

SUNWAY[®]

CONSTRUCTION

SUNWAY CONSTRUCTION GROUP BERHAD

INTERIM FINANCIAL REPORT

FOURTH QUARTER ENDED 31ST DECEMBER 2016

SUNWAY CONSTRUCTION GROUP BERHAD

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

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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 - 15 |

SUNWAY CONSTRUCTION GROUP BERHAD (Company No : 1108506-W)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
 THE FIGURES HAVE NOT BEEN AUDITED

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

| | NOTE | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|------------|---------------------------------|---|---------------------------------|--|
| | | CURRENT YEAR QUARTER 31/12/2016 | PRECEDING YEAR CORRESPONDING QUARTER 31/12/2015 | CURRENT YEAR TO DATE 31/12/2016 | PRECEDING YEAR CORRESPONDING YEAR 31/12/2015 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| REVENUE | | 553,149 | 470,276 | 1,788,844 | 1,916,859 |
| OPERATING EXPENSES | | (525,005) | (457,446) | (1,674,907) | (1,805,123) |
| OTHER OPERATING INCOME | | 8,899 | 14,731 | 35,651 | 24,552 |
| PROFIT FROM OPERATIONS | | 37,043 | 27,561 | 149,588 | 136,288 |
| FINANCE INCOME AND OTHER DISTRIBUTION INCOME | | 2,139 | 2,371 | 10,140 | 8,045 |
| FINANCE COSTS | | (1,541) | (535) | (6,056) | (3,507) |
| SHARE OF RESULTS OF JOINT VENTURES | | - | - | - | (76) |
| PROFIT BEFORE TAX | B6 | 37,641 | 29,397 | 153,672 | 140,750 |
| INCOME TAX EXPENSE | B5 | (5,653) | 968 | (30,039) | (13,012) |
| PROFIT FOR THE PERIOD | | 31,988 | 30,365 | 123,633 | 127,738 |
| ATTRIBUTABLE TO: | | | | | |
| - OWNERS OF THE PARENT | | 32,053 | 29,345 | 123,508 | 127,164 |
| - NON-CONTROLLING INTERESTS | | (65) | 1,020 | 125 | 574 |
| | | 31,988 | 30,365 | 123,633 | 127,738 |
| EARNINGS PER SHARE | | | | | |
| (i) BASIC (sen) | B11 | 2.48 | 2.27 | 9.55 | 9.84 |
| (ii) DILUTED (sen) | | 2.48 | 2.27 | 9.55 | 9.84 |

(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 YEAR ENDED 31 DECEMBER 2016
 THE FIGURES HAVE NOT BEEN AUDITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|--|--|--|---|
| | CURRENT YEAR QUARTER 31/12/2016 | PRECEDING YEAR CORRESPONDING QUARTER 31/12/2015 | CURRENT YEAR TO DATE 31/12/2016 | PRECEDING YEAR CORRESPONDING YEAR 31/12/2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| PROFIT FOR THE PERIOD | 31,988 | 30,365 | 123,633 | 127,738 |
| OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT AND LOSS IN SUBSEQUENT PERIODS | | | | |
| FOREIGN CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN OPERATION | 8,051 | (752) | 2,714 | 13,728 |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | <u>8,051</u> | <u>(752)</u> | <u>2,714</u> | <u>13,728</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | <u>40,039</u> | <u>29,613</u> | <u>126,347</u> | <u>141,466</u> |
| ATTRIBUTABLE TO: | | | | |
| - OWNERS OF THE PARENT | 40,104 | 28,593 | 126,222 | 140,892 |
| - NON-CONTROLLING INTERESTS | (65) | 1,020 | 125 | 574 |
| | <u>40,039</u> | <u>29,613</u> | <u>126,347</u> | <u>141,466</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 YEAR ENDED 31 DECEMBER 2016
 THE FIGURES HAVE NOT BEEN AUDITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

