

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

|  | NOTE      | INDIVIDUAL QUARTER             |  | CUMULATIVE QUARTER             |   |
|--|-----------|--------------------------------|--|--------------------------------|---|
|  |           | CURRENT YEAR QUARTER 30/6/2014 | PRECEDING YEAR CORRESPONDING QUARTER 30/6/2013 | CURRENT YEAR TO DATE 30/6/2014 | PRECEDING YEAR CORRESPONDING PERIOD 30/6/2013 |
|  |           | RM'000                         | RM'000   | RM'000                         | RM'000  |
| REVENUE  |           | 1,204,621                      | 1,118,043                                      | 2,230,349                      | 2,139,075                                     |
| OPERATING EXPENSES                               |           | (1,086,793)                    | (1,024,355)                                    | (2,019,365)                    | (1,971,124)                                   |
| OTHER OPERATING INCOME                           |           | 16,211                         | 22,897   | 32,659                         | 34,694  |
| PROFIT FROM OPERATIONS                           |           | 134,039                        | 116,585  | 243,643                        | 202,645                                       |
| (LOSS)/GAIN ON DERIVATIVES                       |           | 156                            | (79)   | 126                            | 177   |
| FINANCE INCOME                                   |           | 12,271                         | 8,357  | 22,453                         | 18,869  |
| FINANCE COSTS                                    |           | (22,483)                       | (20,964)                                       | (40,485)                       | (43,142)                                      |
| SHARE OF PROFIT FROM ASSOCIATES                  |           | 81,454                         | 78,801   | 101,556                        | 97,499  |
| SHARE OF PROFIT FROM JOINTLY CONTROLLED ENTITIES |           | 28,135                         | 29,809   | 48,479                         | 58,982  |
| PROFIT BEFORE TAX                                |           | 233,572                        | 212,509  | 375,772                        | 335,030                                       |
| INCOME TAX EXPENSE                               | <b>B5</b> | (44,857)                       | (32,457)                                       | (75,300)                       | (58,799)                                      |
| PROFIT FOR THE PERIOD                            |           | 188,715                        | 180,052  | 300,472                        | 276,231                                       |
| ATTRIBUTABLE TO:                                 |           |                                |  |                                |   |
| - OWNERS OF THE PARENT                           |           | 182,531                        | 170,345  | 286,521                        | 260,900                                       |
| - NON-CONTROLLING INTERESTS                      |           | 6,184                          | 9,707  | 13,951                         | 15,331  |
|  |           | 188,715                        | 180,052  | 300,472                        | 276,231                                       |
| EARNINGS PER SHARE                               |           |                                |  |                                |   |
| (i) BASIC ( sen )                                |           | 10.59                          | 11.60  | 16.62                          | 17.76   |
| (ii) DILUTED ( sen )                             |           | 10.19                          | 11.23  | 16.10                          | 17.57   |

( The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements. )

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2014

|   | INDIVIDUAL QUARTER                      |   | CUMULATIVE QUARTER                      |  |
|---|---|---|---|--|
|   | CURRENT<br>YEAR<br>QUARTER<br>30/6/2014 | PRECEDING YEAR<br>CORRESPONDING<br>QUARTER<br>30/6/2013 | CURRENT<br>YEAR<br>TO DATE<br>30/6/2014 | PRECEDING YEAR<br>CORRESPONDING<br>PERIOD<br>30/6/2013 |
|   | RM'000                                  | RM'000  | RM'000                                  | RM'000   |
| PROFIT FOR THE PERIOD   | 188,715                                 | 180,052   | 300,472                                 | 276,231  |
| <b>OTHER COMPREHENSIVE INCOME TO BE<br/>RECLASSIFIED TO PROFIT AND LOSS IN<br/>SUBSEQUENT PERIODS</b>   |   |   |   |  |
| FOREIGN CURRENCY TRANSLATION<br>DIFFERENCES FOR FOREIGN OPERATION   | (8,781)                                 | 661   | (16,668)                                | 1,042  |
| REVALUATION OF PROPERTY, PLANT AND<br>EQUIPMENT   | 91                                      | -   | 91                                      | -  |
| CASH FLOW HEDGE RESERVE - FAIR VALUE GAINS  |   |   |   |  |
| - FAIR VALUE OF DERIVATIVES   | (11,886)                                | 22,363  | (21,198)                                | 34,359   |
| - AMOUNT RECYCLED TO PROFIT OR LOSS   | 18,503                                  | (29,352)  | 29,556                                  | (39,470)   |
| OTHER COMPREHENSIVE INCOME TO BE<br>RECLASSIFIED TO PROFIT AND LOSS IN<br>SUBSEQUENT PERIODS, REPRESENTING<br>OTHER COMPREHENSIVE (LOSS)/INCOME<br>FOR THE PERIOD | <u>(2,073)</u>                          | <u>(6,328)</u>  | <u>(8,219)</u>                          | <u>(4,069)</u>   |
| TOTAL COMPREHENSIVE INCOME<br>FOR THE PERIOD  | <u>186,642</u>                          | <u>173,724</u>  | <u>292,253</u>                          | <u>272,162</u>   |
| ATTRIBUTABLE TO:  |   |   |   |  |
| - OWNERS OF THE PARENT  | 180,979                                 | 162,475   | 277,256                                 | 254,950  |
| - NON-CONTROLLING INTERESTS   | 5,663                                   | 11,249  | 14,997                                  | 17,212   |
|   | <u>186,642</u>                          | <u>173,724</u>  | <u>292,253</u>                          | <u>272,162</u>   |

( The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.)

**SUNWAY BERHAD ( Company No : 921551-D )**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014**  
**THE FIGURES HAVE NOT BEEN AUDITED**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2014**

|   | <b>AS AT END OF<br/>CURRENT QUARTER<br/>30/6/2014<br/>RM'000</b> | <b>AS AT PRECEDING<br/>FINANCIAL PERIOD END<br/>31/12/2013<br/>RM'000<br/>(AUDITED)</b> |
|---|--|---|
| <b>ASSETS</b>   |  |   |
| <b>Non-current assets</b>   |  |   |
| Property, plant and equipment   | 891,962  | 866,202   |
| Biological assets   | 1,028  | 981   |
| Investment properties   | 1,945,987  | 1,802,958   |
| Rock reserves   | 7,052  | 7,183   |
| Land held for property development  | 909,386  | 886,805   |
| Investment in associates  | 1,452,951  | 1,392,713   |
| Investment in jointly controlled entities                                 | 988,242  | 912,182   |
| Other investments   | 1,837  | 1,839   |
| Derivative assets   | 3,475  | 22,955  |
| Receivables   | 29,843   | 2,305   |
| Goodwill  | 315,801  | 319,444   |
| Deferred tax assets   | 34,817   | 37,741  |
|   | <u>6,582,381</u>   | <u>6,253,308</u>  |
| <b>Current assets</b>   |  |   |
| Properties development costs  | 1,150,792  | 1,174,981   |
| Inventories   | 579,841  | 615,822   |
| Receivables, deposits & prepayments                                       | 1,613,250  | 1,455,545   |
| Deposits, bank & cash balances  | 1,479,456  | 1,448,818   |
| Tax recoverable   | 53,622   | 55,120  |
| Other investments   | 70,000   | 70,000  |
| Derivative assets   | 5,610  | 19,281  |
|   | <u>4,952,571</u>   | <u>4,839,567</u>  |
| Assets of disposal group classified as held for sale                      | 8,684  | 8,686   |
| <b>TOTAL ASSETS</b>   | <u>11,543,636</u>  | <u>11,101,561</u>   |
| <b>EQUITY AND LIABILITIES</b>   |  |   |
| <b>Current liabilities</b>  |  |   |
| Payables, accruals & other current liabilities                            | 1,858,727  | 2,051,789   |
| Bank borrowings   | 2,069,675  | 2,000,746   |
| Taxation  | 30,463   | 21,357  |
| Derivative liabilities  | 25   | 142   |
|   | <u>3,958,890</u>   | <u>4,074,034</u>  |
| <b>Non-current liabilities</b>  |  |   |
| Long term bank borrowings   | 1,142,110  | 794,716   |
| Other long term liabilities   | 436,773  | 448,717   |
| Derivative liabilities  | -  | 66  |
| Deferred taxation   | 77,380   | 73,994  |
|   | <u>1,656,263</u>   | <u>1,317,493</u>  |
| Liabilities of disposal group classified as held for sale                 | 64,815   | 64,835  |
| <b>Total liabilities</b>  | <u>5,679,968</u>   | <u>5,456,362</u>  |
| <b>Equity attributable to Owners of the Parent</b>                        |  |   |
| Share capital   | 1,723,817  | 1,723,524   |
| Share premium   | 2,629,069  | 2,628,404   |
| Equity contribution from non-controlling interests                        | 51,654   | 51,654  |
| Negative merger reserve   | (1,192,040)  | (1,192,040)   |
| Retained profits  | 2,085,662  | 1,885,661   |
| Reserve of disposal group classified as held for sale                     | 22,488   | 22,488  |
| Other reserves  | 210,269  | 208,608   |
|   | <u>5,530,919</u>   | <u>5,328,299</u>  |
| <b>NON-CONTROLLING INTERESTS</b>  | <u>332,749</u>   | <u>316,900</u>  |
| <b>Total equity</b>   | <u>5,863,668</u>   | <u>5,645,199</u>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                       | <u>11,543,636</u>  | <u>11,101,561</u>   |
| <b>Net Assets Per Share Attributable To Owners Of<br/>The Parent (RM)</b> | <b>3.21</b>  | <b>3.09</b>   |

