

TO: BURSA MALAYSIA SECURITIES BERHAD
FR: SUNWAY HOLDINGS BERHAD (37465A)

FAX NO: 03-2026 3670
FAX NO: 03-5639 9507

25 MAY 2010

1. Basis of Preparation

The interim report is unaudited and is prepared in accordance with FRS 134 "Interim Financial Reporting" and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's Annual Statutory Financial Statements for the financial period ended 31 December 2009.

As announced on 10 December 2008, the Company has changed its financial year end from 30 June to 31 December. Pursuant to the change in the financial year end, comparative figures for the current quarter and the cumulative period are not presented.

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 period ended 31 December 2009.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual statutory financial statements for the financial period ended 31 December 2009 except as mentioned in Note 2 below.

2. Changes in Accounting Policies

The significant accounting policies adopted by the Group in this interim financial report are consistent with those of the statutory financial statements for the financial period ended 31 December 2009 except for the adoption of the following new and revised Financial Reporting Standards ("FRSs") and Issues Committee ("IC") Interpretations that are effective for the financial period beginning on 1 January 2010:

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Share-based Payment – Vesting Conditions and Cancellations
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 139, FRS 7 and IC Interpretation 9	Financial Instruments: Recognition and Measurement, Financial Instruments: Disclosures, and Reassessment of Embedded Derivatives
Amendments to FRSs	Improvements to FRSs (2009)
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes

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2. Changes in Accounting Policies (contd.)

c) FRS 139 – Financial Instruments: Recognition and Measurement

FRS139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at balance sheet date reflects the designation of the financial instrument.

Loan and receivables

Prior to 1 January 2010, loans and receivables were stated at the gross proceeds receivable less provision for doubtful debts. Under FRS139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Gains or losses are recognised in the consolidated income statement when the loans and receivables are derecognised, impaired or through amortisation process.

Payables

Under FRS139, payables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Gains or losses are recognised in the consolidated income statement when the liabilities are derecognised or through amortisation process.

Derivative Financial Instruments

Prior to 1 January 2010, derivatives were not recognised in the financial statements. Under FRS139, derivatives are required to be initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured to fair value at each balance sheet date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains and losses arising from the changes in fair value on derivatives that do not qualify for hedge accounting are recognised in consolidated income statement.

In accordance with the transitional provisions of FRS139, the above changes are applied prospectively and the comparatives as at 31 December 2009 are not restated. Instead, the changes have been accounted for by restating the opening balances in the balance sheet as at 1 January 2010.

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2. Changes in Accounting Policies (contd.)

c) FRS 139 – Financial Instruments: Recognition and Measurement (contd.)

As a result, the following adjustments were made to the opening balances as at 1 January 2010:

	As at 1 January 2010 RM'000
Decrease in Receivables	(7,930)
Increase in Derivative Financial Assets	905
Decrease in Payables	4,538
Decrease in Borrowings	269
Increase in Derivative Financial Liabilities	(3,193)
Increase in Accumulated Loss	5,056
Decrease in Minority Interests	355

In addition, these changes in accounting policies have the effect of increasing the profit for the current quarter by RM5.0 million.

3. Qualification of Financial Statements

The auditors' report of the preceding annual statutory financial statements was not subject to any qualification.

4. Seasonal or Cyclical Factors

The Group's operations were not materially affected by any seasonal or cyclical factors.

5. Nature and Amount of Unusual Items

There were no unusual items for the current financial quarter and financial period-to-date.

6. Nature and Amount of Changes in Estimates

There were no changes in estimates of amounts in the prior financial years that have material effect in the current interim period.

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7. Issuance and Repayment of Debt and Equity Securities

There was no issuance or repayment of debt and equity securities, share cancellations and resale of treasury shares for the current financial period under review except for the issuance of equity securities of 581,000 and 5,000 new ordinary shares for cash pursuant to the Employees' Share Option Scheme at exercise price of RM1.00 and RM1.21 per share respectively.

8. Dividend paid

There was no dividend paid during the quarter ended 31 March 2010.