| | AS AT FINANCIAL YEAR ENDED 31/12/2016 RM'000 (UNAUDITED) | AS AT FINANCIAL YEAR ENDED 31/12/2015 RM'000 (AUDITED) |
|---|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment, and software | 134,348 | 162,529 |
| Other investments | 273 | 273 |
| Goodwill | 3,647 | 3,647 |
| Deferred tax assets | 11,543 | 13,760 |
| | <u>149,811</u> | <u>180,209</u> |
| Current assets | | |
| Inventories | 23,950 | 17,293 |
| Receivables, deposits and prepayments | 911,548 | 717,089 |
| Tax recoverable | 14,922 | 14,370 |
| Placement in funds | - | 78,000 |
| Cash and bank balances | 465,768 | 390,477 |
| Derivative assets | 1,341 | - |
| | <u>1,417,529</u> | <u>1,217,229</u> |
| TOTAL ASSETS | <u>1,567,340</u> | <u>1,397,438</u> |
| EQUITY AND LIABILITIES | | |
| Current liabilities | | |
| Payables, accruals and other current liabilities | 924,813 | 795,566 |
| Borrowings | B7 136,515 | 136,841 |
| Tax payable | 11,418 | 9,258 |
| | <u>1,072,746</u> | <u>941,665</u> |
| Non-current liabilities | | |
| Deferred taxation liabilities | 608 | 4,095 |
| | <u>608</u> | <u>4,095</u> |
| Total liabilities | <u>1,073,354</u> | <u>945,760</u> |
| Equity attributable to Owners of the Parent | | |
| Share capital | 258,580 | 258,580 |
| Negative merger reserve | (37,894) | (37,894) |
| Retained profits | 257,011 | 217,542 |
| Other reserves | 15,530 | 12,816 |
| | <u>493,227</u> | <u>451,044</u> |
| NON-CONTROLLING INTERESTS | 759 | 634 |
| Total equity | <u>493,986</u> | <u>451,678</u> |
| TOTAL EQUITY AND LIABILITIES | <u>1,567,340</u> | <u>1,397,438</u> |
| Net Assets Per Share Attributable To Owners Of The Parent (RM) | 0.38 | 0.35 |
| (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 YEAR ENDED 31 DECEMBER 2016
 THE FIGURES HAVE NOT BEEN AUDITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

| | ----- ATTRIBUTABLE TO OWNERS OF THE PARENT ----- | | | | | | | | | |
|------------------------------------|--|----------------------------|---|--------------------------------------|---|--|-------------------------------|-----------------|--|---------------------------|
| | ----- NON-DISTRIBUTABLE ----- | | | | DISTRIBUTABLE | | | | | |
| | SHARE CAPITAL RM'000 | SHARE PREMIUM RM'000 | NEGATIVE MERGER RESERVE RM'000 | OTHER RESERVES TOTAL RM'000 | CAPITAL CONTRIBUTION BY IMMEDIATE HOLDING COMPANY RM'000 | FOREIGN EXCHANGE RESERVE RM'000 | RETAINED PROFITS RM'000 | TOTAL RM'000 | NON- CONTROLLING INTERESTS RM'000 | TOTAL EQUITY RM'000 |
| YEAR ENDED 31 DECEMBER 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 | - | - | - | - | - | - | 123,508 | 123,508 | 125 | 123,633 |
| Other comprehensive income | - | - | - | 2,714 | - | 2,714 | - | 2,714 | - | 2,714 |
| Total comprehensive income | - | - | - | 2,714 | - | 2,714 | 123,508 | 126,222 | 125 | 126,347 |
| Dividends paid | - | - | - | - | - | - | (84,039) | (84,039) | - | (84,039) |
| At 31 December 2016 | 258,580 | - | (37,894) | 15,530 | 670 | 14,860 | 257,011 | 493,227 | 759 | 493,986 |
| YEAR ENDED 31 DECEMBER 2015 | | | | | | | | | | |
| At 1 January 2015 | 193,954 | 38,515 | (11,783) | (912) | 670 | (1,582) | 160,378 | 380,152 | 60 | 380,212 |
| Profit for the year | - | - | - | - | - | - | 127,164 | 127,164 | 574 | 127,738 |
| Other comprehensive income | - | - | - | 13,728 | - | 13,728 | - | 13,728 | - | 13,728 |
| Total comprehensive income | - | - | - | 13,728 | - | 13,728 | 127,164 | 140,892 | 574 | 141,466 |
| Transactions with owners | | | | | | | | | | |
| Issuance of ordinary shares | 258,580 | - | - | - | - | - | - | 258,580 | - | 258,580 |
| Arising from acquisition of SunCon | (193,954) | (38,515) | (26,111) | - | - | - | - | (258,580) | - | (258,580) |
| Dividends paid | - | - | - | - | - | - | (70,000) | (70,000) | - | (70,000) |
| Total transactions with owners | 64,626 | (38,515) | (26,111) | - | - | - | (70,000) | (70,000) | - | (70,000) |
| At 31 December 2015 | 258,580 | - | (37,894) | 12,816 | 670 | 12,146 | 217,542 | 451,044 | 634 | 451,678 |

