

# **SUNWAY<sup>®</sup>**

## **CONSTRUCTION**

SUNWAY CONSTRUCTION GROUP BERHAD

### INTERIM FINANCIAL REPORT

### SECOND QUARTER ENDED 30<sup>th</sup> JUNE 2016

**SUNWAY CONSTRUCTION GROUP BERHAD**

(Company No. 1108506-W)

(Incorporated in Malaysia under the Companies Act, 1965)

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# CONTENT

Unaudited Condensed Consolidated Income Statements	.....	1
Unaudited Condensed Consolidated Statement of Comprehensive Income	.....	2
Unaudited Condensed Consolidated Statement of Financial Position	.....	3
Unaudited Condensed Consolidated Statement of Changes in Equity	.....	4
Unaudited Condensed Consolidated Statement 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 30 JUNE 2016  
 THE FIGURES HAVE NOT BEEN AUDITED

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

	NOTE	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30/06/2016	PRECEDING YEAR CORRESPONDING QUARTER 30/06/2015	CURRENT YEAR TO DATE 30/06/2016	PRECEDING YEAR CORRESPONDING PERIOD 30/06/2015
		RM'000	RM'000	RM'000	RM'000
REVENUE		430,290	500,221	854,641	996,288
OPERATING EXPENSES		(401,874)	(462,300)	(801,079)	(923,245)
OTHER OPERATING INCOME		9,186	3,385	19,426	7,440
PROFIT FROM OPERATIONS		<u>37,602</u>	<u>41,306</u>	<u>72,988</u>	<u>80,483</u>
FINANCE INCOME AND OTHER DISTRIBUTION INCOME		1,886	1,518	4,734	3,008
FINANCE COSTS		(1,374)	(1,152)	(2,087)	(2,203)
SHARE OF RESULTS OF JOINT VENTURES		-	(76)	-	(76)
PROFIT BEFORE TAX	<b>B6</b>	<u>38,114</u>	<u>41,596</u>	<u>75,635</u>	<u>81,212</u>
INCOME TAX EXPENSE	<b>B5</b>	(6,804)	(3,798)	(15,270)	(9,031)
PROFIT FOR THE PERIOD		<u><u>31,310</u></u>	<u><u>37,798</u></u>	<u><u>60,365</u></u>	<u><u>72,181</u></u>
ATTRIBUTABLE TO:					
- OWNERS OF THE PARENT		31,265	37,798	60,320	72,164
- NON-CONTROLLING INTERESTS		45	-	45	17
		<u><u>31,310</u></u>	<u><u>37,798</u></u>	<u><u>60,365</u></u>	<u><u>72,181</u></u>
EARNINGS PER SHARE					
(i) BASIC ( sen )	<b>B11</b>	<u>2.42</u>	<u>2.92</u>	<u>4.67</u>	<u>5.58</u>
(ii) DILUTED ( sen )		<u>2.42</u>	<u>2.92</u>	<u>4.67</u>	<u>5.58</u>

( The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2015 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 30 JUNE 2016  
 THE FIGURES HAVE NOT BEEN AUDITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2016

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/06/2016	PRECEDING YEAR CORRESPONDING QUARTER 30/06/2015	CURRENT YEAR TO DATE 30/06/2016	PRECEDING YEAR CORRESPONDING PERIOD 30/06/2015
	RM'000	RM'000	RM'000	RM'000
PROFIT FOR THE PERIOD	31,310	37,798	60,365	72,181
<b>OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT AND LOSS IN SUBSEQUENT PERIODS</b>				
FOREIGN CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN OPERATION	(1,555)	5,648	(1,572)	9,228
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<u>(1,555)</u>	<u>5,648</u>	<u>(1,572)</u>	<u>9,228</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>29,755</u>	<u>43,446</u>	<u>58,793</u>	<u>81,409</u>
ATTRIBUTABLE TO:				
- OWNERS OF THE PARENT	29,710	43,446	58,748	81,392
- NON-CONTROLLING INTERESTS	45	-	45	17
	<u>29,755</u>	<u>43,446</u>	<u>58,793</u>	<u>81,409</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 2015 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 30 JUNE 2016  
 THE FIGURES HAVE NOT BEEN AUDITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016

