

# **SUNWAY<sup>®</sup>**

## **CONSTRUCTION**

SUNWAY CONSTRUCTION GROUP BERHAD

### INTERIM FINANCIAL REPORT

### SECOND QUARTER ENDED 30<sup>TH</sup> JUNE 2017



**SUNWAY CONSTRUCTION GROUP BERHAD**

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

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**SUNWAY CONSTRUCTION GROUP BERHAD ( Company No : 1108506-W )**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**  
**THE FIGURES HAVE NOT BEEN AUDITED**

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017**

	NOTE	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
		CURRENT YEAR	IMMEDIATE PRECEDING	PRECEDING YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING YEAR	CHANGES	CHANGES
		QUARTER 30/06/2017	QUARTER 31/03/2017	CHANGES	CORRESPONDING QUARTER 30/06/2016	CHANGES	TO DATE 30/06/2017	CORRESPONDING PERIOD 30/06/2016	CHANGES
		RM'000	RM'000	%	RM'000	%	RM'000	RM'000	%
REVENUE		417,232	419,531	(0.5%)	430,290	(3.0%)	836,763	854,641	(2.1%)
OPERATING EXPENSES		(380,506)	(380,096)	(0.1%)	(401,874)	5.3%	(760,602)	(801,079)	5.1%
OTHER OPERATING INCOME		4,998	2,615	91.1%	9,186	(45.6%)	7,613	19,426	(60.8%)
PROFIT FROM OPERATIONS		41,724	42,050	(0.8%)	37,602	11.0%	83,774	72,988	14.8%
FINANCE INCOME & OTHER DISTRIBUTION INCOME		2,312	3,190	(27.5%)	1,886	22.6%	5,502	4,734	16.2%
FINANCE COSTS		(1,268)	(1,076)	(17.8%)	(1,374)	7.7%	(2,344)	(2,087)	(12.3%)
PROFIT BEFORE TAX	B6	42,768	44,164	(3.2%)	38,114	12.2%	86,932	75,635	14.9%
INCOME TAX EXPENSE	B5	(6,070)	(9,518)	36.2%	(6,804)	10.8%	(15,588)	(15,270)	(2.1%)
PROFIT FOR THE PERIOD		36,698	34,646	5.9%	31,310	17.2%	71,344	60,365	18.2%
ATTRIBUTABLE TO:									
- OWNERS OF THE PARENT		36,763	34,659		31,265		71,422	60,320	
- NON-CONTROLLING INTERESTS		(65)	(13)		45		(78)	45	
		36,698	34,646		31,310		71,344	60,365	
EARNINGS PER SHARE									
(i) BASIC ( sen )	B12	2.84	2.68		2.42		5.52	4.67	
(ii) DILUTED ( sen )		2.84	2.68		2.42		5.52	4.67	

( 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 30 JUNE 2017  
 THE FIGURES HAVE NOT BEEN AUDITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2017

	<----- INDIVIDUAL QUARTER ----->			<---- CUMULATIVE QUARTER ---->	
	CURRENT YEAR QUARTER 30/06/2017	IMMEDIATE PRECEDING QUARTER 31/03/2017	PRECEDING YEAR CORRESPONDING QUARTER 30/06/2016	CURRENT YEAR TO DATE 30/06/2017	PRECEDING YEAR CORRESPONDING PERIOD 30/06/2016
	RM'000	RM'000	RM'000	RM'000	RM'000
PROFIT FOR THE PERIOD	36,698	34,646	31,310	71,344	60,365
<b>OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT AND LOSS IN SUBSEQUENT PERIODS</b>					
FOREIGN CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN OPERATION	6,321	5,209	(1,555)	11,530	(1,572)
<b>OTHER COMPREHENSIVE INCOME NOT TO BE RECLASSIFIED TO PROFIT AND LOSS IN SUBSEQUENT PERIODS</b>					
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	6,321	5,209	(1,555)	11,530	(1,572)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>43,019</u>	<u>39,855</u>	<u>29,755</u>	<u>82,874</u>	<u>58,793</u>
ATTRIBUTABLE TO:					
- OWNERS OF THE PARENT	43,084	39,868	29,710	82,952	58,748
- NON-CONTROLLING INTERESTS	(65)	(13)	45	(78)	45
	<u>43,019</u>	<u>39,855</u>	<u>29,755</u>	<u>82,874</u>	<u>58,793</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 30 JUNE 2017  
 THE FIGURES HAVE NOT BEEN AUDITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017