(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 YEAR ENDED 31 DECEMBER 2016
THE FIGURES HAVE NOT BEEN AUDITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

| | FOR THE 12 MONTHS YEAR ENDED 31/12/2016 | FOR THE 12 MONTHS YAER ENDED 31/12/2015 |
|---|---|---|
| | RM'000 (UNAUDITED) | RM'000 (AUDITED) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 153,672 | 140,750 |
| Adjustments for: | | |
| - non-cash items | 16,941 | 38,665 |
| - finance costs | 6,056 | 3,507 |
| - finance income and other distribution income | (10,140) | (8,045) |
| Operating cash flows before working capital changes | 166,529 | 174,877 |
| Changes in working capital | (58,979) | 64,948 |
| Cash flow generated from operations | 107,550 | 239,825 |
| Interest and other distribution income received | 10,140 | 8,045 |
| Interest paid | (6,056) | (3,507) |
| Dividend received from jointly controlled entities | - | 24,841 |
| Tax refunded | 125 | 220 |
| Tax paid | (31,871) | (29,778) |
| Net cash flow generated from operating activities | 79,888 | 239,646 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of property, plant and equipment, and software | 8,193 | 14,980 |
| Acquisition of property, plant and equipment, and software | (18,977) | (38,673) |
| Advances from related companies | 11,296 | 24,542 |
| Net cash flow from placement in funds | 78,000 | (64,800) |
| Dividend received | 9 | - |
| Net cash generated from/(used in) investing activities | 78,521 | (63,951) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net bank and other borrowings | (326) | 1,599 |
| Dividend paid to shareholders | (84,039) | (70,000) |
| Net cash used in financing activities | (84,365) | (68,401) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 74,044 | 107,294 |
| EFFECTS OF EXCHANGE RATE CHANGES | 2,052 | 4,766 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR | 389,672 | 277,612 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR | 465,768 | 389,672 |
| Cash and cash equivalents at end of financial year comprise the following : | | |
| Deposits with licensed banks and other financial institutions | 377,534 | 277,555 |
| Placement in funds | - | 78,000 |
| Cash and bank balances | 88,234 | 112,922 |
| Cash and bank balances, and placement in funds | 465,768 | 468,477 |
| Less: Deposits with other financial institutions with maturity of over 3 months | - | (805) |
| Less: Placement in funds | - | (78,000) |
| Cash and cash equivalents | 465,768 | 389,672 |
| (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:

| | |
|---|---|
| MFRS 14 | Regulatory Deferral Accounts |
| Amendments to MFRS 116 and Amendments to MFRS 138 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to MFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |
| Amendments to MFRS 127 | Equity Method in Separate Financial Statements |
| Amendments to MFRS 101 | Disclosure Initiative |
| Amendments to MFRS 10, 12 and Amendments to MFRS 128 | Investment Entities: Applying the Consolidation Exception |
| Amendments to MFRS 116 and Amendments to MFRS 141 | Agriculture: Bearer plants |
| Amendments 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 31 December 2016 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 December 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 31 December 2016 except for those disclosed in Note B7.

A7 **Dividend paid**

During the financial year ended 31 December 2016, the following payments of dividend have been made:

- a) On 25 February 2016, the Board of Directors declared an interim single-tier dividend of 4 cents per ordinary shares 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.
- b) On 25 August 2016, the Board of Directors declared a first interim dividend of 2.5 cents per ordinary shares for the financial year ending 31 December 2016. The total dividend payable amount to RM32,322,520. 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 29 September 2016.

A8 **Segmental Reporting**

Segmental results for the financial year ended 31 December 2016 are as follows:

| | Construction RM'000 | Precast Concrete RM'000 | Consolidated RM'000 |
|--|------------------------|-------------------------------|------------------------|
| <u>BY BUSINESS SEGMENTS</u> | | | |
| REVENUE AND EXPENSES | | | |
| Total revenue | 1,889,169 | 367,440 | 2,256,609 |
| Inter-segment revenue | (387,070) | (80,695) | (467,765) |
| External revenue | 1,502,099 | 286,745 | 1,788,844 |
| Results | | | |
| Operating segment results | 91,395 | 58,193 | 149,588 |
| Finance income and other distribution income | 10,108 | 32 | 10,140 |
| Finance costs | (6,054) | (2) | (6,056) |
| Profit before tax | 95,449 | 58,223 | 153,672 |
| Income tax expense | (18,261) | (11,778) | (30,039) |
| Profit after tax | 77,188 | 46,445 | 123,633 |
| Non controlling interests | (125) | - | (125) |
| Attributable to owners of the parent | 77,063 | 46,445 | 123,508 |

| | 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 | 1,502,100 | 100,792 | 76,687 | 76,550 |
| Singapore | 286,744 | 34,312 | 28,378 | 28,378 |
| India | - | (816) | (816) | (816) |
| United Arab Emirates | - | 19,384 | 19,384 | 19,396 |
| | 1,788,844 | 153,672 | 123,633 | 123,508 |