	AS AT END OF CURRENT QUARTER 30/06/2016 RM'000 (UNAUDITED)	AS AT FINANCIAL YEAR ENDED 31/12/2015 RM'000 (AUDITED)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment, and software	150,546	162,529
Other investments	273	273
Goodwill	3,647	3,647
Deferred tax assets	6,488	13,760
	<u>160,954</u>	<u>180,209</u>
<b>Current assets</b>		
Inventories	26,287	17,293
Receivables, deposits and prepayments	713,453	717,089
Tax recoverable	18,734	14,370
Placement in funds	-	78,000
Cash and bank balances	390,110	390,477
	<u>1,148,584</u>	<u>1,217,229</u>
<b>TOTAL ASSETS</b>	<u>1,309,538</u>	<u>1,397,438</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Payables, accruals and other current liabilities	761,944	795,566
Borrowings	<b>B7</b> 74,630	136,841
Tax payable	10,868	9,258
	<u>847,442</u>	<u>941,665</u>
<b>Non-current liabilities</b>		
Deferred taxation liabilities	3,341	4,095
	<u>3,341</u>	<u>4,095</u>
<b>Total liabilities</b>	<u>850,783</u>	<u>945,760</u>
<b>Equity attributable to Owners of the Parent</b>		
Share capital	258,580	258,580
Negative merger reserve	(37,894)	(37,894)
Retained profits	226,146	217,542
Other reserves	11,244	12,816
	<u>458,076</u>	<u>451,044</u>
<b>NON-CONTROLLING INTERESTS</b>	679	634
<b>Total equity</b>	<u>458,755</u>	<u>451,678</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,309,538</u>	<u>1,397,438</u>
<b>Net Assets Per Share Attributable To Owners Of The Parent (RM)</b>	<b>0.35</b>	<b>0.35</b>
( 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 2015 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 30 JUNE 2016  
 THE FIGURES HAVE NOT BEEN AUDITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2016

	----- 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	RM'000
<b>PERIOD ENDED 30 JUNE 2016</b>									
At 1 January 2016	258,580	(37,894)	12,816	670	12,146	217,542	451,044	634	451,678
Profit for the year	-	-	-	-	-	60,320	60,320	45	60,365
Other comprehensive income	-	-	(1,572)	-	(1,572)	-	(1,572)	-	(1,572)
<b>Total comprehensive income</b>	-	-	(1,572)	-	(1,572)	60,320	58,748	45	58,793
Dividend	-	-	-	-	-	(51,716)	(51,716)	-	(51,716)
<b>At 30 June 2016</b>	<b>258,580</b>	<b>(37,894)</b>	<b>11,244</b>	<b>670</b>	<b>10,574</b>	<b>226,146</b>	<b>458,076</b>	<b>679</b>	<b>458,755</b>
<b>PERIOD ENDED 30 JUNE 2015</b>									
At 1 January 2015	258,580	(37,894)	(911)	670	(1,581)	160,378	380,153	60	380,213
Profit for the year	-	-	-	-	-	72,164	72,164	17	72,181
Other comprehensive income	-	-	9,228	-	9,228	-	9,228	-	9,228
<b>Total comprehensive income</b>	-	-	9,228	-	9,228	72,164	81,392	17	81,409
Dividend	-	-	-	-	-	(70,000)	(70,000)	-	(70,000)
<b>At 30 June 2015</b>	<b>258,580</b>	<b>(37,894)</b>	<b>8,317</b>	<b>670</b>	<b>7,647</b>	<b>162,542</b>	<b>391,545</b>	<b>77</b>	<b>391,622</b>

