

# **SUNWAY**<sup>®</sup>

## **CONSTRUCTION**

SUNWAY CONSTRUCTION GROUP BERHAD

### INTERIM FINANCIAL REPORT

### THIRD QUARTER ENDED 30<sup>th</sup> SEPTEMBER 2016

**SUNWAY CONSTRUCTION GROUP BERHAD**

(Company No. 1108506-W)

(Incorporated in Malaysia under the Companies Act, 1965)

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SUNWAY CONSTRUCTION GROUP BERHAD ( Company No : 1108506-W )  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016  
 THE FIGURES HAVE NOT BEEN AUDITED

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

	NOTE	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30/09/2016	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2015	CURRENT YEAR TO DATE 30/09/2016	PRECEDING YEAR CORRESPONDING PERIOD 30/09/2015
		RM'000	RM'000	RM'000	RM'000
REVENUE		381,054	450,295	1,235,695	1,446,583
OPERATING EXPENSES		(348,823)	(424,432)	(1,149,902)	(1,347,677)
OTHER OPERATING INCOME		7,326	2,381	26,752	9,821
PROFIT FROM OPERATIONS		<u>39,557</u>	<u>28,244</u>	<u>112,545</u>	<u>108,727</u>
FINANCE INCOME AND OTHER DISTRIBUTION INCOME		3,267	2,667	8,001	5,675
FINANCE COSTS		(2,428)	(770)	(4,515)	(2,973)
SHARE OF RESULTS OF JOINT VENTURES		-	-	-	(76)
PROFIT BEFORE TAX	<b>B6</b>	<u>40,396</u>	<u>30,141</u>	<u>116,031</u>	<u>111,353</u>
INCOME TAX EXPENSE	<b>B5</b>	(9,116)	(4,949)	(24,386)	(13,980)
PROFIT FOR THE PERIOD		<u>31,280</u>	<u>25,192</u>	<u>91,645</u>	<u>97,373</u>
ATTRIBUTABLE TO:					
- OWNERS OF THE PARENT		31,135	25,655	91,455	97,819
- NON-CONTROLLING INTERESTS		145	(463)	190	(446)
		<u>31,280</u>	<u>25,192</u>	<u>91,645</u>	<u>97,373</u>
EARNINGS PER SHARE					
(i) BASIC ( sen )	<b>B10</b>	<u>2.41</u>	<u>1.98</u>	<u>7.07</u>	<u>7.57</u>
(ii) DILUTED ( sen )		<u>2.41</u>	<u>1.98</u>	<u>7.07</u>	<u>7.57</u>

( The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements. )

SUNWAY CONSTRUCTION GROUP BERHAD ( Company No : 1108506-W )  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016  
 THE FIGURES HAVE NOT BEEN AUDITED

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/09/2016	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2015	CURRENT YEAR TO DATE 30/09/2016	PRECEDING YEAR CORRESPONDING PERIOD 30/09/2015
	RM'000	RM'000	RM'000	RM'000
PROFIT FOR THE PERIOD	31,280	25,192	91,645	97,373
<b>OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT AND LOSS IN SUBSEQUENT PERIODS</b>				
FOREIGN CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN OPERATION	(3,765)	10,899	(5,337)	14,479
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u>(3,765)</u>	<u>10,899</u>	<u>(5,337)</u>	<u>14,479</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>27,515</u>	<u>36,091</u>	<u>86,308</u>	<u>111,852</u>
ATTRIBUTABLE TO:				
- OWNERS OF THE PARENT	27,370	36,554	86,118	112,298
- NON-CONTROLLING INTERESTS	145	(463)	190	(446)
	<u>27,515</u>	<u>36,091</u>	<u>86,308</u>	<u>111,852</u>

( The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements. )

SUNWAY CONSTRUCTION GROUP BERHAD ( Company No : 1108506-W )  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016  
 THE FIGURES HAVE NOT BEEN AUDITED