A9 Material events

There were no material events subsequent to the current quarter ended 31 December 2016.

A10 Contingent Liabilities and Assets

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

| | As at 31 December 2016 RM'000 (Unaudited) | As at 31 December 2015 RM'000 (Audited) |
|---|---|---|
| Guarantees given to third parties in respect of contracts and trade performance | 364,697 | 418,241 |
| Guarantees given to related companies in respect of contracts and trade performance | 38,532 | 50,845 |
| | <u>403,229</u> | <u>469,086</u> |

The Group does not have any material contingent assets to be disclosed as at 31 December 2016.

A11 Commitments

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

| | As at 31 December 2016 RM'000 (Unaudited) | As at 31 December 2015 RM'000 (Audited) |
|---------------------------------|---|---|
| Approved and contracted for | 13,825 | 208 |
| Approved but not contracted for | - | 5,860 |
| | <u>13,825</u> | <u>6,068</u> |

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

| | As at 31 December 2016 RM'000 (Unaudited) | As at 31 December 2015 RM'000 (Audited) |
|--|---|---|
| Future minimum lease payment: | | |
| - not later than 1 year | 4,494 | 7,583 |
| - later than 1 year and not later than 5 years | 1,430 | 7,350 |
| | <u>5,924</u> | <u>14,933</u> |

B1 Review of PerformanceFor the quarter

| <u>Total Group</u> | <u>Q4 2016</u> | <u>Q4 2015</u> |
|--------------------|----------------|----------------|
| Revenue | 553.1 | 470.2 |
| PBT | 37.6 | 29.4 |
| PBT Margin | 6.8% | 6.3% |

The Group recorded revenue of RM553.1 million and profit before tax of RM37.6 million for the current quarter ended 31 December 2016, compared to revenue of RM470.2 million and profit before tax of RM29.4 million in the corresponding quarter of the preceding financial year.

| <u>Construction Segment</u> | <u>Q4 2016</u> | <u>Q4 2015</u> |
|-----------------------------|----------------|----------------|
| Revenue | 466.5 | 417.6 |
| PBT | 20.3 | 9.3 |
| PBT Margin | 4.4% | 2.2% |

The construction segment in the current quarter reported revenue of RM466.5 million and profit before tax of RM20.3 million compared to revenue of RM417.6 million and profit before tax of RM9.3 million in the corresponding quarter of the preceding financial year. The higher revenue in the current quarter was due to increased activities under Building Division. The improvement in the current quarter's profit before tax margin was partly due to the absence of further loss recognition from a project in the corresponding quarter of the preceding financial year.

| <u>Precast Segment</u> | <u>Q4 2016</u> | <u>Q4 2015</u> |
|------------------------|----------------|----------------|
| Revenue | 86.6 | 52.6 |
| PBT | 17.3 | 20.1 |
| PBT Margin | 20.0% | 38.2% |

The precast segment in the current quarter reported revenue of RM86.6 million and profit before tax of RM17.3 million compared to revenue of RM52.6 million and profit before tax of RM20.1 million in the corresponding quarter of the preceding financial year. The increased in revenue of 65% culminates from increased in production volume and higher certification from client. This higher volume was in line with the delivery schedule of our existing order book. The higher margin in previous corresponding quarter was a result of finalisation of accounts and better pricing obtained for jobs secured earlier.

For the 12 months period

| <u>Total Group</u> | <u>YTD Q4 2016</u> | <u>YTD Q4 2015</u> |
|--------------------|--------------------|--------------------|
| Revenue | 1,788.8 | 1,916.8 |
| PBT | 153.7 | 140.8 |
| PBT Margin | 8.6% | 7.3% |

The Group recorded revenue of RM1,788.8 million and profit before tax of RM153.7 million for the twelve months period ended 31 December 2016, compared to revenue of RM1,916.8 million and profit before tax of RM140.8 million in the corresponding twelve months period of the preceding financial year.