( The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2014

|  | ATTRIBUTABLE TO OWNERS OF THE PARENT |               |  |                         |                       |                   |                            |                          |                    |                   |                     |                      |                         |                              | DISTRIBUTABLE    |   |           | NON-CONTROLLING INTERESTS | TOTAL EQUITY |
|--|--------------------------------------|---------------|--|-------------------------|-----------------------|-------------------|----------------------------|--------------------------|--------------------|-------------------|---------------------|----------------------|-------------------------|------------------------------|------------------|---|-----------|---------------------------|--------------|
|  |                                      |               |  |                         |                       | NON-DISTRIBUTABLE |                            |                          |                    |                   |                     |                      |                         |                              | RETAINED PROFITS | RESERVE OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE |           |                           |              |
|  | SHARE CAPITAL                        | SHARE PREMIUM | EQUITY CONTRIBUTION FROM NON-CONTROLLING INTERESTS | NEGATIVE MERGER RESERVE | OTHER RESERVES, TOTAL | CAPITAL RESERVE   | CAPITAL REDEMPTION RESERVE | FOREIGN EXCHANGE RESERVE | FAIR VALUE RESERVE | STATUTORY RESERVE | REVALUATION RESERVE | SHARE OPTION RESERVE | CASH FLOW HEDGE RESERVE | FURNITURE & FITTINGS RESERVE |                  | 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            | RM'000              | RM'000               | RM'000                  | RM'000                       | RM'000           | RM'000  | RM'000    |                           |              |
| <b>PERIOD ENDED 30 JUNE 2013</b>   |                                      |               |  |                         |                       |                   |                            |                          |                    |                   |                     |                      |                         |                              |                  |   |           |                           |              |
| At 1 January 2013  | 1,292,505                            | 2,326,509     | 51,654   | (1,192,040)             | 163,638               | 34,137            | 98,963                     | (17,641)                 | 21,712             | 879               | 22,357              | 3,170                | (1,636)                 | 1,697                        | 934,375          | -   | 3,576,641 | 380,862                   | 3,957,503    |
| Profit for the year  | -                                    | -             | -  | -                       | -                     | -                 | -                          | -                        | -                  | -                 | -                   | -                    | -                       | -                            | 260,900          | -   | 260,900   | 15,331                    | 276,231      |
| Other comprehensive income   | -                                    | -             | -  | -                       | (5,950)               | -                 | -                          | (839)                    | -                  | -                 | -                   | -                    | (5,111)                 | -                            | -                | -   | (5,950)   | 1,881                     | (4,069)      |
| Total comprehensive income   | -                                    | -             | -  | -                       | (5,950)               | -                 | -                          | (839)                    | -                  | -                 | -                   | -                    | (5,111)                 | -                            | 260,900          | -   | 254,950   | 17,212                    | 272,162      |
| Exercise of warrants   | 12                                   | 21            | -  | -                       | -                     | -                 | -                          | -                        | -                  | -                 | -                   | -                    | -                       | -                            | -                | -   | 33        | -                         | 33           |
| Acquisition of interest from non-controlling interests                             | -                                    | -             | -  | -                       | -                     | -                 | -                          | -                        | -                  | -                 | -                   | -                    | -                       | -                            | (3,571)          | -   | (3,571)   | (51,901)                  | (55,472)     |
| Disposal of subsidiary   | -                                    | -             | -  | -                       | -                     | -                 | -                          | -                        | -                  | -                 | -                   | -                    | -                       | -                            | (529)            | -   | (529)     | -                         | (529)        |
| Dividends declared   | -                                    | -             | -  | -                       | -                     | -                 | -                          | -                        | -                  | -                 | -                   | -                    | -                       | -                            | (77,911)         | -   | (77,911)  | -                         | (77,911)     |
| Dividends paid to non-controlling interests  | -                                    | -             | -  | -                       | -                     | -                 | -                          | -                        | -                  | -                 | -                   | -                    | -                       | -                            | -                | -   | -         | (14,429)                  | (14,429)     |
| Utilisation of furniture & fittings reserve  | -                                    | -             | -  | -                       | (104)                 | -                 | -                          | -                        | -                  | -                 | -                   | -                    | -                       | (104)                        | -                | -   | (104)     | -                         | (104)        |
| At 30 June 2013  | 1,292,517                            | 2,326,530     | 51,654   | (1,192,040)             | 157,584               | 34,137            | 98,963                     | (18,480)                 | 21,712             | 879               | 22,357              | 3,170                | (6,747)                 | 1,593                        | 1,113,264        | -   | 3,749,509 | 331,744                   | 4,081,253    |
| <b>PERIOD ENDED 30 JUNE 2014</b>   |                                      |               |  |                         |                       |                   |                            |                          |                    |                   |                     |                      |                         |                              |                  |   |           |                           |              |
| At 1 January 2014  | 1,723,524                            | 2,628,404     | 51,654   | (1,192,040)             | 208,608               | 34,137            | 99,062                     | (22,541)                 | 21,712             | 879               | 25,881              | 42,883               | 1,307                   | 5,288                        | 1,885,661        | 22,488  | 5,328,299 | 316,900                   | 5,645,199    |
| Profit for the year  | -                                    | -             | -  | -                       | -                     | -                 | -                          | -                        | -                  | -                 | -                   | -                    | -                       | -                            | 286,521          | -   | 286,521   | 13,951                    | 300,472      |
| Other comprehensive income   | -                                    | -             | -  | -                       | (9,265)               | -                 | -                          | (17,714)                 | -                  | -                 | 91                  | -                    | 8,358                   | -                            | -                | -   | (9,265)   | 1,046                     | (8,219)      |
| Total comprehensive income   | -                                    | -             | -  | -                       | (9,265)               | -                 | -                          | (17,714)                 | -                  | -                 | 91                  | -                    | 8,358                   | -                            | 286,521          | -   | 277,256   | 14,997                    | 292,253      |
| New ESOS granted   | -                                    | -             | -  | -                       | 11,240                | -                 | -                          | -                        | -                  | -                 | -                   | 11,240               | -                       | -                            | -                | -   | 11,240    | -                         | 11,240       |
| Issuance of ordinary shares pursuant to exercise of ESOS                           | 273                                  | 634           | -  | -                       | (157)                 | -                 | -                          | -                        | -                  | -                 | -                   | (157)                | -                       | -                            | -                | -   | 750       | -                         | 750          |
| Issuance of ordinary shares pursuant to exercise of warrants                       | 20                                   | 31            | -  | -                       | -                     | -                 | -                          | -                        | -                  | -                 | -                   | -                    | -                       | -                            | -                | -   | 51        | -                         | 51           |
| Dividends declared   | -                                    | -             | -  | -                       | -                     | -                 | -                          | -                        | -                  | -                 | -                   | -                    | -                       | -                            | (86,177)         | -   | (86,177)  | -                         | (86,177)     |
| Dilution of equity interest in a subsidiary  | -                                    | -             | -  | -                       | -                     | -                 | -                          | -                        | -                  | -                 | -                   | -                    | -                       | -                            | -                | -   | -         | 83                        | 83           |
| Issuance of redeemable preference shares to non-controlling interest by subsidiary | -                                    | -             | -  | -                       | -                     | -                 | -                          | -                        | -                  | -                 | -                   | -                    | -                       | -                            | -                | -   | -         | 21,200                    | 21,200       |
| Utilisation of furniture & fittings reserve  | -                                    | -             | -  | -                       | (157)                 | -                 | -                          | -                        | -                  | -                 | -                   | -                    | -                       | (157)                        | -                | -   | (157)     | -                         | (157)        |
| Liquidation of an associate  | -                                    | -             | -  | -                       | -                     | -                 | -                          | -                        | -                  | -                 | -                   | -                    | -                       | -                            | (343)            | -   | (343)     | -                         | (343)        |
| At 30 June 2014  | 1,723,817                            | 2,629,069     | 51,654   | (1,192,040)             | 210,269               | 34,137            | 99,062                     | (40,255)                 | 21,712             | 879               | 25,972              | 53,966               | 9,665                   | 5,131                        | 2,085,662        | 22,488  | 5,530,919 | 332,749                   | 5,863,668    |