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9. Segment Reporting

	<u>Construction RM'000</u>	<u>Property Development RM'000</u>	<u>Trading RM'000</u>	<u>Building Materials RM'000</u>	<u>Quarry RM'000</u>	<u>Financial Services RM'000</u>	<u>Investment Holding RM'000</u>	<u>Others RM'000</u>	<u>Intersegment Eliminations RM'000</u>	<u>Group RM'000</u>
Revenue										
External revenue	281,275	40,099	108,644	27,498	40,953	598	158	2,455	-	501,680
Inter-segment revenue	-	-	12,570	1,195	10,020	564	4,543	3,015	(31,907)	-
Total revenue	281,275	40,099	121,214	28,693	50,973	1,162	4,701	5,470	(31,907)	501,680
Segment results	26,480	5,931	7,971	560	2,060	413	(1,136)	599	-	42,878
Gain on derivatives										4,588
Finance income										191
Finance cost										(8,004)
Share of results of jointly controlled entities	7,805	1,274	-	-	-	-	-	-	-	9,079
Share of results of associates	-	-	(18)	-	-	-	-	1,643	-	1,625
Profit before taxation										50,357
Taxation										(9,254)
Profit for the financial period										41,103

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10. Valuation of Property, Plant and Equipment and Investment Properties

There is no valuation of property, plant and equipment and investment properties, as the Group does not adopt a revaluation policy.

11. Material Events Subsequent to the End of the Period Under Review

There was no material event subsequent to the period ended 31 March 2010.

12. Changes in the Composition of the Group

There were no material changes in the composition of the Group for the current financial quarter and financial period to date.

13. Contingent Liabilities

Details of contingent liabilities of the Group as at the date of issue of the report are as follows:

	31-Mar-10	31-Dec-09
	<u>RM'000</u>	<u>RM'000</u>
Guarantees given to third parties in respect of contracts and trade performance	1,455,738	1,699,736

There were no other material changes in contingent liabilities since the last annual balance sheet date.

14. Review of Performance

The Group achieved revenue of RM 501.7 million and profit before taxation of RM 50.4 million, which include RM 5.0 million gains arising from the adoption of FRS 139, during the quarter under review. The Group's performance was mainly contributed by the construction, property development and trading and manufacturing divisions.

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15. Material Changes in the Quarterly Results Compared to the Results of the Immediate Preceding Quarter

During the current quarter, the Group recorded lower revenue of RM501.7 million as compared to the revenue of RM 550.8 million in the immediate preceding quarter. Despite a decline in revenue, the Group recorded an increase in profit before taxation by about 40%, from RM35.9 million in the last preceding quarter to RM50.4 million achieved during the current quarter under review.

By removing the FRS 139 effects, the profit before taxation for the current quarter was RM45.4 million. The improvement in operating results were mainly as a result of better margins achieved by both the local and foreign construction projects, property development both in Malaysia and Singapore, as well as the overseas trading division.

16. Current Year Prospects

The Group expects the construction, property development and trading divisions to continue to remain as the main contributor to the Group's results in this financial year.

With an outstanding order book of approximately RM 2.8 billion coupled with the pick-up in the local construction scene, the Group's construction arm will be kept busy for the coming year.

The Group's local and Singapore property development projects provide healthy unbilled sales of RM515 million which will be recognized over the next 2 years. This, together with income from upcoming property development project launches, will contribute positively to the earnings in the current year.

17. Variance of Actual Profit from Profit Forecast

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

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18. Income Tax

	Individual Quarter 31-Mar-10 <u>RM'000</u>	Cumulative Quarter 31-Mar-10 <u>RM'000</u>
Current taxation	9,253	9,253
Deferred taxation	(218)	(218)
Under accruals in respect of prior financial years	219	219
	<u>9,254</u>	<u>9,254</u>

The lower effective tax rate for the current quarter as compared to the statutory tax rate is mainly due to certain foreign sourced income not subject to tax.

19. Profits/(Loss) on Sale of Unquoted Investments and/or Properties

There was no disposal of unquoted investments and/or properties for the current quarter.

20. Quoted Securities

There was neither any purchase nor disposal of quoted securities for the current quarter.

21. Status of Corporate Proposals Announced

There were no corporate proposals announced but not completed as at the date of this report except for the following:-

- (a) On 10 June 2009, the Company announced that its subsidiaries, Sunway Holdings Vietnam Sdn Bhd and Sunway Property (China) Limited, had on 9 June 2009, entered into a share sale and purchase agreement with Mega Methods Sdn Bhd for the proposed disposal of the entire equity interest of Hochimex Nominee Company Limited and its subsidiary for a total cash consideration of USD17 million (equivalent to approximately RM59.33 million) ("Proposed Disposal").

