

Sunway Construction Group (SCGB MK)

Share Price: MYR1.09

MCap (USD): 325M

Malaysia

Target Price: MYR1.30 (+19%)

ADTV (USD): 3M

Construction

BUY

 (New)

Largest pure construction play

- A leading, established construction group with enhanced capabilities and stronger track record.
- Positive orderbook replenishment potential from Malaysia's development plan, repeat clientele and Sunway Berhad.
- Initiate coverage with a BUY rating and MYR1.30 TP.

What's New

Established in 1981, SCG is a leading construction group with a reputable brand and established track record. Previously listed in 1997 but privatised in 2004, SCG has since enhanced its integrated services capability with an enlarged fleet of machineries and a new Virtual Design and Construction technology. These have enabled SCG to scale up, securing higher value and specialised design and build contracts. Elsewhere, SCG's precast manufacturing arm has grown to be one of the top 3 players in Singapore and has become a major earnings contributor to SCG. SCG has also built up an international footprint and an established clientele base.

What's Our View

We are upbeat on the Malaysian construction sector, expecting sustainable job replenishment. SCG is a beneficiary of the upcoming rollout of mega infrastructure projects including the KVMRT 2, KVLRT 3 and BRT. SCG could also clinch more lucrative design and build building contracts from its established clientele. SCG's orderbook could be further bolstered by Sunway Berhad that has vast remaining property landbank with GDV of ~MYR50b. SCG's precast manufacturing should also be well supported by stable HDB housing supply in S'pore and potential venture in M'sia.

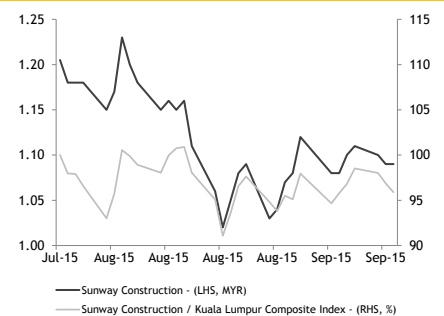
We peg SCG's valuation to 13x 2016 PER and derive a TP of MYR1.30. We think it deserves to trade above the current sector average 2016 PER of 12.1x based on its superior strength and size. A scarcity premium is also justified as it is the only listed large cap pure construction play that is also a direct beneficiary of the upcoming mega infrastructure projects. Its net dividend yield for 2016 of 3.2% is above the sector average. Initiate with BUY.

FYE Dec (MYR m)	FY13A	FY14A	FY15E	FY16E	FY17E
Revenue	1,839.6	1,880.7	2,279.0	2,174.8	2,347.6
EBITDA	112.7	151.2	188.9	197.8	204.9
Core net profit	94.4	114.2	118.3	128.5	131.6
Core EPS (sen)	7.3	8.8	9.2	9.9	10.2
Core EPS growth (%)	37.6	20.9	3.6	8.6	2.4
Net DPS (sen)	2.6	30.5	1.6	3.5	3.6
Core P/E (x)	14.9	12.3	11.9	11.0	10.7
P/BV (x)	2.3	4.2	3.9	3.2	2.7
Net dividend yield (%)	2.3	28.0	1.5	3.2	3.3
ROAE (%)	16.1	24.1	34.1	31.9	27.0
ROAA (%)	6.5	8.4	8.8	9.0	8.6
EV/EBITDA (x)	na	na	6.5	5.9	5.2
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash

Key Data

Shariah status	Yes
52w high/low (MYR)	na/na
3m avg turnover (USDm)	3.5
Free float (%)	38.2
Issued shares (m)	1,293
Market capitalization	MYR1.4B
Major shareholders:	
-Sunway Bhd.	54.4%
-Sungei Way Corp. Sdn. Bhd.	6.8%
-CHEAH FOOK LING	0.6%

Share Price Performance



	1 Mth	3 Mth	12 Mth
Absolute(%)	(7.6)	na	na
Relative to index (%)	(3.1)	na	na

Maybank vs Market

	Positive	Neutral	Negative
Market Recs	1	1	0
Maybank Consensus			% +/-
Target Price (MYR)	1.30	1.25	4.0
'15 PATMI (MYRm)	118	127	(6.9)
'16 PATMI (MYRm)	129	125	2.6

