financial year ending 2017. Construction's profit margin improved from 7.0% to 8.1%. The improvement in margin was due to recognition of higher margin for a project that has recently completed under Civil division and receipt of an award sum from one of our arbitration cases in India.

| <u>Precast Segment</u> | <u>Q1 2017</u> | <u>Q1 2016</u> |
|------------------------|----------------|----------------|
| Revenue | 68.8 | 50.5 |
| PBT | 15.8 | 11.5 |
| PBT Margin | 23.0% | 22.8% |

The precast segment reported revenue of RM68.8 million and profit before tax of RM15.8 million compared to revenue of RM50.5 million and profit before tax of RM11.5 million in the corresponding quarter of the preceding financial year. The higher revenue in the current quarter by 36.3% was mainly from higher sales price for certain precast component. Profit margins for the two quarters under comparison remained relatively the same.

B2 Material Changes in the Quarterly Results

| <u>Total Group</u> | <u>Q1 2017</u> | <u>Q4 2016</u> |
|--------------------|----------------|----------------|
| Revenue | 419.5 | 553.1 |
| PBT | 44.2 | 37.6 |
| PBT Margin | 10.5% | 6.8% |

The Group recorded revenue of RM419.5 million and profit before tax of RM44.2 million for the current quarter ended 31 March 2017, compared to revenue of RM553.1 million and profit before tax of RM37.6 million in the immediate preceding quarter.

B2 Material Changes in the Quarterly Results (Contd.)

| <u>Construction Segment</u> | <u>Q1 2017</u> | <u>Q4 2016</u> |
|-----------------------------|----------------|----------------|
| Revenue | 350.7 | 466.5 |
| PBT | 28.4 | 20.3 |
| PBT Margin | 8.1% | 4.4% |

The construction segment reported revenue of RM350.7 million and profit before tax of RM28.4 million compared to revenue of RM466.5 million and profit before tax of RM20.3 million in the immediate preceding quarter. There was a drop in turnover of 24.8%. The higher revenue recorded in immediate preceding quarter was mainly due to building division as there was recognition for a variation order for work done earlier for a project and projects that are completing or have completed contributing to that quarter's turnover. In addition, under the Geotechnical division, jobs at hand are nearing completion and new jobs will only contribute in the following quarter's turnover.

The current quarter's profit before tax margin was much higher at 8.1% compared to immediate preceding quarter of 4.4%. The improved margin was due to recognition of higher margin for a project that has recently completed under Civil division and receipt of an award from one of our arbitration cases in India.

| <u>Precast Segment</u> | <u>Q1 2017</u> | <u>Q4 2016</u> |
|------------------------|----------------|----------------|
| Revenue | 68.8 | 86.6 |
| PBT | 15.8 | 17.3 |
| PBT Margin | 23.0% | 20.0% |

The precast segment reported revenue of RM68.8 million and profit before tax of RM15.8 million compared to revenue of RM86.6 million and profit before tax of RM17.3 million in the immediate preceding quarter. Revenue for the current quarter decreased by 20.6% compared to immediate preceding quarter due to lower production volume as there was a slowdown of progress at site by main contractors. Profit margins for the two quarters under comparison remained relatively the same.

B3 Prospects

The Group's outstanding order book amounts to RM4.6 billion with RM0.9 billion new order book secured up to-date.

Coupled with a good start in beginning of the year with strong flow of new work order and future steady flow of jobs from the infrastructure domain spurred by Government spending in the likes of LRT3 that is expected to be awarded in the 3rd quarter 2017, barring unforeseen circumstances, SunCon expects to perform satisfactorily in this coming year as project implementation and hence billings will pick up in the remaining quarters of 2017.

Under the Precast division, the outstanding order stands at RM241 million. This translates to approximately one year of turnover which is a norm based on its shorter contract duration. As per BCA ("Building and Construction Authority of Singapore") on 6 Jan 2017, there will be steady pipeline of new public housing construction, upgrading works for HDB flats, and a number of upcoming sizeable projects earmarked for developments on various Government Land Sales sites. HDB BTO form the majority of Precast's business and as such its performance is closely related to launches by HDB. We have returned our Tampines plant in April 2017 and our present 2 plants in Senai and Iskandar will be sufficient to cater for its existing work order. The intended expansion of our Iskandar Plant from 5 lines to 9 lines is on-going and will be completed latest by 3rd quarter 2017.

B4 Variance of Actual Profit from Profit Forecast

The Company did not issue any profit forecast or profit guarantee during the current year under review.