The Proposed Disposal had been approved by the shareholders of the Company at an Extraordinary General Meeting held on 10 July 2009.

On 8 December 2009, both parties entered into a Supplemental Agreement to extend the Conditions Fulfillment Period of the Proposed Disposal for another 6 months to expire on 9 June 2010 or such other period as the parties may mutually agree.

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21. Status of Corporate Proposals Announced (contd.)

- (b) On 19 January 2010, the Company announced that SunwayMas Sdn. Bhd. ("SunwayMas"), its wholly-owned subsidiary had entered into a Share Sale Agreement and Shareholders Agreement with Templer Forest Resort Sdn. Bhd. ("Templer Forest").

Pursuant to the Share Sale Agreement, SunwayMas shall acquire 60% equity interest, comprising 1,980,000 ordinary shares of RM1.00 each in Spanland Sdn. Bhd. ("Spanland") from Templer Forest for a total purchase consideration of RM13,800,000 ("Proposed Acquisition"). The Shareholders Agreement outlines the joint venture arrangement of SunwayMas and Templer Forest and their mutual rights and obligations as shareholders of Spanland as well as to jointly undertake a property development project on parcels of leasehold land measuring approximately 98.43 acres located at Mukim Rawang, District of Gombak, Selangor.

Upon completion of the Proposed Acquisition, Spanland shall become a 60% owned subsidiary of SunwayMas. The Shareholders Agreement will come into effect on the completion of the Proposed Acquisition.

The Proposed Acquisition is expected to be completed within 21 business days after the fulfillment of all conditions precedent or such other date as may be agreed between the parties.

- (c) On 9 April 2010, the Company announced that SunwayMas entered into a Joint Venture Agreement ("JVA") with Monty Properties Sdn. Bhd. ("Monty Properties") to undertake a property development project known as "Puncak Jalil" on the three parcels of land (hereinafter referred to as "the Proposed Joint Venture") through a joint venture company, Geneba Dua Sdn. Bhd. ("Geneba Dua"). SunwayMas and Monty Properties have entered into the JVA to undertake the Proposed Joint Venture as well as to record their joint venture arrangement and their rights and obligations as shareholders in Geneba Dua.

Pursuant to the JVA, the paid-up share capital of Geneba Dua will be increased from RM2 to RM6,000,000. SunwayMas and Monty Properties shall subscribe to an amount of RM3,900,000 and RM2,100,000 respectively within 7 business days after the day upon which all conditions have been fulfilled or obtained in accordance with the JVA.

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21. Status of Corporate Proposals Announced (contd.)

(d) On 3 May 2010, the Company announced that Sunway Marketing Sdn. Bhd. ("Sunway Marketing"), a wholly-owned subsidiary of the Company had entered into a Joint Venture cum Shareholders Agreement ("JVA") with Opus Developers and Builders Private Limited ("Opus") to set up a joint venture company known as Sunway Opus International Trading Private Limited ("Sunway Opus") to undertake the business of import, marketing and sale of architectural and finishing products such as sanitary wares and fittings, ceramic tiles, marble, pipes, iron-mongering and hardware products, paints, home furniture and such other like articles as well as to regulate their relationships as shareholders of Sunway Opus.

Pursuant to the JVA, the initial paid-up share capital of Sunway Opus will be Rs10,00,000/- comprising 1,00,000 shares at par value of Rs10/- per share. Opus and Sunway Marketing shall subscribe to an amount of Rs4,00,000/- and Rs6,00,000/- respectively. The paid-up share capital of Sunway Opus will gradually increase to Rs75,00,000/- as and when Sunway Opus requires working capital for its operation.