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

	AS AT END OF CURRENT QUARTER 30/09/2016 RM'000 (UNAUDITED)	AS AT FINANCIAL YEAR ENDED 31/12/2015 RM'000 (AUDITED)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment, and software	146,607	162,529
Other investments	273	273
Goodwill	3,647	3,647
Deferred tax assets	8,151	13,760
	158,678	180,209
<b>Current assets</b>		
Inventories	27,642	17,293
Receivables, deposits and prepayments	729,510	717,089
Tax recoverable	14,662	14,370
Placement in funds	-	78,000
Cash and bank balances	402,514	390,477
	1,174,328	1,217,229
<b>TOTAL ASSETS</b>	1,333,006	1,397,438
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Payables, accruals and other current liabilities	794,969	795,566
Borrowings	<b>B7</b> 71,727	136,841
Tax payable	9,280	9,258
Derivative liabilities	75	-
	876,051	941,665
<b>Non-current liabilities</b>		
Deferred taxation liabilities	3,008	4,095
	3,008	4,095
<b>Total liabilities</b>	879,059	945,760
<b>Equity attributable to Owners of the Parent</b>		
Share capital	258,580	258,580
Negative merger reserve	(37,894)	(37,894)
Retained profits	224,958	217,542
Other reserves	7,479	12,816
	453,123	451,044
<b>NON-CONTROLLING INTERESTS</b>	824	634
<b>Total equity</b>	453,947	451,678
<b>TOTAL EQUITY AND LIABILITIES</b>	1,333,006	1,397,438
<b>Net Assets Per Share Attributable To Owners Of The Parent (RM)</b>	<b>0.35</b>	<b>0.35</b>

( The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements. )

SUNWAY CONSTRUCTION GROUP BERHAD ( Company No : 1108506-W )  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016  
 THE FIGURES HAVE NOT BEEN AUDITED

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

	----- ATTRIBUTABLE TO OWNERS OF THE PARENT -----					----- DISTRIBUTABLE -----			
	----- NON-DISTRIBUTABLE -----			CAPITAL CONTRIBUTION BY IMMEDIATE HOLDING COMPANY		RETAINED PROFITS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL	NEGATIVE MERGER RESERVE	OTHER RESERVES TOTAL	BY IMMEDIATE HOLDING COMPANY	FOREIGN EXCHANGE RESERVE				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>PERIOD ENDED 30 SEPTEMBER 2016</b>									
At 1 January 2016	258,580	(37,894)	12,816	670	12,146	217,542	451,044	634	451,678
Profit for the year	-	-	-	-	-	91,455	91,455	190	91,645
Other comprehensive income	-	-	(5,337)	-	(5,337)	-	(5,337)	-	(5,337)
<b>Total comprehensive income</b>	-	-	(5,337)	-	(5,337)	91,455	86,118	190	86,308
Dividend	-	-	-	-	-	(84,039)	(84,039)	-	(84,039)
<b>At 30 September 2016</b>	<b>258,580</b>	<b>(37,894)</b>	<b>7,479</b>	<b>670</b>	<b>6,809</b>	<b>224,958</b>	<b>453,123</b>	<b>824</b>	<b>453,947</b>
<b>PERIOD ENDED 30 SEPTEMBER 2015</b>									
At 1 January 2015	258,580	(37,894)	(911)	670	(1,581)	160,378	380,153	60	380,213
Profit for the year	-	-	-	-	-	97,819	97,819	(446)	97,373
Other comprehensive income	-	-	14,479	-	14,479	-	14,479	-	14,479
<b>Total comprehensive income</b>	-	-	14,479	-	14,479	97,819	112,298	(446)	111,852
Dividend	-	-	-	-	-	(70,000)	(70,000)	-	(70,000)
<b>At 30 September 2015</b>	<b>258,580</b>	<b>(37,894)</b>	<b>13,568</b>	<b>670</b>	<b>12,898</b>	<b>188,197</b>	<b>422,451</b>	<b>(386)</b>	<b>422,065</b>

( The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements. )

**SUNWAY CONSTRUCTION GROUP BERHAD ( Company No : 1108506-W )**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**  
**THE FIGURES HAVE NOT BEEN AUDITED**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