( 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 2015 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 30 JUNE 2016**  
**THE FIGURES HAVE NOT BEEN AUDITED**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2016**

	FOR THE 6 MONTHS PERIOD ENDED 30/06/2016	FOR THE 6 MONTHS PERIOD ENDED 30/06/2015
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	75,635	81,212
Adjustments for:		
- non-cash items	8,004	22,263
- finance costs	2,087	2,203
- finance income and other distribution income	(4,734)	(3,008)
Operating cash flows before working capital changes	80,992	102,670
Changes in working capital	(90,215)	(43,169)
Cash flow (used in)/generated from operations	(9,223)	59,501
Interest and other distribution income received	4,734	3,008
Interest paid	(2,087)	(2,203)
Dividend received from jointly controlled entities	-	23,696
Tax paid	(11,506)	(8,711)
Net cash flow (used in)/generated from operating activities	(18,082)	75,291
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment, and software	951	2,470
Acquisition of property, plant and equipment, and software	(8,063)	(11,936)
Advances from related companies	62,179	60,160
Net cash flow from placement in funds	78,805	3,500
Dividend received	9	-
Net cash generated from investing activities	133,881	54,194
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net bank and other borrowings	(62,211)	(14,823)
Dividend paid to shareholders	(51,716)	(70,000)
Net cash used in financing activities	(113,927)	(84,823)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,872	44,662
EFFECTS OF EXCHANGE RATE CHANGES	(1,434)	8,538
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	389,672	277,612
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	390,110	330,812
Cash and cash equivalents at end of financial period comprise the following :		
Deposits with licensed banks and other financial institutions	329,569	113,632
Placement in funds	-	9,700
Cash and bank balances	60,541	217,985
Cash and bank balances, and placement in funds	390,110	341,317
Less: Deposit with other financial institutions with maturity of over 3 months	-	(805)
Less: Placement in funds	-	(9,700)
Cash and cash equivalents	390,110	330,812
( 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 2015 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 2015. 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 2015.

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 2015 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 2016, as disclosed below:

MFRS14	Regulatory Deferral Accounts
Amendment to MFRS 116 and Amendment to MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendment to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendment to MFRS 127	Equity Method in Separate Financial Statements
Amendment to MFRS 101	Disclosure Initiative
Amendment to MFRS 10, 12 and Amendment to MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendment to MFRSs	Annual Improvements to MFRS 2012 - 2014 Cycle

The adoption of the above pronouncements does not have any significant impact to the Group.

### 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 30 June 2016.

### A5 Changes in Estimates

There were no changes in estimates that have a material effect on the amounts reported for the current quarter ended 30 June 2016.

### A6 Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities in the current quarter ended 30 June 2016 except for those disclosed in Note B7.



**A7 Dividend paid**

On 25 February 2016, the Board of Directors declared an interim single-tier dividend of 4 cents per share (20% for each ordinary share of RM0.20 each) for the financial year ended 31 December 2015. The total dividend payable amount to RM51,716,000. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2016. The interim dividend was paid on 21 April 2016.

**A8 Segmental Reporting**

Segmental results for the financial period ended 30 June 2016 are as follows:

	Construction	Precast Concrete	Consolidated
	RM'000	RM'000	RM'000
<b><u>BY BUSINESS SEGMENTS</u></b>			
<b>REVENUE AND EXPENSES</b>			
Total revenue	929,705	149,364	1,079,069
Inter-segment sales	(195,366)	(29,062)	(224,428)
External sales	734,339	120,302	854,641
<b>Results</b>			
Operating segment results	44,610	28,378	72,988
Finance income and other distribution income	4,722	12	4,734
Finance costs	(2,087)	-	(2,087)
Profit before tax	47,245	28,390	75,635
Income tax expense	(9,595)	(5,675)	(15,270)
Profit after tax	37,650	22,715	60,365
Non controlling interests	(45)	-	(45)
Attributable to owners of the parent	37,605	22,715	60,320