	NOTE	AS AT END OF CURRENT QUARTER 30/06/2017	AS AT FINANCIAL YEAR ENDED 31/12/2016
		RM'000 (UNAUDITED)	RM'000 (AUDITED)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment, and software		134,112	140,688
Other investments		273	273
Goodwill		3,647	3,647
Deferred tax assets		5,765	10,502
		<u>143,797</u>	<u>155,110</u>
<b>Current assets</b>			
Inventories		22,142	23,950
Receivables, deposits and prepayments	<b>B8</b>	852,717	938,389
Tax recoverable		21,094	12,737
Cash and bank balances		464,545	465,768
Derivative assets		72	1,341
		<u>1,360,570</u>	<u>1,442,185</u>
<b>TOTAL ASSETS</b>		<u>1,504,367</u>	<u>1,597,295</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Payables, accruals and other current liabilities		852,010	954,972
Borrowings	<b>B7</b>	100,482	136,515
Tax payable		5,165	11,418
		<u>957,657</u>	<u>1,102,905</u>
<b>Non-current liabilities</b>			
Deferred taxation liabilities		3,370	608
		<u>3,370</u>	<u>608</u>
<b>Total liabilities</b>		<u>961,027</u>	<u>1,103,513</u>
<b>Equity attributable to Owners of the Parent</b>			
Share capital		258,580	258,580
Treasury shares	<b>A6</b>	(1,293)	-
Negative merger reserve		(37,894)	(37,894)
Retained profits		296,122	257,022
Other reserves		26,851	15,321
		<u>542,366</u>	<u>493,029</u>
<b>NON-CONTROLLING INTERESTS</b>		<u>974</u>	<u>753</u>
<b>Total equity</b>		<u>543,340</u>	<u>493,782</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,504,367</u>	<u>1,597,295</u>
<b>Net Assets Per Share Attributable To Owners Of The Parent (RM)</b>		<b>0.42</b>	<b>0.38</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 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 30 JUNE 2017  
 THE FIGURES HAVE NOT BEEN AUDITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2017

	----- ATTRIBUTABLE TO OWNERS OF THE PARENT -----				----- NON-DISTRIBUTABLE ----- DISTRIBUTABLE -----							
	NON-DISTRIBUTABLE				CAPITAL CONTRIBUTION BY IMMEDIATE HOLDING COMPANY		FOREIGN EXCHANGE RESERVE		RETAINED PROFITS		NON-CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL	TREASURY SHARES	NEGATIVE MERGER RESERVE	OTHER RESERVES TOTAL								
RM'000	RM'000	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 2017</b>												
At 1 January 2017	258,580	-	(37,894)	15,321	670	14,651	257,023	493,030	752	493,782		
Profit for the year	-	-	-	-	-	-	71,422	71,422	(78)	71,344		
Other comprehensive income	-	-	-	11,530	-	11,530	-	11,530	-	11,530		
Total comprehensive income	-	-	-	11,530	-	11,530	71,422	82,952	(78)	82,874		
Issuance of ordinary shares pursuant to:												
Acquisition of interest from non-controlling interests	-	-	-	-	-	-	-	-	300	300		
Dividends paid	-	-	-	-	-	-	(32,323)	(32,323)	-	(32,323)		
Purchase of treasury shares	-	(1,293)	-	-	-	-	-	(1,293)	-	(1,293)		
At 30 June 2017	258,580	(1,293)	(37,894)	26,851	670	26,181	296,122	542,367	974	543,340		
<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)		
Total comprehensive income	-	-	-	(1,572)	-	(1,572)	60,320	58,748	45	58,793		
Dividends paid	-	-	-	-	-	-	(51,716)	(51,716)	-	(51,716)		
At 30 June 2016	258,580	-	(37,894)	11,244	670	10,574	226,146	458,076	679	458,755		