	FOR THE 9 MONTHS PERIOD ENDED 30/09/2016 RM'000	FOR THE 9 MONTHS PERIOD ENDED 30/09/2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	116,031	111,353
Adjustments for:		
- non-cash items	14,479	33,604
- finance costs	4,515	2,973
- finance income and other distribution income	(8,001)	(5,675)
Operating cash flows before working capital changes	127,024	142,255
Changes in working capital	(111,813)	(56,746)
Cash flow generated from operations	15,211	85,509
Interest and other distribution income received	8,001	5,675
Interest paid	(4,515)	(2,973)
Dividend received from jointly controlled entities	-	23,832
Tax refunded	73	219
Tax paid	(20,207)	(18,002)
Net cash flow (used in)/generated from operating activities	(1,437)	94,260
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment, and software	1,309	2,742
Acquisition of property, plant and equipment, and software	(14,768)	(18,718)
Advances from related companies	103,363	28,357
Net cash flow from placement in funds	78,805	13,200
Dividend received	9	-
Net cash generated from investing activities	168,718	25,581
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net bank and other borrowings	(65,114)	(135,201)
Dividend paid to shareholders	(84,039)	(70,000)
Net cash used in financing activities	(149,153)	(205,201)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	18,128	(85,360)
EFFECTS OF EXCHANGE RATE CHANGES	(5,286)	6,391
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	389,672	277,612
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	402,514	198,643
Cash and cash equivalents at end of financial period comprise the following :		
Deposits with licensed banks and other financial institutions	363,134	137,471
Cash and bank balances	39,380	61,977
Cash and bank balances, and placement in funds	402,514	199,448
Less: Deposit with other financial institutions with maturity of over 3 months	-	(805)
Cash and cash equivalents	402,514	198,643
( The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements. )		

## NOTES TO FINANCIAL STATEMENTS

### A1 Accounting Policies and Basis of Preparation

The interim financial report is unaudited and is prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2015.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2015 except for the adoption of the following new MFRSs, amendments to MFRSs and IC Interpretations that are effective for financial statements effective from 1 January 2016, as disclosed below:

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

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

### A2 Report of the Auditors

The report of the auditors of preceding audited financial statements was not subject to any qualification.

### A3 Seasonal or Cyclical Factors

The results for the current quarter under review were not materially affected by seasonal or cyclical factors.

### A4 Unusual Items

There were no material unusual items affecting the amounts reported for the current quarter ended 30 September 2016.

### A5 Changes in Estimates

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

### A6 Debt and Equity Securities

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



A7 **Dividend paid**

During the financial period ended 30 September 2016, the following payments of dividend have been made:

- a) On 25 February 2016, the Board of Directors declared an interim single-tier dividend of 4 cents per share (20% per ordinary share of RM0.20 each) for the financial year ended 31 December 2015. The total dividend payable amount to RM51,716,000. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2016. The interim dividend was paid on 21 April 2016.
- b) On 1 September 2016, the Board of Directors declared a first interim dividend of 2.5 cents per share (12.5% per ordinary share of RM0.20 each) for the financial year ending 31 December 2016. The total dividend payable amount to RM32,322,520. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2016. The interim dividend was paid on 29 September 2016.

A8 **Segmental Reporting**

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

	Construction RM'000	Precast Concrete RM'000	Consolidated RM'000
<b><u>BY BUSINESS SEGMENTS</u></b>			
REVENUE AND EXPENSES			
Total revenue	1,299,462	254,826	1,554,288
Inter-segment revenue	(263,866)	(54,727)	(318,593)
External revenue	1,035,596	200,099	1,235,695
Results			
Operating segment results	71,685	40,860	112,545
Finance income and other distribution income	7,979	22	8,001
Finance costs	(4,513)	(2)	(4,515)
Profit before tax	75,151	40,880	116,031
Income tax expense	(15,306)	(9,080)	(24,386)
Profit after tax	59,845	31,800	91,645
Non controlling interests	(190)	-	(190)
Attributable to owners of the parent	59,655	31,800	91,455