22. Group Borrowings and Debt Securities

Group borrowings and debt securities as at the end of the financial period are as follows:

	<u>Current</u> <u>RM'000</u>	<u>Non-Current</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<u>Borrowings</u>			
Secured	83,435	86,432	169,867
Unsecured	174,412	312,630	487,042
	257,847	399,062	656,909

Included in the above are borrowings which are denominated in foreign currencies as follows:-

	<u>Current</u>	<u>Non Current</u>
<u>Secured</u>		
Denominated in Singapore Dollar (SGD'000)	639	2,713
Denominated in Trinidad & Tobago Dollar (TTD'000)	8,940	26,820
Denominated in Chinese Renminbi (RMB'000)	19,905	76,203
Denominated in Australian Dollar (AUD'000)	1,422	191
<u>Unsecured</u>		
Denominated in Singapore Dollar (SGD'000)	8,135	1,851
Denominated in United States Dollar (USD'000)	2,995	-
Denominated in Chinese Renminbi (RMB'000)	10,541	-
Denominated in Hong Kong Dollar (HKD'000)	22,577	-

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23. Financial Instruments

As at 31 March 2010, the Group's outstanding derivatives were as follows:

Type of Derivatives	Notional Value	Fair Value	Gains arising from Fair Value Changes for the Period
	RM'000	RM'000	RM'000
Foreign currency forward contracts			
- Less than 1 year	92,873	4,649	
	<u>92,873</u>	<u>4,649</u>	<u>3,937</u>
Interest rate swap contracts			
- Less than 1 year	41,463	(791)	
- 1 year to 3 years	21,789	(185)	
- More than 3 years	9,105	32	
	<u>72,357</u>	<u>(944)</u>	<u>406</u>
Other derivatives			
- Less than 1 year		(1,211)	
		<u>(1,211)</u>	<u>245</u>
Total derivatives		<u>2,494</u>	<u>4,588</u>

Foreign currency forward contracts

The Group entered into foreign currency forward contracts to minimise its exposure to foreign currency risks as a result of transactions denominated in currencies other than its functional currency, arising from normal business activities. These are done in accordance with the Group's foreign currency hedging policy and are executed with credit-worthy financial institutions which are governed by appropriate policies and procedures.

The derivatives arising from the foreign currency forward contracts are stated at fair value, using the prevailing market rates. Derivatives with positive market values are included under current assets and derivatives with negative market values are included under current liabilities. Any changes in fair value of derivatives during the period are taken directly to the income statement.

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23. Financial Instruments (contd.)

Interest rate swap contracts

The Group entered into interest rate swap contracts to manage its interest rate risk arising primarily from interest-bearing borrowings. Borrowings at floating rate expose the Group to fair value interest rates and the hedging contract minimises the fluctuation of cash flow due to changes in the market interest rates. The above interest rate hedging contracts are executed with credit-worthy financial institutions which are governed by appropriate policies and procedures.

The derivatives arising from the interest rate swap contracts are computed using the present value of the difference between the floating rates and fixed rates applied to the principal amounts over the duration of swap expiring subsequent to period end. Any changes in fair value of derivatives during the period are taken directly to the income statement.

Other derivatives

These arise from:

(i) a convertible loan issued by a subsidiary of the Company that contain both liability and conversion option components that are classified separately into their respective items on initial recognition. The fair value of the derivative component was estimated using the binomial method and the change in fair value is recognised in the income statement; and

(ii) an option granted to a minority shareholder of a subsidiary. The fair value of the option was estimated using the binomial method and the change in fair value is recognised in the income statement.

24. Material Litigation

- (a) A suit was filed by Affin Bank Berhad ("Affin") against, inter alia, Yap Yee Ping and Ng Kam Hung ("Plaintiffs") for payment of an amount of RM27.7 million and/or any other amount to Affin. The Plaintiffs are seeking, inter alia, certain declarations and also an order that SunwayMas Sdn Bhd ("SunwayMas"), a wholly-owned subsidiary of the Group, indemnifies the Plaintiffs for all claims brought against them by Affin in relation to a tripartite agreement executed amongst Cindai Unggul Sdn Bhd ("Employer"), SunwayMas and BSN Commercial Bank Bhd (now vested in Affin) on 2 May 2000. SunwayMas was appointed as a Project Manager to revive, manage and coordinate the development and construction of the Employer on a piece of land in the Mukim of Pulai, District of Johor Bahru, Johor.

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24. Material Litigation (contd.)