B5 Taxation

| | Current Quarter Ended 31 March 2017 RM'000 (Unaudited) | Cumulative Year To Date 31 March 2017 RM'000 (Unaudited) |
|-------------------|---|---|
| Current taxation | (8,320) | (8,320) |
| Deferred taxation | (1,198) | (1,198) |
| | <u>(9,518)</u> | <u>(9,518)</u> |

The effective tax rate for the current 3 months period ended 2017 of 22% is lower than Malaysia's statutory tax rate of 24% mainly due to the lower tax rate payable of 17% by our Singapore subsidiary.

B6 Profit before Taxation

The following amounts have been included in arriving at profit before taxation:

| | Current Quarter Ended 31 March 2017 RM'000 (Unaudited) | Cumulative Year To Date 31 March 2017 RM'000 (Unaudited) |
|---|---|---|
| Interest income | 3,190 | 3,190 |
| Interest expense | (1,076) | (1,076) |
| Depreciation and amortisation | (9,137) | (9,137) |
| Write off: | | |
| - Property, plant and equipment, and software | (96) | (96) |
| Net loss on disposal of: | | |
| - Property, plant and equipment, and software | (81) | (81) |
| Foreign exchange gain/(loss): | | |
| - realised | 686 | 686 |
| - unrealised | (35) | (35) |
| | <u>(35)</u> | <u>(35)</u> |

B7 Group Borrowings and Debt Securities

The Group borrowings as at 31 March 2017 are as follows:

| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
|---------------------|---------------------------|-----------------------------|-------------------------|
| Borrowings: | | | |
| - Current | | | |
| - Bills discounting | <u>93,516</u> | <u>-</u> | <u>93,516</u> |

B8 Changes in Material Litigation

Except for the following claims, there was no pending material litigation.

- (a) 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.

B8 Changes in Material Litigation (Contd.)

Pursuant to an agreement signed between SunCon and the National Highway Authority of India for the rehabilitation and upgrading of NH-25 to a four-lane configuration in the state of Uttar Pradesh being a part of the East-West Corridor Project, SunCon had entered into a work order with the Claimant for the upgrading and rehabilitation of the stretch of NH-25 from 143.6 km to 170.0 km, of which the Claimant has provided two bank guarantees ("Bank Guarantees") to SunCon.

The Claimant has failed to carry out its obligations under the work order and SunCon has terminated the work order and cashed the Bank Guarantees. The Claimant had filed an application in the Supreme Court of India for the appointment of an arbitrator to arbitrate upon the disputes between the parties. The Supreme Court had appointed a sole arbitrator 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.

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. Sitting on 24 February 2017 went on as scheduled and the next dates are 15 and 20 July 2017 and 7 October 2017.

The Directors are of the opinion, after taking appropriate legal advice, that no provision for the abovementioned claims is necessary.

- (b) 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.

- (c) 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.

B8 Changes in Material Litigation (Contd.)

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. On 4 April 2017, the parties advised the Honourable Justice that the matter will be sent to Judicial Settlement Conference and the date for the Conference is yet to be fixed. The matter has been adjourned to 26 September 2017 pending the Judicial Settlement Conference.

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.

- (d) 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:

- (a) 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 7 April 2017, the case was adjourned to 9 August 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.

- (b) 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. We have not received the award sum to-date.

- (c) 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.

- (d) 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.

- (e) 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. On 20 February 2017, the Court upheld the arbitral award dated 29 April 2014. NHA has paid the settlement sum.

B9 Realised and Unrealised Profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits are as follows:

| | As at 31 March 2017 RM'000 (Unaudited) | As at 31 December 2016 RM'000 (Audited) |
|---|--|---|
| Total retained profits of the Group:- | | |
| Realised | 313,976 | 268,822 |
| Unrealised | 5,066 | 15,561 |
| Less: Consolidation adjustments | (27,361) | (27,361) |
| Total Group's retained profits as per consolidated accounts | 291,681 | 257,022 |

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

B10 Earnings per share

The calculation of the earnings per share for the Group is based on profit after taxation and non-controlling interests on the weighted average number of ordinary shares in issue during the year.

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | Current Year Quarter 31 March 2017 RM'000 | Preceding Year Quarter 31 March 2016 RM'000 | Current Year To Date 31 March 2017 RM'000 | Preceding Year To Date 31 March 2016 RM'000 |
| <u>Basic earnings per share</u> | | | | |
| Profit attributable to members of the Company | 34,659 | 29,055 | 34,659 | 29,055 |
| Weighted Average Number of Ordinary Shares ('000) | 1,292,900 | 1,292,900 | 1,292,900 | 1,292,900 |
| Earnings per share (Basic) (sen) | 2.68 | 2.25 | 2.68 | 2.25 |

There is no diluted earnings per share as the Group does not have any convertible financial instruments as at the end of the financial period ended 31 March 2017.

By Order of the Board

**Tan Kim Aun
Soh Ke Yi**

Secretaries