	Revenue RM'000	Profit before tax RM'000	Profit after tax RM'000	Attributable to owners of the parent RM'000
<b><u>BY GEOGRAPHICAL SEGMENTS</u></b>				
Malaysia	1,035,596	83,531	64,078	63,888
Singapore	200,099	19,713	14,780	14,780
India	-	(264)	(264)	(264)
United Arab Emirates	-	13,051	13,051	13,051
	1,235,695	116,031	91,645	91,455

**A9 Material events**

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

**A10 Contingent Liabilities and Assets**

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

	<b>As at 30 September 2016 RM'000 (Unaudited)</b>	<b>As at 31 December 2015 RM'000 (Audited)</b>
Guarantees given to third parties in respect of contracts and trade performance	350,800	418,241
Guarantees given to related companies in respect of contracts and trade performance	38,532	50,845
	<u>389,332</u>	<u>469,086</u>

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

**A11 Commitments**

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

	<b>As at 30 September 2016 RM'000 (Unaudited)</b>	<b>As at 31 December 2015 RM'000 (Audited)</b>
Approved and contracted for	15,774	208
Approved but not contracted for	-	5,860
	<u>15,774</u>	<u>6,068</u>

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

	<b>As at 30 September 2016 RM'000 (Unaudited)</b>	<b>As at 31 December 2015 RM'000 (Audited)</b>
Future minimum lease payment:		
- not later than 1 year	5,671	7,583
- later than 1 year and not later than 5 years	2,245	7,350
	<u>7,916</u>	<u>14,933</u>

## B1 Review of Performance

### For the quarter

<u>Total Group</u>	<u>Q3 2016</u>	<u>Q3 2015</u>
Revenue	381.1	450.3
PBT	40.4	30.1
PBT Margin	10.6%	6.7%

The Group recorded revenue of RM381.1 million and profit before tax of RM40.4 million for the current quarter ended 30 September 2016, compared to revenue of RM450.3 million and profit before tax of RM30.1 million in the corresponding quarter of the preceding financial year.

<u>Construction Segment</u>	<u>Q3 2016</u>	<u>Q3 2015</u>
Revenue	301.3	394.0
PBT	27.9	9.6
PBT Margin	9.3%	2.4%

The construction segment reported revenue of RM301.3 million and profit before tax of RM27.9 million compared to revenue of RM394 million and profit before tax of RM9.6 million in the corresponding quarter of the preceding financial year. The higher revenue in the preceding quarter was due to contribution from the building construction services division namely Sunway Pyramid Phase 3, Bandar Sunway and Afiniti Medini mixed development project, Iskandar Johor which recorded substantial revenue then and was physically completed and handed over in first quarter financial year ending 2016. In addition, our foundation and geotechnical engineering services division's turnover is lower in the current quarter due to lower order book. The improvement of current quarter's profit before tax margin is from the absence of loss recognition for a project and adjustment for a lower margin of a project due to acceleration cost incurred made in the corresponding quarter of the preceding financial year.

<u>Precast Segment</u>	<u>Q3 2016</u>	<u>Q3 2015</u>
Revenue	79.8	56.3
PBT	12.5	20.6
PBT Margin	15.7%	36.5%

The precast segment reported revenue of RM79.8 million and profit before tax of RM12.5 million compared to revenue of RM56.3 million and profit before tax of RM20.6 million in the corresponding quarter of the preceding financial year. The higher revenue in the current quarter by 41.7% is evident from the increased in sales volume by 91% offset by lower sales price. This higher volume is in line with the delivery schedule of our existing order book. The higher margin in previous corresponding quarter was a result of finalisation of accounts and better pricing obtained for jobs secured earlier.

### For the 9 months period

<u>Total Group</u>	<u>YTD Q3 2016</u>	<u>YTD Q3 2015</u>
Revenue	1,235.7	1,446.6
PBT	116.0	111.3
PBT Margin	9.4%	7.7%

The Group recorded revenue of RM1,235.7 million and profit before tax of RM116 million for the nine months period ended 30 September 2016, compared to revenue of RM1,446.6 million and profit before tax of RM111.3 million in the corresponding nine months period of the preceding financial year.

For the 9 months period (Contd.)