B1 Review of Performance (Contd.)

For the 12 months period (Contd.)

| <u>Construction Segment</u> | <u>YTD Q4 2016</u> | <u>YTD Q4 2015</u> |
|-----------------------------|--------------------|--------------------|
| Revenue | 1,502.1 | 1,664.0 |
| PBT | 95.5 | 63.8 |
| PBT Margin | 6.4% | 3.8% |

The construction segment in the current year reported revenue of RM1,502.1 million and profit before tax of RM95.5 million compared to revenue of RM1,664 million and profit before tax of RM63.8 million in the corresponding twelve months period of the preceding financial year. The lower revenue in the current year ended was due to both Civil/Infrastructure and Foundation/Geotechnical Engineering divisions. Under the Civil/Infrastructure division, we saw the completion of KVMRT V4 (viaduct guide way and associated works from Section 17 Petaling Jaya to Semantan Portal) and LRT Package B (Kelana Jaya Line Extension). Both projects were opened to the public respectively on 16 December 2016 and 30 June 2016. In addition, the newly awarded KVMRT V201 awarded on 1 April 2016 did not garner much revenue as there were much preparatory works involved which were not claimable this year. Under Foundation/Geotechnical Engineering Division, the lower revenue was a result of lower order book during the year.

However, the overall margin saw an improvement from 3.8% in the corresponding preceding full financial year to 6.4%. In the corresponding preceding full financial year, we have accounted for loss recognition due to acceleration cost incurred whilst waiting for our claims to be evaluated. In addition, for the current year, certain projects were bringing in better margins than anticipated towards tail end of their project cycle.

| <u>Precast Segment</u> | <u>YTD Q4 2016</u> | <u>YTD Q4 2015</u> |
|------------------------|--------------------|--------------------|
| Revenue | 286.7 | 252.8 |
| PBT | 58.2 | 77.0 |
| PBT Margin | 20.3% | 30.4% |

The precast segment in the current year reported revenue of RM286.7 million and profit before tax of RM58.2 million compared to revenue of RM252.8 million and profit before tax of RM77 million in the corresponding twelve months period of the preceding financial year. Precast revenue increased by 13.4% as a result of higher average sale price for certain precast component. The higher margin in corresponding preceding full financial year was a result of finalisation of accounts and better pricing obtained for jobs secured earlier.

B2 Material Changes in the Quarterly Results

| <u>Total Group</u> | <u>Q4 2016</u> | <u>Q3 2016</u> |
|--------------------|----------------|----------------|
| Revenue | 553.1 | 381.1 |
| PBT | 37.6 | 40.4 |
| PBT Margin | 6.8% | 10.6% |

The Group recorded revenue of RM553.1 million and profit before tax of RM37.6 million for the current quarter ended 31 December 2016, compared to revenue of RM381.1 million and profit before tax of RM40.4 million in the immediate preceding quarter.

| <u>Construction Segment</u> | <u>Q4 2016</u> | <u>Q3 2016</u> |
|-----------------------------|----------------|----------------|
| Revenue | 466.5 | 301.3 |
| PBT | 20.3 | 27.9 |
| PBT Margin | 4.4% | 9.3% |

The construction segment in the current quarter reported revenue of RM466.5 million and profit before tax of RM20.3 million compared to revenue of RM301.3 million and profit before tax of RM27.9 million in the immediate preceding quarter. The higher revenue recorded in current quarter was mainly due to certain projects which gained momentum.

B2 Material Changes in the Quarterly Results (Contd.)

The immediate preceding quarter's profit before tax margin was higher as there was an upward adjustment in margin recognition for certain projects.

| <u>Precast Segment</u> | <u>Q4 2016</u> | <u>Q3 2016</u> |
|------------------------|----------------|----------------|
| Revenue | 86.6 | 79.8 |
| PBT | 17.3 | 12.5 |
| PBT Margin | 20.0% | 15.7% |

The precast segment in the current quarter reported revenue of RM86.6 million and profit before tax of RM17.3 million compared to revenue of RM79.8 million and profit before tax of RM12.5 million in the immediate preceding quarter. The increase in revenue in the current quarter stems from client's higher certification for delivery made in previous quarter. The higher margin in the current quarter was due to completion of a project which managed to record better margins after its final delivery this current quarter.

B3 Prospects

The Group has secured new order book of RM2.7 billion in 2016 and RM449 million was secured in January 2017. These bring the outstanding order book to RM4.8 billion. The recently announced Budget 2017 allocated a sum of RM46 billion for development expenditure which is 2.2% higher than last year's Budget. This bodes well for the Group which has the proven track record to bid for such development projects.