( 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 30 JUNE 2017**  
**THE FIGURES HAVE NOT BEEN AUDITED**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2017**

	<b>FOR THE 6 MONTHS PERIOD ENDED 30/06/2017</b>	<b>FOR THE 6 MONTHS PERIOD ENDED 30/06/2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	86,932	75,635
Adjustments for:		
- non-cash items	14,964	8,004
- finance costs	2,344	2,087
- finance income and other distribution income	(5,502)	(4,734)
Operating cash flows before working capital changes	98,738	80,992
Changes in working capital	(48,284)	(90,215)
Cash flow generated from / (used in) operations	50,454	(9,223)
Interest and other distribution income received	5,502	4,734
Interest paid	(2,344)	(2,087)
Tax refunded	(3,532)	-
Tax paid	(19,174)	(11,506)
Net cash generated from / (used in) operating activities	30,906	(18,082)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment, and software	621	951
Acquisition of property, plant and equipment, and software	(12,250)	(8,063)
Advances from related companies	36,197	62,179
Net cash flow from placement in funds	-	78,805
Dividend received	-	9
Net cash generated from investing activities	24,568	133,881
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net bank and other borrowings	(36,033)	(62,211)
Repurchase of shares	(1,293)	-
Dividend paid to shareholders	(32,323)	(51,716)
Proceeds of ordinary shares held by NCI	300	-
Net cash used in financing activities	(69,349)	(113,927)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(13,875)	1,872
EFFECTS OF EXCHANGE RATE CHANGES	12,645	(1,434)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	465,333	389,672
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	464,103	390,110
Cash and cash equivalents at end of financial period comprise the following :		
Deposits with licensed banks and other financial institutions	361,364	329,569
Cash and bank balances	103,181	60,541
Cash and bank balances, and placement in funds	464,545	390,110
Less: Deposits with other financial institutions with maturity of over 3 months	(442)	-
Cash and cash equivalents	464,103	390,110

( 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 and ICN 1/2017 "Guidance On Disclosures in Notes to Quarterly Report" 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 2016 – 2016 Cycle
Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

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 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 30 June 2017.

### A6 Repurchases of Debt and Equity Securities

During the financial period ended 30 June 2017, the Company repurchase its equity securities of 654,000 ordinary shares at an average price of RM1.98 per share.

The Group's debt status is as 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 interim dividend of RM32,322,500 was paid on 20 April 2017 and has been accounted for in equity as an appropriation of retained earnings in the period ended 30 June 2017.



**A8 Segmental Reporting**

Segmental results for the financial period ended 30 June 2017 are as follows:

	Construction RM'000	Precast Concrete RM'000	Consolidated RM'000
<b>BY BUSINESS SEGMENTS</b>			
<b>REVENUE AND EXPENSES</b>			
Total revenue	920,671	140,234	1,060,905
Inter-segment revenue	(182,799)	(41,343)	(224,142)
External revenue	737,872	98,891	836,763
<b>Results</b>			
Operating segment results	61,660	22,114	83,774
Finance income and other distribution income	5,489	13	5,502
Finance costs	(2,344)	(0)	(2,344)
Profit before tax	64,805	22,127	86,932
Income tax expense	(11,231)	(4,357)	(15,588)
Profit after tax	53,574	17,770	71,344
Non controlling interests	78	-	78
Attributable to owners of the parent	53,652	17,770	71,422
<b>TOTAL ASSETS</b>	1,316,593	187,774	1,504,367
<b>TOTAL LIABILITIES</b>	896,868	64,159	961,027

	Revenue RM'000	Profit before tax RM'000	Profit after tax RM'000	Attributable to owners of the parent RM'000
<b>BY GEOGRAPHICAL SEGMENTS</b>				
Malaysia	737,872	66,889	53,414	53,492
Singapore	98,891	14,622	12,509	12,509
India	-	5,559	5,559	5,559
United Arab Emirates	-	(138)	(138)	(138)
	836,763	86,932	71,344	71,422

**A8 Segmental Reporting (Contd.)**

Segmental results by foreign currency for the financial period ended 30 June 2017 are as follows:

**CONSTRUCTION SEGMENT:**

	FOREIGN EXCHANGE RATE	<----- FC'000 ----->				<----- RM'000 ----->			
		Revenue	Profit before tax	Profit after tax	Attributable to owners of the parent	Revenue	Profit before tax	Profit after tax	Attributable to owners of the parent
Malaysia Ringgit (RM'000)		737,872	59,296	48,074	48,152	737,872	59,296	48,074	48,152
United Arab Emirates (AED'000)	1.1926	-	(116)	(116)	(116)	-	(138)	(138)	(138)
India Rupee (INR'000)	0.0669	-	83,091	83,091	83,091	-	5,559	5,559	5,559
Singapore Dollar (SGD'000)	3.1366	-	28	25	25	-	88	79	79
						<u>737,872</u>	<u>64,805</u>	<u>53,574</u>	<u>53,652</u>

	FOREIGN EXCHANGE RATE	TOTAL ASSETS		TOTAL LIABILITIES	
		FC'000	RM'000	FC'000	FC'000
Malaysia Ringgit (RM'000)		1,267,975	1,267,975	871,929	871,929
United Arab Emirates (AED'000)	1.1720	23,021	26,981	12,080	14,158
India Rupee (INR'000)	0.0667	324,640	21,637	155,289	10,350
Singapore Dollar (SGD'000)	3.1248	-	-	64	201
Trinidad & Tobaggo Dollar (TT\$'000)	0.6415	0	0	360	231
			<u>1,316,593</u>		<u>896,868</u>

**PRECAST SEGMENT:**

	FOREIGN EXCHANGE RATE	<----- FC'000 ----->				<----- RM'000 ----->			
		Revenue	Profit before tax	Profit after tax	Attributable to owners of the parent	Revenue	Profit before tax	Profit after tax	Attributable to owners of the parent
Malaysia Ringgit (RM'000)			9,004	6,755	6,755	-	9,004	6,755	9,004
Singapore Dollar (SGD'000)	3.1366	31,528	4,184	3,513	3,513	98,891	13,123	11,014	8,766
						<u>98,891</u>	<u>22,127</u>	<u>17,770</u>	<u>17,770</u>

	FOREIGN EXCHANGE RATE	TOTAL ASSETS		TOTAL LIABILITIES	
		FC'000	RM'000	FC'000	FC'000
Malaysia Ringgit (RM'000)		62,663	62,663	27,601	27,601
Singapore Dollar (SGD'000)	3.1248	40,038	125,111	11,699	36,558
			<u>187,774</u>		<u>64,159</u>

Income and expenses are translated at the average rate whereas the assets and liabilities are translated at the closing rate.

**A9 Material events**

There were no material events subsequent to the current quarter ended 30 June 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 30 June 2017, except for the following:

	As at 30 June 2017 RM'000 (Unaudited)	As at 31 December 2016 RM'000 (Audited)
Guarantees given to third parties in respect of contracts and trade performance	339,842	364,697
Guarantees given to related companies in respect of contracts and trade performance	38,727	38,532
	<u>378,569</u>	<u>403,229</u>

The Group does not have any material contingent assets to be disclosed as at 30 June 2017.

**A11 Commitments**

(a) Capital commitment not provided for in the financial year as at 30 June 2017 and 31 December 2016 is as follows:

	As at 30 June 2017 RM'000 (Unaudited)	As at 31 December 2016 RM'000 (Audited)
Approved and contracted for	16,352	13,825
Approved but not contracted for	2,230	-
	<u>18,582</u>	<u>13,825</u>

(b) Operating lease commitment not provided for in the financial year as at 30 June 2017 and 31 December 2016 is as follows:

	As at 30 June 2017 RM'000 (Unaudited)	As at 31 December 2016 RM'000 (Audited)
Future minimum lease payment:		
- not later than 1 year	4,776	4,494
- later than 1 year and not later than 5 years	3,563	1,430
	<u>8,339</u>	<u>5,924</u>

## B1 Review of Performance

### For the quarter

<u>Total Group</u>	<u>Q2 2017</u>	<u>Q2 2016</u>	<u>Changes</u>
Revenue (RM'mil)	417.3	430.3	(3.0%)
PBT (RM'mil)	42.7	38.1	12.1%
PBT Margin (%)	10.2%	8.9%	

The Group recorded revenue of RM417.3 million and profit before tax of RM42.7 million for the current quarter ended 30 June 2017, compared to revenue of RM430.3 million and profit before tax of RM38.1 million in the corresponding quarter of the preceding financial year. The group's revenue remained relatively the same as construction segment compensated the reduction in revenue from precast segment. The group reported better margins mainly due to higher contribution from construction segment.