(The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2014

|   | FOR THE<br>6 MONTHS<br>PERIOD<br>ENDED<br>30/6/2014 | FOR THE<br>6 MONTHS<br>PERIOD<br>ENDED<br>30/6/2013 |
|---|---|---|
|   | RM'000  | RM'000  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |   |
| Profit before tax   | 375,772   | 335,030   |
| Adjustments for:  |   |   |
| - non-cash items  | (86,417)  | (103,365)   |
| - finance costs   | 40,485  | 43,142  |
| - finance income  | (22,453)  | (18,869)  |
| Operating cash flows before working capital changes   | 307,387   | 255,938   |
| Changes in working capital  | (76,274)  | (195,869)   |
| Cash flow from operations   | 231,113   | 60,069  |
| Interest received   | 21,011  | 16,556  |
| Dividend received from jointly controlled entities and associates                             | 69,592  | 89,061  |
| Tax refunded  | 8,520   | 3,406   |
| Tax paid  | (61,924)  | (47,737)  |
| Net cash flow from operating activities   | 268,312   | 121,355   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |   |   |
| Proceeds from disposal of property, plant & equipment   | 7,990   | 2,532   |
| Proceed from disposal of a subsidiary   | 3,201   | -   |
| Acquisition of land   | (257,038)   | (5,730)   |
| Acquisition of property, plant and equipment and biological assets                            | (78,922)  | (53,764)  |
| Acquisition of intangible assets  | (14)  | -   |
| Acquisition and additional investment in subsidiaries   | -   | (24,277)  |
| Acquisition and subsequent expenditure of investment properties                               | (143,027)   | (149,056)   |
| Acquisition of other investment   | (3)   | (93)  |
| Investment in associates  | (2,624)   | (2,999)   |
| (Advances to)/Repayment from associates, jointly controlled entity and joint venture partners | 20,333  | (11,772)  |
| Investment in jointly controlled entities   | (53,480)  | (145,328)   |
| Net cash used in investing activities   | (503,584)   | (390,487)   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |   |   |
| Net bank and other borrowings   | 398,607   | 228,433   |
| Advances from/(to) non-controlling interests of subsidiary companies                          | 33  | -   |
| Interest paid   | (37,945)  | (41,867)  |
| Proceeds from issue of redeemable preference shares to non-controlling interest by subsidiary | 21,200  | -   |
| Proceeds from issue of shares from exercise of warrants                                       | 31  | 33  |
| Proceeds from issue of shares from exercise of ESOS   | 770   | -   |
| Dividend paid to shareholders   | (86,177)  | (77,550)  |
| Dividend paid to non-controlling interests of subsidiaries                                    | (20,431)  | (14,214)  |
| Net cash generated from financing activities  | 276,088   | 94,835  |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS  | 40,816  | (174,297)   |
| EFFECTS OF EXCHANGE RATE CHANGES  | 1,662   | (2,706)   |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD  | 1,359,099   | 1,063,712   |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD  | 1,401,577   | 886,709   |
| Cash and cash equivalents at end of financial period comprise the following :                 |   |   |
| Deposits, bank & cash balances  | 1,479,456   | 985,766   |
| Bank overdrafts   | (77,879)  | (99,057)  |
|   | 1,401,577   | 886,709   |

( The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.)

## NOTES TO FINANCIAL STATEMENTS

### A1 Accounting Policies and Basis of Preparation

The Group has prepared its financial statements using the Financial Reporting Standards ("FRS") for the financial period ending 30 June 2014.

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities, inter alia, that are within the scope of IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer (herein called "Transitioning Entities").

The Group falls within the scope of Transitioning Entities. Transitioning Entities are allowed to defer the adoption of the new MFRS Framework for an additional three years. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2015.

Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2015.

The interim financial report is unaudited and is prepared in accordance with FRS134 " 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 year ended 31 December 2013. 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 year ended 31 December 2013.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 31 December 2013 except for the adoption of the following new FRSs, amendments to FRSs and IC Interpretations that are effective for financial statements effective from 1 January 2014, as disclosed below:

|   |  |
|---|--|
| Amendments to FRS 132                       | Offsetting Financial Assets and Financial Liabilities        |
| Amendments to FRS 10,<br>FRS 12 and FRS 127 | Investment Entities  |
| Amendments to FRS 136                       | Recoverable Amount Disclosures for Non-Financial Assets      |
| Amendments to FRS 139                       | Novation of Derivatives and Continuation of Hedge Accounting |
| IC Interpretation 21                        | Levies   |

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 annual 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 except for the leisure and hospitality segments which normally peaks during major festive seasons and holidays.

**A4 Unusual Items**

There were no material unusual items affecting the amounts reported for the current quarter ended 30 June 2014 except for the following:

## a) Current and preceding year corresponding quarter

|   | 30/6/14<br>RM'million | 30/6/13<br>RM'million |
|---|-----------------------|-----------------------|
| Profit before tax as reported   | 233.6                 | 212.5                 |
| (Gain)/Loss on derivatives <sup>1</sup>                                       | (0.2)                 | 0.1                   |
| Fair value of ESOS option <sup>2</sup>  | 5.6                   | -                     |
| Fair value gain <sup>3</sup>  | (61.9)                | (59.7)                |
| <b>Profit before tax excluding unusual items</b>                              | <b>177.1</b>          | <b>152.9</b>          |
| Profit after tax and non-controlling interests as reported                    | 182.5                 | 170.3                 |
| (Gain)/Loss on derivatives <sup>1</sup>                                       | (0.2)                 | 0.1                   |
| Fair value of ESOS option <sup>2</sup>  | 5.6                   | -                     |
| Fair value gain <sup>3</sup>  | (61.9)                | (59.7)                |
| <b>Profit after tax and non-controlling interests excluding unusual items</b> | <b>126.0</b>          | <b>110.7</b>          |

## b) Cumulative current and preceding year to date

|   | 30/6/14<br>RM'million | 30/6/13<br>RM'million |
|---|-----------------------|-----------------------|
| Profit before tax as reported   | 375.8                 | 335.0                 |
| Gain on derivatives <sup>1</sup>  | (0.1)                 | (0.1)                 |
| Fair value of ESOS option <sup>2</sup>  | 11.8                  | -                     |
| Fair value gain <sup>3</sup>  | (61.9)                | (59.7)                |
| <b>Profit before tax excluding unusual items</b>                              | <b>325.6</b>          | <b>275.2</b>          |
| Profit after tax and non-controlling interests as reported                    | 286.5                 | 260.9                 |
| Gain on derivatives <sup>1</sup>  | (0.1)                 | (0.1)                 |
| Fair value of ESOS option <sup>2</sup>  | 11.8                  | -                     |
| Fair value gain <sup>3</sup>  | (61.9)                | (59.7)                |
| <b>Profit after tax and non-controlling interests excluding unusual items</b> | <b>236.3</b>          | <b>201.1</b>          |

Notes:

<sup>1</sup> The Group recognised RM0.2 million and RM0.1 million (profit before and after tax and non-controlling interests) in gain on derivatives as a result of the effects of FRS 139: Financial Instruments: Recognition and Measurement, for the quarter and 6 months ended 30 June 2014 respectively. The Group recognised RM0.1 million loss on derivatives and RM0.1 million gain on derivatives for the quarter and 6 months ended 30 June 2013 respectively.