<u>Construction Segment</u>	<u>YTD Q3 2016</u>	<u>YTD Q3 2015</u>
Revenue	1,035.6	1,246.4
PBT	75.2	54.4
PBT Margin	7.3%	4.4%

The construction segment reported revenue of RM1,035.6 million and profit before tax of RM75.2 million compared to revenue of RM1,246.4 million and profit before tax of RM54.4 million in the corresponding nine months period of the preceding financial year. The lower revenue in the current nine months was due to Civil and Infrastructure Division mainly from the completion of LRT Package B (Kelana Jaya Line Extension) and Klang Valley MRT Package V4, Section 17 Petaling Jaya to Semantan Portal. The improvement of current nine months profit before tax margin is due to the absence of loss recognition for a project. In addition, for the current nine months period, in accordance with best accounting practice, we have recognised a sum of fair value for our contra property received in lieu of payment in Abu Dhabi of RM12.9 million compared to the contra sum of approximately RM48 million. This is in addition to the realisation of contra property sold last year of approximately AED81 million (SunCon's share of this is 50%).

<u>Precast Segment</u>	<u>YTD Q3 2016</u>	<u>YTD Q3 2015</u>
Revenue	200.1	200.2
PBT	40.9	56.9
PBT Margin	20.4%	28.4%

The precast segment reported revenue of RM200.1 million and profit before tax of RM40.9 million compared to revenue of RM200.2 million and profit before tax of RM56.9 million in the corresponding nine months period of the preceding financial year. Revenue remained relatively the same for both period even though sales volume has increased by 22.9 % as it was offset equally by lower sales price. Selling price per m3 is a function of both lower steel bar prices and competition from the market. The higher margin in previous corresponding quarter was a result of finalisation of accounts and better pricing obtained for jobs secured earlier.

## B2 Material Changes in the Quarterly Results

<u>Total Group</u>	<u>Q3 2016</u>	<u>Q2 2016</u>
Revenue	381.1	430.3
PBT	40.4	38.1
PBT Margin	10.6%	8.9%

The Group recorded revenue of RM381.1 million and profit before tax of RM40.4 million for the current quarter ended 30 September 2016, compared to revenue of RM430.3 million and profit before tax of RM38.1 million in the immediate preceding quarter.

<u>Construction Segment</u>	<u>Q3 2016</u>	<u>Q2 2016</u>
Revenue	301.3	360.5
PBT	27.9	21.2
PBT Margin	9.3%	5.9%

The construction segment reported revenue of RM301.3 million and profit before tax of RM27.9 million compared to revenue of RM360.5 million and profit before tax of RM21.2 million in the immediate preceding quarter. The higher revenue recorded in the immediate preceding quarter was due to 3 projects under the Building Division namely Sunway Geo Retail and Flexi Suites in Bandar Sunway, 112 units of residential houses in Sunway Lenang Phase 1A in Johor and Citrine mixed development in Sunway Iskandar, which have recently completed and handed over to our client. The improvement of current quarter's profit before tax margin from 5.9% to 9.3% is due to better profit contribution from certain projects.

**B2 Material Changes in the Quarterly Results (Contd.)**

<u>Precast Segment</u>	<u>Q3 2016</u>	<u>Q2 2016</u>
Revenue	79.8	69.8
PBT	12.5	16.9
PBT Margin	15.7%	24.2%

The precast segment reported revenue of RM79.8 million and profit before tax of RM12.5 million compared to revenue of RM69.8 million and profit before tax of RM16.9 million in the immediate preceding quarter. The higher revenue in the current quarter is evident from the higher sales volume by 24% offset by lower average sales price. The higher margin in the immediate preceding quarter was a result of finalisation of accounts and better pricing obtained for jobs secured earlier.

**B3 Prospects**

The Group's outstanding order book as at 30 September 2016 amounts to RM4.8 billion with RM2.6 billion new order book secured to-date. Our tender activities for 9 months total to RM25.7 billion, which brings our success rate for tender to 10%. Based on secured order book, the anticipated turnover for balance fourth quarter 2016 and 2017 should be promising. On risk aspect, SunCon is managing the volatility in steel bar prices due to the recent Government's latest provisional safeguard measures in the form of duties of 13.4% and 13.9%. Some of our contracts have a pass through clause for steel prices and the balance requirement is managed through stocks in hand and also an agreed 6 months forward pricing with our steel suppliers.