	Revenue	Profit before tax	Profit after tax	Attributable to owners of the parent
	RM'000	RM'000	RM'000	RM'000
<b><u>BY GEOGRAPHICAL SEGMENTS</u></b>				
Malaysia	734,313	46,278	33,994	33,939
Singapore	120,302	16,934	13,948	13,947
India	26	(194)	(194)	(194)
United Arab Emirates	-	12,617	12,617	12,628
	854,641	75,635	60,365	60,320

**A9 Material events**

There were no material events subsequent to the current quarter ended 30 June 2016.

**A10 Contingent Liabilities and Assets**

There was no change in contingent liabilities since the last combined financial statements for the financial year ended 31 December 2015 to 30 June 2016, except for the following:

	As at 30 June 2016 RM'000 (Unaudited)	As at 31 December 2015 RM'000 (Audited)
Guarantees given to third parties in respect of contracts and trade performance	375,598	418,241
Guarantees given to related companies in respect of contracts and trade performance	38,457	50,845
	<u>414,055</u>	<u>469,086</u>

The Group does not have any material contingent assets to be disclosed as at 30 June 2016.

**A11 Commitments**

(a) Capital commitment not provided for in the financial year as at 30 June 2016 and 31 December 2015 is as follows:

	As at 30 June 2016 RM'000 (Unaudited)	As at 31 December 2015 RM'000 (Audited)
Approved and contracted for	6,375	208
Approved but not contracted for	22,218	5,860
	<u>28,593</u>	<u>6,068</u>

(b) Operating lease commitment not provided for in the financial year as at 30 June 2016 and 31 December 2015 is as follows:

	As at 30 June 2016 RM'000 (Unaudited)	As at 31 December 2015 RM'000 (Audited)
Future minimum lease payment:		
- not later than 1 year	6,830	7,583
- later than 1 year and not later than 5 years	3,058	7,350
	<u>9,888</u>	<u>14,933</u>

**B1 Review of Performance**For the quarter

<u>Total Group</u>	<u>Q2 2016</u>	<u>Q2 2015</u>
Revenue	430.3	500.2
PBT	38.1	41.6
PBT Margin	8.9%	8.3%

The Group recorded revenue of RM430.3 million and profit before tax of RM38.1 million for the current quarter ended 30 June 2016, compared to revenue of RM500.2 million and profit before tax of RM41.6 million in the corresponding quarter of the preceding financial year.

<u>Construction Segment</u>	<u>Q2 2016</u>	<u>Q2 2015</u>
Revenue	360.5	431.4
PBT	21.2	27.3
PBT Margin	5.9%	6.3%

The construction segment reported revenue of RM360.5 million and profit before tax of RM21.2 million compared to revenue of RM431.4 million and profit before tax of RM27.3 million in the corresponding quarter of the preceding financial year. The lower revenue was mainly due to civil and infrastructure projects which saw the completion of BRT - Sunway Line, Selangor project in the corresponding quarter of the preceding financial year and substantial physical completion of LRT Package B (Kelana Jaya Line Extension) project and Klang Valley MRT Package V4, Section 17 Petaling Jaya to Semantan Portal project in 4th quarter of 2015. In addition, several anticipated tenders from our Foundation and Geotechnical Division did not come in as expected. The lower profit margin was due to planning and preliminary works for Klang Valley MRT Package V201, Sungai Buloh to Persiaran Dagang, Bandar Sri Damansara project which has commenced without profit recognition.

<u>Precast Segment</u>	<u>Q2 2016</u>	<u>Q2 2015</u>
Revenue	69.8	68.8
PBT	16.9	14.3
PBT Margin	24.2%	20.7%

The precast segment reported revenue of RM69.8 million and profit before tax of RM16.9 million compared to revenue of RM68.8 million and profit before tax of RM14.3 million in the corresponding quarter of the preceding financial year. Profit margin continues to be within the expected normalised range of 20.0% to 25.0% and revenue recorded for both quarter has no significant variances.