Arising from this suit, the Plaintiffs have filed a counterclaim action against Affin and SunwayMas as the second defendant on 9 May 2008. Thereafter, the Plaintiffs have served a Statement of Defence and Counterclaim ("Counterclaim") on SunwayMas. Sunwaymas intends to defend this Counterclaim and at the advice of their solicitors, an order to strike out the case has been submitted, followed by a statement of defense on 4 December 2008. The hearing for case management which was fixed on 27 July 2009, was adjourned to 30 September 2009. On the said date, the hearing for case management was fixed on 4 February 2010 and it has been struck out with costs. The employer filed an appeal against the decision on 2 March 2010. The hearing date for the appeal is yet to be fixed by the Court.

SunwayMas's solicitors are of the opinion that the chances of success of the Plaintiffs' claim against Sunwaymas are negligible.

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

- (b) 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 Rs891.5 million (approximately equivalent to RM70 million).

At the hearing on 2 February 2009, the arbitrator recorded SunCon's filing of the Statement of Defence and Counterclaim. In the counterclaim, SunCon is seeking for Rs78,13,94,628.61 (approximately equivalent to RM60 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.

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24. Material Litigation (contd.)

On 5 Feb 2010, the hearing was devoted to the Claimant's letter of 2 February 2010. The Arbitrator felt that the controversy raised by the Claimant regarding the proper compliance of the Order dated 23 November 2009 should be brought to an end at the soonest and amicably. After some arguments, the arbitrator dictated an order basically stating that:

- (i) SunCon should put on affidavit the information it has already supplied;
- (ii) SunCon will need to get verifiable status or details in relation to the existing Bank Guarantees.

The first direction was complied on 24 February 2010.

On 1 April 2010, the Claimant's lawyer concluded his arguments on SunCon's Section 16 Application. SunCon's lawyer barely started on its Rejoinder when the hearing concluded for the day. SunCon's solicitors submitted the rejoinder to the reply of the Claimant to the Application of SunCon under Section 17 of the Arbitration & Conciliation Act, 1996.

On 21 April 2010, SunCon's lawyers concluded arguments on the Section 16 Application. Parties have been asked to make a synopsis of written arguments by 3 May 2010. The matter was listed on 12 May 2010 for orders and other procedural matters. The Arbitrator has indicated that he would like to give a decision on the Section 16 Application first, before proceeding with other matters.

On 12 May 2010, the Arbitrator had rejected the Claimant's objections to SunCon's Section 16 application which order is not appealable. SunCon's Section 17 Application would be heard on 24 and 25 May 2010.

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

Except for the abovementioned claims, there was no pending material litigation as at 18 May 2010 being the latest practicable date, which is not earlier than 7 days from the date of this report.

25. Dividend

No dividend has been proposed by the Board of Directors for the financial period ended 31 March 2010.

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26. Earnings Per Share

	Individual Quarter <u>31-Mar-10</u>	Cumulative Quarter <u>31-Mar-10</u>
Net earnings for the period (RM'000)	39,893	39,893
Weighted average number of ordinary share in issue ('000)	576,263	576,263
Basic earnings per share (sen)	6.92	6.92
Net earnings for the period (RM'000)	39,893	39,893
Weighted average number of ordinary share in issue ('000)	610,045	610,045
Diluted earnings per share (sen)	6.54	6.54

The computation of the weighted average number of ordinary shares in issue is net of treasury shares.

27. Commitments

- (a) Capital commitment not provided for in the financial period as at 31 March 2010 is as follows:-

	<u>31-Mar-10</u> <u>RM'000</u>	<u>31-Dec-09</u> <u>RM'000</u>
Amount authorised and contracted for	4,069	4,313
Amount authorised but not contracted for	13,894	29,176
	<u>17,963</u>	<u>33,489</u>

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27. Commitments (contd.)

- (b) Operating lease commitment not provided for in the financial period as at 31 March 2010 is as follows:-

	31-Mar-10	31-Dec-09
	<u>RM'000</u>	<u>RM'000</u>
Future minimum lease payments:		
- not later than 1 year	23,906	29,658
- later than 1 year and not later than 5 years	46,474	57,609
- later than 5 years	33,843	30,202
	<u>104,223</u>	<u>117,469</u>
Future minimum sublease receipts:		
- not later than 1 year	505	551
- later than 1 year and not later than 5 years	71	295
	<u>576</u>	<u>846</u>

By order of the Board
Puan Sri Datin Seri (Dr) Susan Cheah Seok Cheng
Tan Kim Aun
Lee Suan Choo
Secretaries