The recently announced Budget 2017 by our Prime Minister on 21 October 2016, which continues to implement pro-business strategies allocated a sum of RM46 billion for development expenditure which is 2.2% up from the recalibrated Budget 2016. These bode well for the construction players going forward. Coupled with our strong order book, barring unforeseen circumstances, SunCon expects to perform satisfactorily in the coming year.

Under the precast division, the outstanding order is RM305 million (from SunCon's 4.8 billion in total). This translates to more than one year of turnover which is a norm based on its shorter contract duration. Precast selling rates has seen some price pressure from stiffer competition and also lower steel bar prices in Singapore. The demand from Housing Development Board (HDB) Build-To-Order (BTO) launches in the coming year 2017 is expected to remain resilient based on the flow of news. The target launches for 2016 of 18,000 units is on track (2015/2014 launches amounted to 15,100/22,455 units). HDB BTO projects form majority of Precast's business and as such its performance is closely related to the launches by HDB.

**B4 Variance of Actual Profit from Profit Forecast**

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

**B5 Taxation**

	<b>Current Quarter Ended 30 September 2016 RM'000 (Unaudited)</b>	<b>Cumulative Year To Date 30 September 2016 RM'000 (Unaudited)</b>
Current taxation	(9,677)	(19,964)
Deferred taxation	561	(4,422)
	<u>(9,116)</u>	<u>(24,386)</u>

The effective tax rate for the current 9 months period ended 2016 of 21% is lower than Malaysia's statutory tax rate of 24% mainly due to the lower tax rate payable of 17% by our Singapore subsidiary.

**B6 Profit before Taxation**

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

	<b>Current Quarter Ended 30 September 2016 RM'000 (Unaudited)</b>	<b>Cumulative Year To Date 30 September 2016 RM'000 (Unaudited)</b>
Interest income	3,267	8,001
Interest expense	(2,428)	(4,515)
Depreciation and amortisation	(9,948)	(29,458)
Net (provision)/reversal of impairment for:		
- Trade receivables	538	1,689
- Advances to associate	25	12,921
Write off:		
- Trade receivables	-	(321)
- Property, plant and equipment, and software	(499)	(536)
Net gain on disposal of:		
- Property, plant and equipment, and software	73	663
Foreign exchange loss:		
- realised	184	(260)
Loss on derivatives	(75)	(75)
Fair value of ESOS option	(987)	(2,124)
Fair value loss on financial assets and financial liabilities	(521)	(2,168)

**B7 Group Borrowings and Debt Securities**

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

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
Borrowings:			
- Current			
- Bills discounting	<u>71,727</u>	<u>-</u>	<u>71,727</u>

## B8 Changes in Material Litigation

Except for the following claims, there was no pending material litigation.

- (a) On 4 September 2008, the solicitors of Sunway Construction Sdn Bhd ("SunCon") had been served with a Statement of Claim ("Statement of Claim") by Shristi Infrastructure Development Corporation Ltd ("Claimant"). The Statement of Claim was received by SunCon's office in Malaysia on 8 September 2008.

Pursuant to an agreement signed between SunCon and the National Highway Authority of India for the rehabilitation and upgrading of NH-25 to a four-lane configuration in the state of Uttar Pradesh being a part of the East-West Corridor Project, SunCon had entered into a work order with the Claimant for the upgrading and rehabilitation of the stretch of NH-25 from 143.6 km to 170.0 km, of which the Claimant has provided two bank guarantees ("Bank Guarantees") to SunCon.

The Claimant has failed to carry out its obligations under the work order and SunCon has terminated the work order and cashed the Bank Guarantees. The Claimant had filed an application in the Supreme Court of India for the appointment of an arbitrator to arbitrate upon the disputes between the parties. The Supreme Court had appointed a sole arbitrator and two preliminary sittings have been held to date. The Claimant then filed its Statement of Claim on 4 September 2008.

The Statement of Claim was raised in respect of various claims (including claiming the refund of the amount cashed on the Bank Guarantees) and the total amount claimed is Rs.891.5 million.