<u>Construction Segment</u>	<u>Q2 2017</u>	<u>Q2 2016</u>	<u>Changes</u>
Revenue (RM'mil)	387.2	360.5	7.4%
PBT (RM'mil)	36.4	21.2	71.5%
PBT Margin (%)	9.4%	5.9%	

The construction segment reported revenue of RM387.2 million and profit before tax of RM36.4 million compared to revenue of RM360.5 million and profit before tax of RM21.2 million in the corresponding quarter of the preceding financial year. The segment reported a higher revenue in the current quarter by 7.4% due to higher progress work from external building projects. Construction's profit margin improved from 5.9% to 9.4% generally due to better margins from our existing on-going projects. This segment reported higher other operating income of RM9.2 million in the corresponding quarter of the preceding financial year due to reversal of allowance for impairment from associate ISZL Consortium (ISZL) from recognition of fair value of contra property given in lieu of payment which we have not recognised. For the current period, we have recognised a reversal of doubtful debt as the said debt has been successfully collected.

<u>Precast Segment</u>	<u>Q2 2017</u>	<u>Q2 2016</u>	<u>Changes</u>
Revenue (RM'mil)	30.1	69.8	(56.9%)
PBT (RM'mil)	6.3	16.9	(62.6%)
PBT Margin (%)	20.9%	24.2%	

The precast segment reported revenue of RM30.1 million and profit before tax of RM6.3 million compared to revenue of RM69.8 million and profit before tax of RM16.9 million in the corresponding quarter of the preceding financial year. The lower revenue in the current quarter was due to slower progress by main contractors. New jobs secured will only contribute in the next financial year. Despite the drop in turnover, precast's profit margin for the current quarter remained relatively the same as there was a one-off reduction in operational cost due to the closure of Tampines plant.

### For the 6 months period

<u>Total Group</u>	<u>YTD Q2 2017</u>	<u>YTD Q2 2016</u>	<u>Changes</u>
Revenue (RM'mil)	836.8	854.6	(2.1%)
PBT (RM'mil)	86.9	75.6	14.9%
PBT Margin (%)	10.4%	8.8%	

The Group recorded revenue of RM836.8 million and profit before tax of RM86.9 million for the six months period ended 30 June 2017, compared to revenue of RM854.6 million and profit before tax of RM75.6 million in the corresponding six months period of the preceding financial year. The lower revenue for the current year to date was mainly due to reduction in revenue from precast segment. The group reported better margin mainly due to higher contribution from construction segment.

**B1 Review of Performance (Contd.)**

<u>Construction Segment</u>	<u>YTD Q2 2017</u>	<u>YTD Q2 2016</u>	<u>Changes</u>
Revenue (RM'mil)	737.9	734.3	0.5%
PBT (RM'mil)	64.8	47.2	37.2%
PBT Margin (%)	8.8%	6.4%	

The construction segment in the six months period ended 30 June 2017 posted operating revenue of RM737.9 million, compared to a revenue of RM734.3 million over the corresponding six months period of preceding year. There was no significant variance in revenue for both periods under review. The improvement in profit margin from 6.4% to 8.8% was generally due to better margins for existing on-going projects and arbitration gain from India. This segment reported higher other operating income of RM19.4 million for the six months period of the preceding financial year due to reversal of allowance for impairment from associate ISZL Consortium (ISZL) from recognition of fair value of contra property given in lieu of payment which the segment has not recognised.