<sup>2</sup> The Group has implemented the Employees' Share Option Scheme ("ESOS") with effect from 3 September 2013, total fair value expenses of the ESOS option granted will be charged to Income Statements over 4 years. During the quarter, the Group has charged the fair value expenses of RM5.5 million (profit before tax and after tax and non-controlling interests) for ESOS option, which are included in the operating expenses item for the quarter. The Group incurred fair value expenses of ESOS option of RM11.8 million (profit before tax and after tax and non-controlling interests) for the 6 month ended 30 June 2014.

<sup>3</sup> The Group recognised RM61.9 million (profit before tax and after tax and non-controlling interests) as share of fair value gain from Sunway REIT for the quarter ended 30 June 2014. For the corresponding quarter ended 30 June 2013, the Group recognised RM59.7 million (profit before tax and after tax and non-controlling interests) as share of fair value gain from Sunway REIT.

**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 2014.

**A6 Issuances, Cancellations, Repurchases, Resale and Repayments of Debts and Equity Securities**

During the financial period ended 30 June 2014, the Company increased its issued and paid up ordinary share capital by way of:

- (a) issuance of 272,600 ordinary shares of RM1.00 each pursuant to the exercise of the Employees' Share Option Scheme; and
- (b) issuance of 20,741 ordinary shares of RM1.00 each pursuant to the exercise of warrants.

Save for the above, there was no issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the current period under review.

**A7 Dividend Paid**

During the financial period ended 30 June 2014, RM86,176,200 was paid on 30 April 2014 as interim single tier dividend of 5% per ordinary share of RM1.00 each for the financial year ended 31 December 2013.



**A8 Segmental Reporting**

Segmental results for the financial period ended 30 June 2014, representing both core and non-core segmental results, are as follows:

|   | Property<br>Development<br>RM'000 | Property<br>Investment<br>Division<br>RM'000 | Construction<br>RM'000 | Trading and<br>Manufacturing<br>RM'000 | Quarry<br>RM'000 | Investment<br>Holdings<br>RM'000 | Others<br>RM'000 | Eliminations<br>RM'000 | Consolidated<br>RM'000 |
|---|-----------------------------------|--|------------------------|--|------------------|----------------------------------|------------------|------------------------|------------------------|
| <b>BY BUSINESS SEGMENTS</b>                 |                                   |  |                        |  |                  |                                  |                  |                        |                        |
| <b>REVENUE AND EXPENSES</b>                 |                                   |  |                        |  |                  |                                  |                  |                        |                        |
| Revenue                                     |                                   |  |                        |  |                  |                                  |                  |                        |                        |
| External sales                              | 524,025                           | 282,231                                      | 784,813                | 311,060                                | 105,967          | 32                               | 222,221          | -                      | 2,230,349              |
| Inter-segment sales                         | 66                                | 9,579  | 119,129                | 71,395                                 | 1,501            | 205,432                          | 20,434           | (427,536)              | -                      |
| <b>Total Revenue</b>                        | <b>524,091</b>                    | <b>291,810</b>                               | <b>903,942</b>         | <b>382,455</b>                         | <b>107,468</b>   | <b>205,464</b>                   | <b>242,655</b>   | <b>(427,536)</b>       | <b>2,230,349</b>       |
| Results                                     |                                   |  |                        |  |                  |                                  |                  |                        |                        |
| Operating segment results                   | 110,094                           | 46,724                                       | 56,650                 | 20,090                                 | 13,615           | (17,834)                         | 14,304           | -                      | 243,643                |
| Gain on derivatives                         | -                                 | -  | 60                     | -                                      | -                | 66                               | -                | -                      | 126                    |
| Finance income                              | 6,058                             | 2,576  | 1,171                  | 222                                    | 564              | 6,677                            | 5,185            | -                      | 22,453                 |
| Finance costs                               | (8,271)                           | (43,930)                                     | (358)                  | (2,133)                                | -                | 15,655                           | (1,448)          | -                      | (40,485)               |
| Share of results of<br>associated companies | 3                                 | 101,431                                      | -                      | (5)                                    | -                | -                                | 127              | -                      | 101,556                |
| jointly controlled entities                 | 36,745                            | 5,215  | 6,519                  | -                                      | -                | -                                | -                | -                      | 48,479                 |
| <b>Profit before taxation</b>               | <b>144,629</b>                    | <b>112,016</b>                               | <b>64,042</b>          | <b>18,174</b>                          | <b>14,179</b>    | <b>4,564</b>                     | <b>18,168</b>    | <b>-</b>               | <b>375,772</b>         |
| Taxation                                    | (31,483)                          | (12,071)                                     | (15,081)               | (4,512)                                | (3,114)          | (4,102)                          | (4,937)          | -                      | (75,300)               |
| <b>Profit for the period</b>                | <b>113,146</b>                    | <b>99,945</b>                                | <b>48,961</b>          | <b>13,662</b>                          | <b>11,065</b>    | <b>462</b>                       | <b>13,231</b>    | <b>-</b>               | <b>300,472</b>         |
| Non controlling interests                   | (13,324)                          | (1,518)                                      | 510                    | (438)                                  | (101)            | 93                               | 827              | -                      | (13,951)               |
| <b>Attributable to owners of the parent</b> | <b>99,822</b>                     | <b>98,427</b>                                | <b>49,471</b>          | <b>13,224</b>                          | <b>10,964</b>    | <b>555</b>                       | <b>14,058</b>    | <b>-</b>               | <b>286,521</b>         |

|                                 | Revenue<br>RM'000 | Profit before<br>tax<br>RM'000 | Profit after tax<br>RM'000 | Attributable to<br>owners of the<br>parent<br>RM'000 |
|---------------------------------|-------------------|--------------------------------|----------------------------|--|
| <b>BY GEOGRAPHICAL SEGMENTS</b> |                   |                                |                            |  |
| Malaysia                        | 1,954,952         | 304,365                        | 236,187                    | 219,926  |
| Singapore                       | 150,203           | 73,548                         | 67,249                     | 67,249   |
| China                           | 56,520            | (11,030)                       | (11,266)                   | (8,903)  |
| India                           | 71                | (1,315)                        | (1,319)                    | (1,319)  |
| Australia                       | 25,865            | (745)                          | (745)                      | (845)  |
| United Arab Emirates            | -                 | 5,933                          | 5,933                      | 5,933  |
| Other Countries                 | 42,738            | 5,016                          | 4,433                      | 4,480  |
|                                 | <b>2,230,349</b>  | <b>375,772</b>                 | <b>300,472</b>             | <b>286,521</b>                                       |

Core segmental results (excluding unusual items as per Note A4) for the financial period ended 30 June 2014 are as follows:

|   | Property<br>Development<br>RM'000 | Property<br>Investment<br>Division<br>RM'000 | Construction<br>RM'000 | Trading and<br>Manufacturing<br>RM'000 | Quarry<br>RM'000 | Investment<br>Holdings<br>RM'000 | Others<br>RM'000 | Eliminations<br>RM'000 | Consolidated<br>RM'000 |
|---|-----------------------------------|--|------------------------|--|------------------|----------------------------------|------------------|------------------------|------------------------|
| <b>BY BUSINESS SEGMENTS</b>                 |                                   |  |                        |  |                  |                                  |                  |                        |                        |
| <b>REVENUE AND EXPENSES</b>                 |                                   |  |                        |  |                  |                                  |                  |                        |                        |
| Revenue                                     |                                   |  |                        |  |                  |                                  |                  |                        |                        |
| External sales                              | 524,025                           | 282,231                                      | 784,813                | 311,060                                | 105,967          | 32                               | 222,221          | -                      | 2,230,349              |
| Inter-segment sales                         | 66                                | 9,579  | 119,129                | 71,395                                 | 1,501            | 205,432                          | 20,434           | (427,536)              | -                      |
| Total Revenue                               | 524,091                           | 291,810                                      | 903,942                | 382,455                                | 107,468          | 205,464                          | 242,655          | (427,536)              | 2,230,349              |
| Results                                     |                                   |  |                        |  |                  |                                  |                  |                        |                        |
| Operating segment results                   | 110,094                           | 47,221                                       | 56,650                 | 20,090                                 | 13,615           | (6,481)                          | 14,304           | -                      | 255,493                |
| Finance income                              | 6,058                             | 2,576  | 1,171                  | 222                                    | 564              | 6,677                            | 5,185            | -                      | 22,453                 |
| Finance costs                               | (8,271)                           | (43,930)                                     | (358)                  | (2,133)                                | -                | 15,655                           | (1,448)          | -                      | (40,485)               |
| Share of results of<br>associated companies | 3                                 | 39,527                                       | -                      | (5)                                    | -                | -                                | 127              | -                      | 39,652                 |
| jointly controlled entities                 | 36,745                            | 5,215  | 6,519                  | -                                      | -                | -                                | -                | -                      | 48,479                 |
| Profit before taxation                      | 144,629                           | 50,609                                       | 63,982                 | 18,174                                 | 14,179           | 15,851                           | 18,168           | -                      | 325,592                |
| Taxation                                    | (31,483)                          | (12,071)                                     | (15,081)               | (4,512)                                | (3,114)          | (4,102)                          | (4,937)          | -                      | (75,300)               |
| Profit for the period                       | 113,146                           | 38,538                                       | 48,901                 | 13,662                                 | 11,065           | 11,749                           | 13,231           | -                      | 250,292                |
| Non controlling interests                   | (13,324)                          | (1,518)                                      | 510                    | (438)                                  | (101)            | 93                               | 827              | -                      | (13,951)               |
| Attributable to owners of the parent        | 99,822                            | 37,020                                       | 49,411                 | 13,224                                 | 10,964           | 11,842                           | 14,058           | -                      | 236,341                |

|                                 | Revenue<br>RM'000 | Profit before<br>tax<br>RM'000 | Profit after tax<br>RM'000 | Attributable to<br>owners of the<br>parent<br>RM'000 |
|---------------------------------|-------------------|--------------------------------|----------------------------|--|
| <b>BY GEOGRAPHICAL SEGMENTS</b> |                   |                                |                            |  |
| Malaysia                        | 1,954,952         | 254,000                        | 185,822                    | 169,561  |
| Singapore                       | 150,203           | 73,548                         | 67,249                     | 67,249   |
| China                           | 56,520            | (11,030)                       | (11,266)                   | (8,903)  |
| India                           | 71                | (1,315)                        | (1,319)                    | (1,319)  |
| Australia                       | 25,865            | (745)                          | (745)                      | (845)  |
| United Arab Emirates            | -                 | 5,933                          | 5,933                      | 5,933  |
| Other Countries                 | 42,738            | 5,201                          | 4,618                      | 4,665  |
|                                 | 2,230,349         | 325,592                        | 250,292                    | 236,341  |

**A9 Valuation of Property, Plant and Equipment and Investment Properties**

The Group adopts the fair value model for its investment properties. There is no significant and indicative change in value of the said investment properties since the last balance sheet date.

**A10 Material events**

There were no material events subsequent to the current quarter ended 30 June 2014.

**A11 Changes in the Composition of the Group**

There were no material changes in the composition of the Group for the current quarter ended 30 June 2014.

**A12 Contingent Liabilities and Assets**

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

|   | 30/6/2014<br>RM'000 | 31/12/2013<br>RM'000 |
|---|---------------------|----------------------|
| Guarantees given to third parties in respect of contracts and trade performance | <u>2,319,341</u>    | <u>2,125,176</u>     |

There were no other material changes in contingent liabilities since the last annual reporting date.  
There were no contingent assets.

**A13 Commitments**

(a) Capital commitment not provided for in the financial year as at 30 June 2014 is as follows:

|  | 30/6/2014<br>RM'000 | 31/12/2013<br>RM'000 |
|--|---------------------|----------------------|
| Amount authorised and contracted for     | 46,358              | 71,745               |
| Amount authorised but not contracted for | 436,166             | 635,582              |
|  | <u>482,524</u>      | <u>707,327</u>       |

(b) Operating lease commitment not provided for in the financial year as at 31 March 2013 is as follows:

|  | 30/6/2014<br>RM'000 | 31/12/2013<br>RM'000 |
|--|---------------------|----------------------|
| Future minimum lease payment:                  |                     |                      |
| - not later than 1 year                        | 75,832              | 77,753               |
| - later than 1 year and not later than 5 years | 254,850             | 281,704              |
| - later than 5 years                           | 157,799             | 161,246              |
|  | <u>488,481</u>      | <u>520,703</u>       |
| Future minimum lease receipts:                 |                     |                      |
| - not later than 1 year                        | 58,557              | 54,664               |
| - later than 1 year and not later than 5 years | 197,071             | 189,059              |
| - later than 5 years                           | 313,288             | 338,825              |
|  | <u>568,916</u>      | <u>582,548</u>       |

## **B1 Review of Performance**

### For the quarter

The Group recorded revenue of RM1,204.6 million and profit before tax of RM177.1 million (after excluding unusual items as per Note A4) for the current quarter ended 30 June 2014 compared to revenue of RM1,118.0 million and profit before tax of RM152.9 million in the corresponding quarter in the previous financial year. The increase in revenue was mainly due to higher revenue achieved by the Group's property development, construction and healthcare segments. As a result and coupled with the higher contribution from the Group's treasury operation, the current quarter profit was higher. However, the increase was partly offset by the weaker performance from the property investment, and trading and manufacturing segments.

The property development segment reported revenue of RM301.7 million and profit before tax of RM75.7 million in the current quarter compared to revenue of RM286.9 million and profit before tax of RM71.9 million in the corresponding quarter of the previous financial year. The better performance for the current quarter was due to the strong results recorded from all its local projects, especially those located in the Klang Valley, which helped to offset the lower contribution from its Singapore property development and the losses recorded in some of its other overseas property development projects.

The property investment segment reported revenue of RM146.0 million and profit before tax of RM25.5 million in the current quarter compared to revenue of RM141.8 million and profit before tax of RM32.3 million in the corresponding quarter of the previous financial year. Although the revenue has increased due to better performance from most of the operations, the overall financial results of this segment were, however, lower. This was mainly due to the significant impact of the initial high interest expenses and operational costs related to the newly completed Sunway Pinnacle, a 25-storey Grade A office building in Sunway Resort City, which recently commenced operation. However, the performance of this strategic asset will improve accordingly when the occupancy rate starts to increase in due course. The other factor which impacted the profit was the lower REIT management fee received following the disposal of 20% equity interest in Sunway REIT Management Sdn. Bhd. in the last quarter of 2013.

The construction segment recorded revenue of RM426.1 million and profit before tax of RM32.7 million in the current quarter compared to revenue of RM372.8 million and profit before tax of RM18.3 million in the corresponding quarter in the previous financial year. The increase in revenue was attributed to the higher progress billings from its existing on-going projects and lower elimination of revenue from inter-company transactions. As a result, profit before tax was higher but the improved margin was mainly boosted by its precast division in Singapore, which registered a strong performance.

The trading and manufacturing segment recorded revenue of RM162.1 million and profit before tax of RM9.9 million for the current quarter compared to revenue of RM171.6 million and profit before tax of RM14.7 million in the corresponding quarter in the previous financial year. While its performance in Malaysia was satisfactory, the overall performance for this segment, however, continued to be affected by the difficult market conditions in its overseas operations.

The quarry segment recorded revenue of RM57.6 million and profit before tax of RM9.5 million for the current quarter compared to revenue of RM55.8 million and profit before tax of RM7.0 million in the corresponding quarter in the previous financial year. The financial performance of this segment remained favourable due to strong demand underpinned by the buoyant local construction sector.

Other segments recorded revenue of RM111.1 million and profit before tax of RM23.8 million for the current quarter compared to revenue of RM89.1 million and profit before tax of RM8.7 million in the corresponding quarter in the previous financial year. The favourable performance was partly due to the stronger contribution from the healthcare and the local building material divisions. The other significant profit contributor came from the Group's treasury operation, which also registered improved performance.