At the hearing on 2 February 2009, the arbitrator recorded SunCon's filing of the Statement of Defense and Counterclaim. In the counterclaim, SunCon is seeking for Rs.781,394,628.61 for inter alia, additional costs incurred by SunCon to complete the works, recovery of mobilisation advance and interest charges, loss of reputation and loss of profits.

75 hearings had been held and on 11 January 2013, the arbitrator that presided over the case passed away. The Claimant and SunCon may now proceed to appoint another arbitrator that is agreeable by both parties, failing such agreement an application can be filed to the Supreme Court for an appointment.

SunCon was notified by its solicitors that an arbitration petition has been filed by Shristi on 7 January 2016 in the Supreme Court of India for the appointment of a new arbitrator and the petition was served on SunCon's solicitors on 5 May 2016. Matter was not listed on 17 October 2016 and next hearing date is 4 January 2017.

- (b) Sunway Creative Stones Sdn Bhd ("Sunway Creative Stones"), being the nominated sub-contractor for the stone works for the Palazzo, is claiming against Syarikat Pembinaan Yeoh Tiong Lay Sdn Bhd ("SPYTL"), being the main contractor, for the unpaid interim certificates, work done yet to be certified, unfixed materials and refund of wrongfully imposed back-charges following determination of the main contractor's employment under the main contractor.

Sunway Creative Stones has in October 2011 filed its claim against SPYTL for the sum of RM4,968,417.05 and interest and costs. SPYTL is counter-claiming for the loss and damage of RM11,600,000.00 for Sunway Creative Stones' delay and back charges of RM35,340.00 and interest and costs or alternatively for the liquidated and ascertained damages in the sum of RM33,600,000.00 at the rate of RM105,000.00 per day for 320 days and back charges of RM35,340.00 and interest and costs.

Hearing of the arbitration proceeding had been completed and award on this arbitration is pending. The solicitors acting for Sunway Creative Stones is of the view that Sunway Creative Stones has a fairly good case against SPYTL.

- (c) Sunway Construction Caribbean Limited ("Sunway Construction Caribbean") was awarded a contract to carry out the fit-out works by the Urban Development Corporation of Trinidad and Tobago ("UDCTT") in 2009 at a fixed design-build contract price of TTD298,138,765.48. By wrongfully repudiating the contract, the design fees and standby costs for the package 6 of the interior fit-out works payable by UDCTT from October 2009 to March 2011 remained unpaid by UDCTT. In December 2013, Sunway Construction Caribbean filed a claim at the High Court of Justice, Republic of Trinidad and Tobago, against UDCTT for an accumulated sum of TTD55,006,143.00, being loss and damages arising from UDCTT's wrongful repudiation of the contract.

On 18 November 2015, UDCTT had changed its advocates. Security for costs in the sum of TTD750,000.00 has been paid into court by Claimant on 5 August 2015.

An oral submission on Evidential Objections is to be heard on 4 December 2015. Trial of this matter fixed for Monday 25 April 2016, Tuesday 26 April 2016, Wednesday 27 April 2016 and Friday 29 April 2016.

On 4 December 2015, the High Court of Justice issued a notice of re-assignment on change of judge. After the status hearing on 28 January 2016, evidential objections pre trial review came up on the 12 July 2016. The trial dates fixed for 19 and 20 July 2016 have been vacated pending settlement discussions. Matter was adjourned to 21 September 2016 for mention and further adjourned to 8 December 2016.

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

- (d) SunCon was awarded a contract for the execution of the rehabilitation and upgrading of km 406 to km 449.15 of highway NH-76 in the State of Rajasthan, India to four-lane configuration ("**NH-76 Highway Project**") by the National Highways Authority ("**NHA**") in 2005. SunCon commenced 7 separate arbitration proceedings against NHA on various disputes arising from the NH-76 Highway Project (each, a "**Reference**"). The following sets out the nature of SunCon's claims and the current status of the proceedings:

- (a) Reference 1 – In November 2009, SunCon claimed against NHA for the payment of the completed construction of fly ash for the highway embankment. The Arbitral Tribunal had, via an award dated 28 June 2011, awarded SunCon a sum of Rs.43,090,350.00. NHA appealed against the Arbitral Tribunal's decision to the High Court of Delhi. In 2012, the High Court ruled in favor of NHA and set aside SunCon's award.