<u>Precast Segment</u>	<u>YTD Q2 2017</u>	<u>YTD Q2 2016</u>	<u>Changes</u>
Revenue (RM'mil)	98.9	120.3	(17.8%)
PBT (RM'mil)	22.1	28.4	(22.2%)
PBT Margin (%)	22.3%	23.6%	

The precast segment recorded a revenue of RM98.9 million for the six months period ended 30 June 2017, compared to a revenue of RM120.3 million over the corresponding six months period of preceding year. Cumulative six months revenue decreased by 17.8% mainly due to completion of a few projects. New projects secured will not contribute till next financial year. The segment profit margins for the both period under review remained relatively the same.

**B2 Material Changes in the Quarterly Results**

<u>Total Group</u>	<u>Q2 2017</u>	<u>Q1 2017</u>	<u>Changes</u>
Revenue (RM'mil)	417.3	419.5	(0.5%)
PBT (RM'mil)	42.7	44.2	(3.3%)
PBT Margin (%)	10.2%	10.5%	

The Group recorded revenue of RM417.3 million and profit before tax of RM42.7 million for the current quarter ended 30 June 2017, compared to revenue of RM419.5 million and profit before tax of RM44.2 million in the immediate preceding quarter. Both revenue and profit before tax remained relatively the same in both period.

<u>Construction Segment</u>	<u>Q2 2017</u>	<u>Q1 2017</u>	<u>Changes</u>
Revenue (RM'mil)	387.2	350.7	10.4%
PBT (RM'mil)	36.4	28.4	28.4%
PBT Margin (%)	9.4%	8.1%	

The construction segment reported revenue of RM387.2 million and profit before tax of RM36.4 million compared to revenue of RM350.7 million and profit before tax of RM28.4 million in the immediate preceding quarter. The segment revenue for the current quarter increased by 10.4% mainly due to good progress from building division in central region. The current quarter's profit before tax margin was higher at 9.4% compared to immediate preceding quarter of 8.1% generally due to better margins for existing on-going jobs. The segment reported other operating income of RM 5.0 million for the current quarter, compared to RM2.6 million in the immediate preceding quarter mainly due to reversal of doubtful debt from a recovered debt this quarter.

<u>Precast Segment</u>	<u>Q2 2017</u>	<u>Q1 2017</u>	<u>Changes</u>
Revenue (RM'mil)	30.1	68.8	(56.2%)
PBT (RM'mil)	6.3	15.8	(60.1%)
PBT Margin (%)	20.9%	23.0%	

The precast segment reported revenue of RM30.1 million and profit before tax of RM6.3 million compared to revenue of RM68.8 million and profit before tax of RM15.8 million in the immediate preceding quarter. The segment revenue for the current quarter decreased by 56.2% compared to immediate preceding quarter as a result of a few major projects having completed. Despite the drop in turnover, precast's profit margin for the current quarter remained relatively the same as there was a one-off reduction in operational cost due to the closure of Tampines plant.

### B3 Prospects

The Group's outstanding order book amounts to RM4.3 billion with RM1.0 billion new order book as at end June 2017. The tender book value is now more than RM14 billion with majority of jobs tendered under the civil/infrastructure division. In addition, SunCon at present is in discussion with our parent company for several potential projects.

The construction sector is expected to grow by 8% to RM170 billion this year, boosted by numerous mega infrastructure projects in the country according to CIDB as compared to 7.4% growth or RM166 billion in 2016.

On risk aspect, the price of steel bar for the current quarter has been hovering around RM2,000 per metric tonne as compared to RM2,200 per metric tonne in the immediate preceding quarter. However, subsequent to current quarter, prices have been increasing beyond RM2,200 per metric tonne. The deadline for illegal foreign workers to register their presence with the Immigration Department of Malaysia ended on 30 June 2017. SunCon has always advocate the employment of legal foreign workers and was working alongside our subcontractors to assist them in registering their workers to ensure full compliance.

Under the precast division, the outstanding order stands at RM251.2 million (*Refer to appendix 1*). This translates to approximately one year of turnover which is a norm based on its shorter contract duration. As per Housing and Development Board (HDB), 12,755 units of flats have been launched up to August 2017 (2016 launches amounted to 17,891 units). Despite the healthy flow of HDB unit launches reported, precast revenue has seen a drop in current quarter, due to reasons as explained in note B2. Consequently, revenue for financial year ending 2017 might be affected as progress at site are delayed and translation of launches to physical construction will take time.