#### For the 6 months period

The Group recorded revenue of RM2,230.3 million and profit before tax of RM325.6 million (after excluding unusual items as per Note A4) for the current 6 months period ended 30 June 2014 compared to revenue of RM2,139.1 million and profit before tax of RM275.2 million for the corresponding 6 months period ended 30 June 2013. The better financial results for the 6 months period were partly due to the stronger performance from the property development, construction and healthcare segments. The other strong profit contributor came from the Group's treasury operation, which also registered improved performance.

The property development segment reported revenue of RM524.0 million and profit before tax of RM144.6 million for the current 6 months period compared to revenue of RM489.6 million and profit before tax of RM126.7 million in the corresponding 6 month period ended 30 June 2013. The higher profit for the 6 months period was mainly due to the strong performance registered from its local development projects, especially those located in the Klang Valley, which helped to offset the lower contribution from its Singapore property development and losses incurred in some of its other overseas property development projects.

The property investment segment reported revenue of RM282.2 million and profit before tax of RM50.6 million for the current 6 months period compared to revenue of RM275.3 million and profit before tax of RM58.4 million in the corresponding 6 month period ended 30 June 2013. Higher sales from the hospitality and leisure division contributed to the increase in revenue. However, profit before tax was lower and this was mainly due to the losses incurred from the operation of the newly opened Sunway Pinnacle. The higher operating cost due to the increase in electricity tariff rates and lower share of profit from Sunway REIT Management Sdn. Bhd. as mentioned above were the other factors which impacted the financial results.

The construction segment reported revenue of RM784.8 million and profit before tax of RM64.0 million for the current 6 months period compared to revenue of RM802.2 million and profit before tax of RM46.2 million in the corresponding 6 month period ended 30 June 2013. Despite the slightly lower revenue, the profit before tax for the current 6 months period grew by 39% following higher profit recognition from its on-going local projects and stronger contribution from its precast division in Singapore.

The trading and manufacturing segment reported revenue of RM311.1 million and profit before tax of RM18.2 million for the current 6 months period compared to revenue of RM301.1 million and profit before tax of RM23.0 million in the corresponding 6 month period ended 30 June 2013. Although the revenue has increased, which was mainly attributed to its Malaysian operations, the overall financial performance of this segment was lower due to the challenging market condition faced by most of its overseas divisions.

The quarry segment reported revenue of RM105.9 million and profit before tax of RM14.2 million for the current 6 months period compared to revenue of RM100.1 million and profit before tax of RM11.8 million in the corresponding 6 month period ended 30 June 2013. This segment continued to sustain its commendable performance due to the strong local demand underpinned by the buoyant construction sector.

Other segments reported revenue of RM222.3 million and profit before tax of RM34.0 million for the current 6 months period compared to revenue of RM170.8 million and profit before tax of RM9.1 million in the corresponding 6 month period ended 30 June 2013. The increase in revenue was mainly from the stronger performance registered by the healthcare and the local building material divisions. As a result, these two divisions also contributed to the improved profit. The other major profit contributor came from the Group's treasury operation, which also registered improved performance.

## **B2 Material Changes in the Quarterly Results**

The Group recorded revenue of RM1,204.6 million and profit before tax of RM177.1 million (after excluding unusual items as per Note A4) for the current quarter ended 30 June 2014 compared to revenue of RM1,025.7 million and profit before tax of RM148.5 million achieved in the preceding quarter. The better performance was due to higher revenue and profit contribution from all the business segments. The property development, quarry and healthcare segments recorded stronger profit growth than the other business units, and the Group's treasury operation also contributed to the improved profit.

The property development segment recorded revenue of RM301.7 million and profit before tax of RM75.7 million in the current quarter compared to revenue of RM222.3 million and profit before tax of RM68.9 million in the preceding quarter. In tandem with the higher revenue due to higher progress billings and profit recognition from its existing on-going local projects, profit before tax increased accordingly, while the contribution from its overseas projects was stable.

The property investment segment recorded revenue of RM146.0 million and profit before tax of RM25.5 million for the current quarter compared to revenue of RM136.2 million and profit before tax of RM25.1 million in the preceding quarter. The overall performance of this segment was fairly steady as the better performance from its leisure and hospitality businesses, due to better visitorship and occupancy rates during the current quarter, was more than sufficient to offset the additional losses from Sunway Pinnacle.

The construction segment recorded revenue of RM426.1 million and profit before tax of RM32.7 million in the current quarter compared to revenue of RM358.7 million and profit before tax of RM31.3 million in the preceding quarter. The improvement in revenue in the current quarter was mainly driven by the strong performance of its precast projects in Singapore with additional profit contribution upon finalization of projects account. However, this increase in profit contribution from Singapore was partially offset by lower profit recognition from its local projects due to lower construction billings.

The trading and manufacturing segment recorded revenue of RM162.1 million and profit before tax of RM9.9 million in the current quarter compared to revenue of RM149.0 million and profit before tax of RM8.3 million in the preceding quarter. The higher revenue and profit was mainly due to the improved performance of its Malaysia operations. The overseas operations continued to face challenging market condition.

The quarry segment recorded revenue of RM57.6 million and profit before tax of RM9.5 million in the current quarter compared to revenue of RM48.3 million and profit before tax of RM4.7 million in the preceding quarter. The improved performance was due to stronger local demand underpinned by the buoyant construction sector.

Other segments recorded revenue of RM111.1 million and profit before tax of RM23.8 million in the current quarter compared to revenue of RM111.2 million and profit before tax of RM10.2 million in the preceding quarter. The stronger profit for the current quarter was mainly due to the increase in contribution from the healthcare division and the Group's treasury operation.

## **B3 Prospects**

According to Bank Negara, the Malaysian economy continued to demonstrate strong economic resilience by delivering another impressive GDP growth rate of 6.4% for the second quarter of 2014. This follows the 6.2% growth rate recorded in the first quarter. However, the growth for the remaining second half of this year is expected to moderate in view of the slower export growth and domestic demand but will still be commendable due to the growth momentum generated earlier.

Given the relatively buoyant domestic economy, Bank Negara recently raised its benchmark overnight policy rate by 25 basis points to 3.25% to check inflationary pressure. This will, however, dampen market sentiment in the property sector but we believe the impact will be short-lived as the rate hike was well anticipated and discounted to a large extent.

Based on the foregoing outlook of the domestic economy, the Group is well positioned to benefit from such an economic environment. Barring any unforeseen circumstances, the Group is confident of delivering a stronger performance in the second half of this financial 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**

The current taxation does not include the tax payable for the share of profit from associates and share of profit from jointly controlled entities as the share of profit is recognised on an after tax basis.

|                   | Current Quarter<br>Ended<br>30/6/2014<br>RM'000 | Cumulative<br>Year To Date<br>30/6/2014<br>RM'000 |
|-------------------|---|---|
| Current taxation  | (42,690)  | (68,879)  |
| Deferred taxation | (2,167)   | (6,421)   |
|                   | (44,857)  | (75,300)  |
|                   |   |   |

**B6 Profit/(Loss) before Taxation**

The following amounts have been included in arriving at profit/(loss) before taxation:

|   | Current<br>Quarter Ended<br>30/6/2014<br>RM'000 | Cumulative<br>Year To Date<br>30/6/2014<br>RM'000 |
|---|---|---|
| Depreciation and amortisation                         | (28,212)  | (53,199)  |
| Provision/Impairment for:                             |   |   |
| - Trade receivables                                   | (286)   | (2,120)   |
| Write off:  |   |   |
| - Inventories   | (1)   | (101)   |
| Net gain on disposal of:                              |   |   |
| - property, plant and equipment                       | 928   | 1,341   |
| - investment properties                               | 662   | 829   |
| Foreign exchange gain/(loss):                         |   |   |
| - Others  | (399)   | (275)   |
| - Unrealised for hedged items                         | 18,503  | 29,556  |
| Cash flow hedge reserve recycled to<br>profit or loss | (18,503)  | (29,556)  |

**B7 Status of Corporate Proposal Announced**

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

**Proposed disposal of equity interest of Sungei Way Ocean Joint Venture Company Limited by Sunway Holdings (Vietnam) Sdn. Bhd.**

Sunway Holdings (Vietnam) Sdn. Bhd., a wholly-owned subsidiary of Sunway Holdings Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company, had on 28 November 2013, entered into an equity sale and purchase agreement with Huong Phong Tourism-Manufacturing-Trading Company Limited ("the Purchaser") for the disposal of its 70% equity interest in Sungei Way Ocean Joint Venture Company Limited ("Sungei Way Ocean") to the Purchaser for a total cash consideration of USD1,000,000 (equivalent to approximately RM3,160,000) (based on the audited account of Sungei Way Ocean for the period ended 31 December 2012) [hereinafter referred to as "the Proposed Disposal"].