For the 6 months period

<u>Total Group</u>	<u>1st Half 2016</u>	<u>1st Half 2015</u>
Revenue	854.6	996.3
PBT	75.6	81.2
PBT Margin	8.8%	8.1%

The Group recorded revenue of RM854.6 million and profit before tax of RM75.6 million for the six months period ended 30 June 2016, compared to revenue of RM996.3 million and profit before tax of RM81.2 million in the corresponding six months period of the preceding financial year.

<u>Construction Segment</u>	<u>1st Half 2016</u>	<u>1st Half 2015</u>
Revenue	734.3	852.4
PBT	47.2	44.9
PBT Margin	6.4%	5.3%

The construction segment reported revenue of RM734.3 million and profit before tax of RM47.2 million compared to revenue of RM852.4 million and profit before tax of RM44.9 million in the corresponding six months period of the preceding financial year. The lower revenue was mainly due to lower billings from the civil/infrastructure and building projects as some of them had reached or were near their completion stage in 2015. Our new project Klang Valley MRT Package V201, Sungai Buloh to Persiaran Dagang, Bandar Sri Damansara project secured in April 2016 has just commenced some preliminary works at the end of July 2016 and is only expected to contribute to turnover towards the 2nd half of 2016. In addition, several anticipated tenders from our Foundation and Geotechnical Division did not come in as expected. Our profit margin improved in absence of loss recognition for a project made in the corresponding six months period of the preceding financial year.

For the 6 months period (Contd.)

<u>Precast Segment</u>	<u>1st Half 2016</u>	<u>1st Half 2015</u>
Revenue	120.3	143.9
PBT	28.4	36.3
PBT Margin	23.6%	25.2%

The precast segment reported revenue of RM120.3 million and profit before tax of RM28.4 million compared to revenue of RM143.9 million and profit before tax of RM36.3 million in the corresponding six months period of the preceding financial year. The lower revenue was due to lower price from existing projects due to adjustment made to reduction of material prices as there is a pass through clause in our contracts. Overall profit margin continues to be within the expected range.

## B2 Material Changes in the Quarterly Results

<u>Total Group</u>	<u>Q2 2016</u>	<u>Q1 2016</u>
Revenue	430.3	424.3
PBT	38.1	37.5
PBT Margin	8.9%	8.8%

The Group recorded revenue of RM430.3 million and profit before tax of RM38.1 million for the current quarter ended 30 June 2016, compared to revenue of RM424.3 million and profit before tax of RM37.5 million in the immediate preceding quarter.

<u>Construction Segment</u>	<u>Q2 2016</u>	<u>Q1 2016</u>
Revenue	360.5	373.8
PBT	21.2	26.0
PBT Margin	5.9%	7.0%

The construction segment reported revenue of RM360.5 million and profit before tax of RM21.2 million compared to revenue of RM373.8 million and profit before tax of RM26.0 million in the immediate preceding quarter. The slightly lower revenue was mainly due to lower billings from building projects which were near their completion stage and some finalised in the immediate preceding quarter. Margin dropped in current quarter as preparatory work towards Klang Valley MRT Package V201, Sungai Buloh to Persiaran Dagang, Bandar Sri Damansara project which is not generating profit at present.

<u>Precast Segment</u>	<u>Q2 2016</u>	<u>Q1 2016</u>
Revenue	69.8	50.5
PBT	16.9	11.5
PBT Margin	24.2%	22.8%

The precast segment reported revenue of RM69.8 million and profit before tax of RM16.9 million compared to revenue of RM50.5 million and profit before tax of RM11.5 million in the immediate preceding quarter. The increased in turnover is reflected in the improved utilisation rate for both the Tampines and Senai factory. Utilisation has increased to 82.7% and 59.1% respectively compared to immediate preceding quarter of 53.9% and 36.2%. Our third plant in Iskandar Johor has commenced operations in 2nd quarter of 2016 with a maximum capacity of 52,000 m3 per annum. The increased revenue is due to delivery schedule which has picked up in the current quarter. Profit margin recorded for both current quarter and immediate preceding quarter are within the normal range.