The expansion of our Iskandar Plant from 5 lines to 9 lines has been completed. The overall plant capacity for both our Senai and Iskandar Plant is now increased to 156,600m<sup>3</sup> per annum from 128,000m<sup>3</sup> per annum.

Based on the above, underpinned by our healthy outstanding order book, relatively smooth progress of our current projects and despite the anticipated slow down in precast, barring unforeseen circumstances, SunCon expects to perform satisfactorily in this coming year.

### 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 30 June 2017 RM'000 (Unaudited)	Immediate Preceding Quarter Ended 31 March 2017 RM'000 (Unaudited)	Cumulative Year To Date 30 June 2017 RM'000 (Unaudited)
Current taxation	(4,448)	(8,320)	(12,768)
Deferred taxation	<u>(1,622)</u>	<u>(1,198)</u>	<u>(2,820)</u>
	<u>(6,070)</u>	<u>(9,518)</u>	<u>(15,588)</u>
Effective tax rate	14.2%	21.6%	17.9%

The effective tax rate for the current 6 months period ended 2017 of 17.9% is lower than Malaysia's statutory tax rate of 24% mainly due to the lower tax rate payable of 17% by our Singapore subsidiary, foreign income which is not taxable and interest income which are tax free.

## B6 Profit before Taxation

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

	Current Quarter Ended 30 June 2017 RM'000 (Unaudited)	Immediate Preceding Quarter Ended 31 March 2017 RM'000 (Unaudited)	Cumulative Year To Date 30 June 2017 RM'000 (Unaudited)
Interest income	2,312	3,190	5,502
Interest expense	(1,268)	(1,076)	(2,344)
Depreciation and amortisation	(9,149)	(9,137)	(18,286)
Net reversal of impairment for:			
- Trade receivables	2,670	-	2,670
Arbitration gain	2,886	3,230	6,116
Net profit/(loss) on disposal of:			
- Property, plant and equipment, and software	243	(177)	66
Foreign exchange gain/(loss):			
- realised #	(176)	686	510
- unrealised ^	301	(35)	266

# Realised forex loss in the current quarter is due to precast operations where now majority of cost are incurred in MYR and collection are in SGD.

^ Unrealised forex gain in the current quarter is due to translation of foreign currency for our set up in Abu Dhabi.

Material foreign currency transactions exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

## B7 Group Borrowings and Debt Securities

The Group borrowings as at 30 June 2017 are as follows:

	As at 30 June 2017 RM'000 (Unaudited)	As at 30 June 2016 RM'000 (Unaudited)
Borrowings:		
Current (Unsecured)		
- Bills discounting	100,482	74,630

The weighted average interest rates that was effective as at reporting date were as follows:

- Bills discounting	3.97%	4.03%
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The borrowings are all denominated in RM.

The Group's operating cash flow for the current 6 months period was at RM30.9 million compared to negative RM18.1 million for the corresponding preceding period as we managed to collect some undue receipt prior to the recent festive celebration. The corresponding period's negative operating cash flow was also attributed to a lump sum financing scheme for a project that has completed end of December 2016.

## B8 Receivables, deposits and prepayments

The ageing analysis of the Group's trade receivables and other receivables breakdown are as follows:

	As at 30 June 2017 RM'000 (Unaudited)	As at 31 December 2016 RM'000 (Audited)
Neither past due nor impaired	669,461	666,991
1 to 30 days past due not impaired	4,601	27,976
31 to 60 days past due not impaired	4,131	2,543
61 to 90 days past due not impaired	1,818	3,527
91 to 120 days past due not impaired	2,852	7,984
More than 121 past due not impaired	12,420	23,013
	25,822	65,043
Impaired	14,895	19,224
Total trade receivables	710,178	751,258
Less: Allowance for impairment	(14,895)	(19,224)
Other receivables	20,975	31,912
Amounts due from intermediate holding companies	-	3
Amount due from related companies	109,646	147,542
Amount due from an associate	26,813	26,665
Amount due from a joint venture	-	233
	<u>852,717</u>	<u>938,389</u>

The Group's credit period is generally for a period of 30 days to 90 days for both its related parties and external customers.