Upon the completion of the Proposed Disposal, Sungei Way Ocean will cease to be a subsidiary of the Company.

Sungei Way Ocean was incorporated in Vietnam on 15 January 1997 with a charter capital of USD2,733,000. The principal activities of Sungei Way Ocean are quarrying and production of building stones.

The Proposed Disposal is not expected to have any material effect on the earnings per share and net assets per share of the Company, and it has no effect on the Company's share capital and substantial shareholders' shareholding.

The Proposed Disposal does not require approval from the shareholders of the Company and has not been completed as at the date of this report.

### **Subscription and Shareholders' Agreement between SunCity and Iskandar Assets Sdn. Bhd. in relating to the development of Pendas Land**

Sunway City Sdn. Bhd. ("SunCity"), a wholly-owned subsidiary of the Company has on 4 December 2012, entered into a Subscription and Shareholders' Agreement ("SSA") with Iskandar Assets Sdn. Bhd. ("IASB"), a wholly-owned subsidiary of Iskandar Investment Berhad ("IIB") and Sunway Iskandar Development Sdn. Bhd. (formerly known as Harmony Impulse Sdn. Bhd.) ("SID") with the intention of establishing a joint venture via SID ("Proposed Joint Venture") to jointly undertake a mixed development project on the following parcels of freehold land located in Iskandar Malaysia ("the Land") as well as to regulate the relationship of SunCity and IASB as shareholders of SID:

- (i) Land held under HSD 452850, PTD 75802, Mukim of Pulai, District of Johor Bahru, measuring approximately 412.75 acres ("Pendas North Land"); and
- (ii) Portion of the Land held under HSD 452656, PTD 2398, Mukim of Tanjung Kupang, District of Johor Bahru measuring approximately 366.32 acres ("Western Pendas South Land").

SID has also on even date, entered into two (2) Sale and Purchase Agreements ("SPAs") with IASB for the acquisition of the Land on an "as is where is" basis and free from encumbrances but otherwise subject only to the express or implied conditions of the land title and restrictions-in interest endorsed on the land title or otherwise affecting the Land for a total purchase consideration of up to RM412,727,480.

Salient terms of the SSA includes, inter-alia, the following:

- (a) SunCity and IASB agree to hold ordinary shares and redeemable preference shares in SID in the proportion of 60:40. The Company will provide a shareholder advance to SID equivalent to 60% of the amount of the deposits under the SPA to enable SID to pay the deposits and IASB will deem the amount equivalent to 40% of the deposits as being paid. The shareholder advance and 40% of the deposit will be capitalized into ordinary shares and redeemable preference shares when the SSA becomes unconditional.
- (b) SunCity and IASB agree that the balance purchase consideration for the Land will be funded in the following manner:
  - (i) SunCity and IASB to subscribe for new securities or zero coupon bonds or such other securities as may be agreed between the parties in SID free from all encumbrances and with all rights and benefits attaching thereto in the agreed proportion and/or SunCity and IASB to provide shareholders' loan in the proportion of 60:40; and
  - (ii) external financing.



The total purchase consideration shall be satisfied by SID in the following manner:

- (a) the purchase consideration of up to RM221,280,444 for Pendas North Land is to be paid in six (6) instalments with the deposit to be paid upon 14 days from the date of the SPA and the balance in five (5) annual instalments within a period of 60 months from the date of the SPA; and
- (b) the purchase consideration of up to RM191,447,036 for Western Pendas South Land is to be paid in six (6) instalments with the deposit to be paid upon 14 days from the date of the SPA and the balance in five (5) annual instalments commencing 72 months from the date of the SPA to 120 months from the date of the SPA.

The amount of the purchase consideration is subject to adjustments upon verification by IASB relating to the conditions of the Land.

Subsequent to the abovementioned, IASB had agreed to sell and SID had agreed to purchase the balance of the land held under HSD 452656, PTD 2398, Mukim of Tanjung Kupang, District of Johor Bahru measuring approximately 300 acres ("Second Plot"). For this purpose, SunCity had on 23 January 2013 entered into a Supplemental Subscription and Shareholders' Agreement ("Supplemental SSA") with IASB and SID to amend the SSA to document the additional equity to be injected by SunCity and IASB into SID to finance part of the purchase price of the Second Plot.

SID had on even date, entered into a Supplemental Agreement to the Western Pendas South Land SPA ("Supplemental SPA") with IASB for the acquisition of the Second Plot on an "as is where is" basis and free from encumbrances but otherwise subject only to the express or implied conditions of the land title and restrictions-in interest endorsed on the land title or otherwise affecting the Second Plot for a total purchase consideration of up to RM183,882,441.

The Supplemental SSA was entered into by SunCity, IASB and SID to amend the terms and conditions of the SSA, to include the terms for the additional equity injection by SunCity and IASB for purposes of the acquisition of the Second Plot.

Salient terms of the Supplemental SSA includes, inter-alia, the following:

- (a) SID will acquire the Second Plot from IASB on an "as is where is" basis and free from encumbrances but otherwise subject only to the express or implied conditions of the land title and restrictions-in interest endorsed on the land title or otherwise affecting the Second Plot for a total purchase consideration of up to RM183,882,441; and
- (b) The total purchase consideration of the land under the Western Pendas South Land SPA as supplemented by the Supplemental SPA of RM375,329,477 shall be satisfied by SID in seven (7) instalments whereby the deposit for the Western Pendas South Land was paid within 14 days from the date of the SPA, the deposit for the Second Plot is to be paid within 14 days of the date of the Supplemental SPA and the balance in five (5) annual instalments within a period of 120 months from the date of the SPA.

The amount of the purchase consideration is subject to adjustments upon verification by IASB relating to the conditions of the Second Plot.

The proposed acquisition of the Lands has not been completed as at the date of this report.

**Proposed disposal of equity interest of Sunway GD Foundation Engineering Co. Ltd. ("Sunway GD"), by Sunway Global Limited ("Sunway Global")**

On 12 July 2012, Sunway Global a 98.75% owned subsidiary of Sunway Holdings Sdn. Bhd. ("SHSB") which in turn is a wholly-owned subsidiary of the Company, had entered into an Equity Sale and Purchase Agreement with Mr Yu De Mao ("Purchaser") for the proposed disposal of Sunway Global's entire 60% equity interest in Sunway GD as well as its group of subsidiaries ("Proposed Disposal"), to the Purchaser for a nominal consideration after the Purchaser has discharged the liabilities of Sunway GD of RMB12,071,872 and HKD35,850,430 in 6 instalments and all accrued interest over the liabilities up to the date of payment of each of the instalments ("Liabilities").

The Proposed Disposal is conditional upon, amongst others, the Purchaser having discharge the Liabilities within a period of 22 months from the payment of the first instalment of the liabilities (i.e. 7 days from the date of signing the Equity Sale and Purchase Agreement). Upon completion of the Proposed Disposal, Sunway GD and its group of subsidiaries will cease to be subsidiaries of the Company.

Sunway GD was incorporated in Macau on 4 November 2005 with a total registered capital of MOP\$31,000,000. The principal activities of Sunway GD is to carry out foundation and construction works.

The Proposed Disposal is not expected to have any material effect on the earnings per share and net assets per share of the Company, and it has no effect on the Company's share capital and substantial shareholders' shareholding.

The Proposed Disposal does not require approval from the shareholders of the Company.

The Proposed Disposal of equity interest has not been completed as at the date of this report.