## B3 Prospects

As at year to date, the Group's new order book amounted to RM2.4 billion bringing our total outstanding order book to RM4.9 billion. Tender activities to date is at an all time high of approximately RM25 billion due to roll out of a few high profile infrastructure jobs. SunCon is confident of achieving management's target new order of RM2.5 billion for the financial year ending 2016. This augurs well for SunCon's prospects especially for the financial year ending 2017 whereby we anticipate to record substantial turnover based on our work program as a couple of projects will achieve peak progress in 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**

	<b>Current Quarter Ended 30 June 2016 RM'000 (Unaudited)</b>	<b>Cumulative Year To Date 30 June 2016 RM'000 (Unaudited)</b>
Current taxation	(5,832)	(10,287)
Deferred taxation	(972)	(4,983)
	<u>(6,804)</u>	<u>(15,270)</u>

The effective tax rate for the current 6 months period ended 2016 of 20% 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:

	<b>Current Quarter Ended 30 June 2016 RM'000 (Unaudited)</b>	<b>Cumulative Year To Date 30 June 2016 RM'000 (Unaudited)</b>
Interest income	1,886	4,734
Interest expense	(1,374)	(2,087)
Depreciation and amortisation	(9,668)	(19,510)
Net (provision)/reversal of impairment for:		
- Trade receivables	(400)	1,151
- Advances to associate	6,178	12,896
Write off:		
- Trade receivables	-	(321)
- Property, plant and equipment, and software	(23)	(37)
Net gain on disposal of:		
- property, plant and equipment, and software	545	590
Foreign exchange loss:		
- realised	(666)	(444)
Fair value of ESOS option	(606)	(1,137)
Fair value loss on financial assets and financial liabilities	(465)	(1,647)

**B7 Group Borrowings and Debt Securities**

The Group borrowings as at 30 June 2016 are as follows:

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
Borrowings:			
- Current			
- Bills discounting	<u>74,630</u>	<u>-</u>	<u>74,630</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.

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.781,394,628.61 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 may now 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 scheduled before the court on 17 October 2016.

- (b) Sunway Creative Stones Sdn Bhd ("Sunway Creative Stones"), being the nominated sub-contractor for the stone works for the Palazzo, 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.

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.

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 not listed on 28 July 2016. Next date to be fixed. 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 hearing will be on 26 August 2016.

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 26 August 2016. 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.

**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 30 June 2016 RM'000 (Unaudited)	As at 31 December 2015 RM'000 (Audited)
Total retained profits of the Group:-		
Realised	222,999	204,432
Unrealised	3,147	13,110
Total Group's retained profits as per consolidated accounts	226,146	217,542

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 Dividend**

The Board of Directors would like to propose a first interim dividend of 2.5 cents per share (12.5% per ordinary share of RM0.20 each) for the financial year ending 31 December 2016. The total dividend payable amount to RM32,322,500. The proposed dividend will be paid on a date to be determined.

**B11 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 period.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 June 2016 RM'000	Preceding Year Quarter 30 June 2015 RM'000	Current Year To Date 30 June 2016 RM'000	Preceding Year To Date 30 June 2015 RM'000
<b><u>Basic earnings per share</u></b>				
Profit attributable to members of the Company	31,265	37,798	60,320	72,164
Weighted Average Number of Ordinary Shares ('000)	1,292,900	1,292,900	1,292,900	1,292,900
Earnings per share (Basic) (sen)	2.42	2.92	4.67	5.58

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 30 June 2016.

**By Order of the Board**

**Tan Kim Aun  
Soh Ke Yi**

**Secretaries**