## B9 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.781.4 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.



## B9 Changes in Material Litigation (Contd.)

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 date will be on 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 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. 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.

## B9 Changes in Material Litigation (Contd.)

(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 9 August 2017, the case was not listed due to non availability of Justice U.U. Lalit. 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.

**B10 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 2017 RM'000 (Unaudited)	As at 31 December 2016 RM'000 (Audited)
Total retained profits of the Group:-		
Realised	321,081	268,822
Unrealised	2,402	15,561
Less: Consolidation adjustments	(27,361)	(27,361)
Total Group's retained profits as per consolidated accounts	296,122	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.

**B11 Dividend**

The Board of Directors would like to propose a first interim dividend of 3.0 cents per share for the financial year ending 31 December 2017. The total dividend payable amount to RM38,767,380. The proposed dividend will be paid on a date to be determined.

**B12 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 30 June 2017 RM'000	Preceding Year Quarter 30 June 2016 RM'000	Current Year To Date 30 June 2017 RM'000	Preceding Year To Date 30 June 2016 RM'000
<b>Basic earnings per share</b>				
Profit attributable to members of the Company	36,763	31,265	71,422	60,320
Weighted Average Number of Ordinary Shares ('000)	1,292,579	1,292,900	1,292,739	1,292,900
Earnings per share (Basic/Diluted) (sen)	2.84	2.42	5.52	4.67

**By Order of the Board**

**Tan Kim Aun**  
**Soh Ke Yi**

**Secretaries**

SUNWAY CONSTRUCTION GROUP BERHAD ( Company No : 1108506-W )  
APPENDIX 1 - OUTSTANDING ORDER BOOK

PROJECT NAME BY SEGMENT	COMPLETION YEAR	CONTRACT SUM RM'mil	OUTSTANDING ORDERBOOK RM'mil
<b>Infrastructure/Piling</b>		<b>1,342</b>	<b>1,078</b>
Mass Rapid Transit Package V201 + S201 (Sg Buloh - Persiaran Dagang)	2Q 2021	1,213	974
Mass Rapid Transit Package V201 - Advance Works	4Q 2017	53	32
Sungai Besi - Ulu Kelang Expressway (SUKE) and Damansara - Shah Alam Highway (DASH) (Bore Piling)	2Q 2018	34	30
Bukit Bintang City Centre Development (Bore Piling)	1Q 2018	34	34
Mega Capital Development	4Q 2017	9	9
<b>Building</b>		<b>2,944</b>	<b>1,652</b>
Putrajaya Parcel F	3Q 2018	1,610	1,064
KLCC (North East Carpark + Package II & IIa)	4Q 2018	646	170
Hospital Universiti Kebangsaan Malaysia (MEP works)	2Q 2018	66	63
International School of Kuala Lumpur	2Q 2018	268	202
Gas District Cooling (Plant 1)	3Q 2018	152	148
Others	Various	202	4
<b>Internal</b>		<b>2,001</b>	<b>1,297</b>
Sunway Velocity Hotel + Office	1Q 2017	101	19
Sunway Velocity Medical Centre	4Q 2018	185	143
Sunway Medical Centre Phase 4 (2 towers)	4Q 2018	428	394
Sunway Iskandar - Citrine Service Apartment	1Q 2017	213	13
Sunway Geo Retail Shops & Flexi Suites Phase 2	1Q 2018	244	62
Sunway Iskandar - Emerald Residences	1Q 2018	175	89
Sunway Iskandar - 88 units shoplots	2Q 2018	57	36
Sunway Iskandar - Retail Complex/Big Box	4Q 2017	100	79
Sunway Serene - Serviced Residences	4Q 2020	449	449
Others	Various	50	12
<b>Singapore - Precast</b>		<b>757</b>	<b>251</b>
Precast	Various	757	251
<b>Grand Total</b>		<b>7,044</b>	<b>4,278</b>