**Proposed disposal of equity interest of Sunway Hatay Construction & Building Materials JV Co. Ltd. ("Sunway Hatay"), by Sunway Holdings (Vietnam) Sdn. Bhd.**

On 18 May 2012, Sunway Holdings (Vietnam) Sdn. Bhd., a wholly-owned subsidiary of SHSB, which in turn is a wholly-owned subsidiary of the Company, had entered into an equity sale and purchase agreement with Hatay Trading Production Construction Joint Stock Company ("Purchaser") for the disposal of 86% equity interest in Sunway Hatay to the Purchaser for a total cash consideration of USD3,500,000 (equivalent to approximately RM10,983,000) or the final purchase price to be agreed after the fulfillment of the conditions precedent and prior to completion (hereinafter referred to as "the Proposed Disposal"). Upon the completion of the Proposed Disposal, Sunway Hatay will cease to be a subsidiary of the Company.

Sunway Hatay was incorporated in Vietnam on 11 April 1995 with a charter capital of USD5,959,286. The principal activities of Sunway Hatay are quarrying and manufacturing of ready-mixed concrete.

The Proposed Disposal is not expected to have any material effect on the earnings per share and net assets per share of the Company, and it has no effect on the Company's share capital and substantial shareholders' shareholding. The Proposed Disposal does not require approval from the shareholders of the Company.

None of the directors or substantial shareholders of the Company or persons connected with them has any interest, whether direct or indirect, in the Proposed Disposal.

The Proposed Disposal of equity interest has not been completed as at the date of this report.

## Status of utilisation of proceeds from the Rights Issue

On August 2013, the Rights Issue was completed with the listing on the Main Market of Bursa Securities. The total gross proceeds raised from the Rights Issue amounted to RM732,477,000. The status of the utilisation of proceeds as at 30 June 2014 is as follow:

| Details of utilisation                                    | Approved utilisation<br>RM'000 | Actual utilisation<br>RM'000 | Balance unutilised<br>RM'000 | Timeframe for utilisation |
|---|--------------------------------|------------------------------|------------------------------|---------------------------|
| Capital expenditure                                       |                                |                              |                              |                           |
| (i) Acquisition of land                                   | 170,000                        | 170,000                      | -                            | Within 36 months          |
| (ii) Development of investment properties                 | 70,000                         | 70,000                       | -                            | Within 30 months          |
| (iii) Development costs for property development projects | 70,000                         | 70,000                       | -                            | Within 24 months          |
| (iv) Acquisition of property, plant and equipment         | 90,000                         | 90,000                       | -                            | Within 18 months          |
| Repayment of existing borrowings                          | 300,000                        | 300,000                      | -                            | Within 12 months          |
| General working capital of our Group                      | 31,706                         | 31,706                       | -                            | Within 12 months          |
| Estimated expenses in relation to the Rights Issue        | 771                            | 771                          | -                            | Within 6 months           |
|   | <b>732,477</b>                 | <b>732,477</b>               | <b>-</b>                     |                           |

## B8 Group Borrowings and Debt Securities

The Group borrowings as at 30 June 2014 are as follows:

|               | Secured<br>RM'000 | Unsecured<br>RM'000 | Total<br>RM'000  |
|---------------|-------------------|---------------------|------------------|
| Borrowings:   |                   |                     |                  |
| - Current     | 1,563,787         | 505,888             | 2,069,675        |
| - Non-current | 1,142,110         | -                   | 1,142,110        |
|               | <b>2,705,897</b>  | <b>505,888</b>      | <b>3,211,785</b> |

Included in the above are borrowings which are denominated in a foreign currency as follows:

| Secured                       | Foreign currency |             | RM'000         |                |
|-------------------------------|------------------|-------------|----------------|----------------|
|                               | Current          | Non-current | Current        | Non-current    |
| US Dollar (USD'000) *         | 252,192          | 170,616     | 811,048        | 548,701        |
| Singapore Dollar (SGD'000) ** | 2,192            | 28,616      | 5,647          | 73,729         |
| Chinese Renminbi (RMB'000) ** | 67,751           | 39,593      | 35,061         | 20,489         |
| Australia Dollar (AUD'000) ** | 807              | 13          | 2,448          | 38             |
| <u>Unsecured</u>              |                  |             |                |                |
| Singapore Dollar (SGD'000) ** | 644              | -           | 1,659          | -              |
| Indonesian Rupiah (RP'000) ** | 10,842,446       | -           | 2,906          | -              |
|                               |                  |             | <b>858,769</b> | <b>642,959</b> |

Notes:

\* Borrowings in which cross currency swap contracts have been entered into.

\*\* Borrowings obtained by overseas subsidiaries.

**B9 Derivative Financial Instruments**

The Group's outstanding derivatives as at 30 June 2014 were as follows:

| Type of Derivatives                               | Contract/<br>Notional<br>RM'000 | Fair<br>Value<br>RM'000 | Gains/(Losses)<br>Fair Value<br>for the period<br>RM'000 |
|---|---------------------------------|-------------------------|--|
| <b>Foreign currency forward contracts</b>         |                                 |                         |  |
| - Less than 1 year                                | 7,696                           | (35)                    | 60   |
| <b>Interest rate swap contracts</b>               |                                 |                         |  |
| - 1 year to 3 year                                | 7,289                           | (22)                    | 66   |
| <b>Total losses on derivatives as per Note A4</b> |                                 |                         | 126  |
| <b>Cross currency swap contracts</b>              |                                 |                         |  |
| - 1 year to 3 year                                | 697,193                         | 9,117                   | 8,358  |
| <b>Total derivatives</b>                          |                                 | 9,060                   | 8,484  |

**Foreign currency forward contracts**

The Group entered into foreign currency forward contracts to minimise its exposure to foreign currency risks as a results 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.

**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.

**Cross currency swap contracts**

The Group entered into cross currency swap contracts to manage its exposure in foreign currency risk arising from foreign currency borrowings which was entered to minimise the interest cost. The Group uses cash flow hedges to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuations over the hedging period on the foreign currency borrowings. Where a cash flow hedge qualifies for hedge accounting, the effective portion of gains or losses on remeasuring the fair value of the hedging instrument are recognised directly in other comprehensive income until such time as the hedged item affects profit or loss, then the gains or losses are transferred to the income statement. Gains or losses on any portion of the hedge determined to be ineffective are recognised immediately in the income statement.

## B10 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 Rs891.5 million (approximately equivalent to RM47 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 Rs781,394,628.61 (approximately equivalent to RM42 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 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.

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

## B11 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:

|   | 30/6/2014<br>RM'000 | 31/12/2013<br>RM'000 |
|---|---------------------|----------------------|
| Total retained profit of the Group:-                              |                     |                      |
| Realised  | 1,243,581           | 1,076,548            |
| Unrealised  | 101,226             | 100,455              |
| Total share of retained profits from associated companies:        |                     |                      |
| Realised  | 281,228             | 179,794              |
| Unrealised  | 494,293             | 494,293              |
| Total share of retained profits from Jointly Controlled Entities: |                     |                      |
| Realised  | 446,622             | 398,144              |
| Unrealised  | 108,371             | 108,370              |
| Less: Consolidation adjustments                                   | (589,659)           | (471,943)            |
| Total Group's retained profits as per consolidated accounts       | <u>2,085,662</u>    | <u>1,885,661</u>     |

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.

**B12 Dividend**

Other than the dividend paid as disclosed in note A7, a first interim single tier dividend of 5% per ordinary share of RM1 each for the financial period ended 30 June 2014 has been proposed by the Board of Directors, which will be paid on a date to be determined.

**B13 Earnings per share**

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

|   | Current Quarter<br>Ended<br>30/6/2014<br>RM'000 | Cumulative<br>Year To Date<br>30/6/2014<br>RM'000 |
|---|---|---|
| <b><u>Basic earnings per share</u></b>        |   |   |
| Profit attributable to members of the Company | 182,531   | 286,521   |
| Weighted Average Number of Ordinary Shares    | 1,723,671                                       | 1,723,598   |
| Earnings per share ( Basic ) (sen)            | 10.59   | 16.62   |
| <b><u>Diluted earnings per share</u></b>      |   |   |
| Profit attributable to members of the Company | 182,531   | 286,521   |
| Weighted Average Number of Ordinary Shares    | 1,791,622                                       | 1,779,122   |
| Earnings per share ( Diluted ) (sen)          | 10.19   | 16.10   |

**By Order of the Board**

**Tan Kim Aun  
Chin Lee Chin**

**Secretaries**