SunCon appealed to the Supreme Court of India and was granted leave of appeal. Matter not listed on 28 July 2016. Next date to be fixed. The solicitors acting for SunCon is of the view that SunCon has a good case on the merits and a correspondingly high probability of success before the Supreme Court.

- (b) Reference 2 – In April 2009, SunCon commenced an arbitration proceeding against NHA for the loss suffered as a result of the adjustment made by the engineer on the payment of a monthly interim payment certificate without taking into consideration the component of excise duty. The Arbitral Tribunal had, via an award dated 3 October 2011, awarded SunCon a sum of Rs.25,840,810.00. We have not received the award sum to-date.

- (c) Reference 3 – In April 2009, SunCon claimed against NHA for the reimbursement of the toll tax imposed on all vehicles deployed for the execution of the NH-76 Highway Project. The Arbitral Tribunal had, via an award dated 3 October 2011, awarded SunCon a sum of Rs.14,329,148.00.

Aggrieved by the Arbitral Tribunal's award dated 3 October 2011 for both Reference 2 and Reference 3, NHA appealed to the High Court in year 2012. The hearing date of the appeal has yet to be fixed. The solicitors acting for SunCon, after taking into consideration of the narrow scope of challenge to the arbitral awards as permissible under the Indian Arbitration and Conciliation Act 1996, is of the view that SunCon has a high chance of success in both Reference 2 and Reference 3.

- (d) Reference 4 – In November 2012, SunCon claimed against NHA for the loss and expenses incurred during the extended project period which was due to NHA's delay. The Arbitral Tribunal had, via an award dated 29 April 2014, awarded SunCon a sum of Rs.310,347,836.00.

NHA appealed against the Arbitral Tribunal's award to the High Court. On 13 April 2015, the matter came up for scrutiny before the Registrar of the High Court. NHA requested for time to file the rejoinder. The matter is fixed for hearing on 17 March 2017.

The solicitors acting for SunCon, after taking into consideration of the narrow scope of challenge to the arbitral awards as permissible under the Indian Arbitration and Conciliation Act 1996, is of the view that SunCon has a high chance of success in this Reference 4.

- (e) Reference 5 – In March 2013, SunCon claimed against NHA for short payment for work done due to the differences in the rate of the Bill of Quantities. The Arbitral Tribunal had, via an award dated 29 April 2014, awarded SunCon a sum of Rs.124,531,651.00.

NHA appealed against the Arbitral Tribunal's award to the High Court. The matter is fixed for hearing on 8 December 2016. The solicitors acting for SunCon, after taking into consideration of the narrow scope of challenge to the arbitral awards as permissible under the Indian Arbitration and Conciliation Act 1996, is of the view that SunCon has a high chance of success in this Reference 5.



**B9 Realised and Unrealised Profits**

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits are as follows:

	As at 30 September 2016 RM'000 (Unaudited)	As at 31 December 2015 RM'000 (Audited)
Total retained profits of the Group:-		
Realised	219,815	204,432
Unrealised	5,143	13,110
Total Group's retained profits as per consolidated accounts	224,958	217,542

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

**B10 Earnings per share**

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 September 2016 RM'000	Preceding Year Quarter 30 September 2015 RM'000	Current Year To Date 30 September 2016 RM'000	Preceding Year To Date 30 September 2015 RM'000
<b><u>Basic earnings per share</u></b>				
Profit attributable to members of the Company	31,135	25,655	91,455	97,819
Weighted Average Number of Ordinary Shares ('000)	1,292,900	1,292,900	1,292,900	1,292,900
Earnings per share (Basic) (sen)	2.41	1.98	7.07	7.57

There is no diluted earnings per share as the Group does not have any convertible financial instruments as at the end of the financial period ended 30 September 2016.

**By Order of the Board**

**Tan Kim Aun  
Soh Ke Yi**

**Secretaries**