Based on the foregoing and barring any unforeseen circumstances, the Group expects to perform satisfactorily 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

| | Current Quarter Ended 31 December 2016 RM'000 (Unaudited) | Cumulative Year To Date 31 December 2016 RM'000 (Unaudited) |
|-------------------|--|--|
| Current taxation | (13,458) | (33,422) |
| Deferred taxation | 7,805 | 3,383 |
| | <u>(5,653)</u> | <u>(30,039)</u> |

The effective tax rate for the current 12 months year 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:

| | Current Quarter Ended 31 December 2016 RM'000 (Unaudited) | Cumulative Year To Date 31 December 2016 RM'000 (Unaudited) |
|---|--|--|
| Interest income | 2,139 | 10,140 |
| Interest expense | (1,541) | (6,056) |
| Depreciation and amortisation | (9,596) | (39,054) |
| Net (provision)/reversal of impairment for: | | |
| - Trade receivables | (2,828) | (1,139) |
| - Advances to associate | 5,979 | 18,900 |
| Write off: | | |
| - Trade receivables | (49) | (370) |
| - Property, plant and equipment, and software | (111) | (647) |
| Net (loss)/gain on disposal of: | | |
| - Property, plant and equipment, and software | (26) | 637 |
| Foreign exchange gain/(loss): | | |
| - realised | 255 | (5) |
| Gain on derivatives | 75 | - |
| Fair value gain/(loss) of ESOS option | 1,133 | (991) |
| Gain on hedged instruments | 1,341 | 1,341 |
| Fair value gain on financial assets and financial liabilities | <u>6,734</u> | <u>4,566</u> |

B7 Group Borrowings and Debt Securities

The Group borrowings as at 31 December 2016 are as follows:

| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
|---------------------|---------------------------|-----------------------------|-------------------------|
| Borrowings: | | | |
| - Current | | | |
| - Bills discounting | <u>136,515</u> | <u>-</u> | <u>136,515</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.

B8 Changes in Material Litigation (Contd.)

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 was not listed on 17 October 2016. Hearing continued on 5 January 2017 and the Supreme Court appointed Hon'ble Mr Justice Vikramajit Sen (Former Judge of the Supreme Court) as arbitrator in place of the late Justice H.L. Agrawal (Retd.) for adjudication of the disputes and differences between the Parties. A sitting of the Tribunal stands fixed for 24 February 2017.

- (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. Matter has been adjourned several times and has been further adjourned to 4 April 2017 pending further settlement discussions.

The solicitors acting for Sunway Construction Caribbean is of the view that the chances of success is in favor of Sunway Construction Caribbean although the full amount of Sunway Construction Caribbean's claim may not be recoverable based on the information before them.

B8 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 25 January 2017, the case was adjourned to 7 April 2017. The solicitors acting for SunCon is of the view that SunCon has a good case on the merits and a correspondingly high probability of success before the Supreme Court.

(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 matter is fixed for hearing on 17 March 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. 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 31 December 2016 RM'000 (Unaudited) | As at 31 December 2015 RM'000 (Audited) |
|---|---|---|
| Total retained profits of the Group:- | | |
| Realised | 238,001 | 204,433 |
| Unrealised | 19,010 | 13,109 |
| Total Group's retained profits as per consolidated accounts | 257,011 | 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

Other than the dividend paid as disclosed in note A7, a second interim dividend of 2.5 cents per ordinary shares for the financial year ended 31 December 2016 has been proposed by the Board of Directors. 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 year.

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|--|--|--|--|
| | Current Year Quarter 31 December 2016 RM'000 | Preceding Year Quarter 31 December 2015 RM'000 | Current Year To Date 31 December 2016 RM'000 | Preceding Year To Date 31 December 2015 RM'000 |
| <u>Basic earnings per share</u> | | | | |
| Profit attributable to members of the Company | 32,053 | 29,345 | 123,508 | 127,164 |
| Weighted Average Number of Ordinary Shares ('000) | 1,292,900 | 1,292,900 | 1,292,900 | 1,292,900 |
| Earnings per share (Basic) (sen) | 2.48 | 2.27 | 9.55 | 9.84 |

There is no diluted earnings per share as the Group does not have any convertible financial instruments as at the end of the financial year ended 31 December 2016.

By Order of the Board

**Tan Kim Aun
Soh Ke Yi**

Secretaries