Source: FactSet; Maybank

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Merit 1: Back, with enhanced capabilities

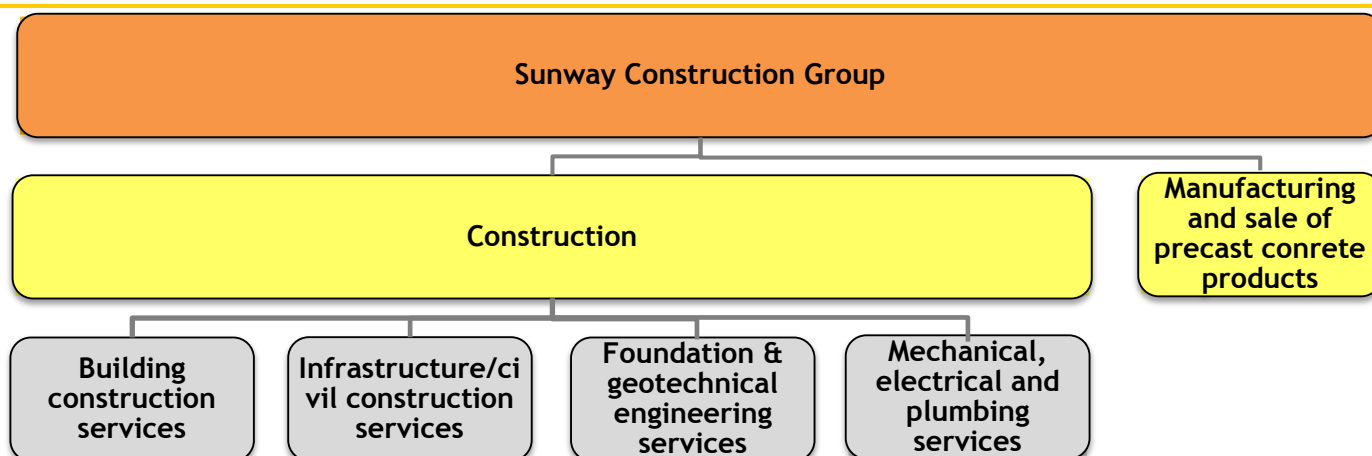
Enhanced version

Relisted on 28 Jul 2015, Sunway Construction Group (SCG) is a major and reputable construction group in Malaysia that stands out with its integrated construction services, landmark projects and strong delivery track record. It was previously listed on the Malaysian bourse in 1997 but was privatised in 2004. Since then, SCG has enhanced its integrated services capability with an enlarged fleet of machineries and a new Virtual Design and Construction technology. These have led SCG to be a competitive standalone construction group with an established brand name, empowering it to win more prominent construction jobs. Since 2004 too, SCG has expanded its precast concrete business in Singapore and delivered a number of overseas construction projects. SCG's success should be attributed to its experienced and long-serving management team.

Integrated model

SCG provides integrated construction solutions from initial planning, design, and feasibility studies, to project management, construction, construction supervision and logistics. Its specialised construction services, in addition to building construction and civil works, encompass: i) foundation and geotechnical, ii) mechanical, electrical and plumbing (MEP) and iii) precast manufacturing. Its integrated model has enabled better project management to ensure timely and consistent delivery of its projects. Furthermore, it applies value engineering using its technology to optimise construction cost. We estimate that SCG sub-contracts out ~70% of a typical construction job in terms of value; the balance is taken on in-house. It would thus be less susceptible to external shocks when there is capacity shortage.

SCG's business divisions



Source: Company

Well-equipped

SCG has developed expertise in bored piles construction that is more technically challenging than the conventional driven piles method. This is supported by its heavy investments on its machineries and equipment fleet to enhance its specialised construction services. While it was privatised, its foundation & geotechnical division and logistics have acquired 23 boring rigs, 16 tower cranes, 13 crawler cranes, 20 hydraulic excavators and 5 launching girders with an estimated cumulative capex of MYR150m. Total plant and machinery cost as of end-Dec 2014 was MYR284m. SCG has also invested in 25,000m² of system formworks that accelerates its construction progress and enable it to manage multiple large-scale projects concurrently.

Continuous R&D

SCG's construction services are bolstered by its Virtual Design and Construction (VDC) technology which is a digital construction design and modelling tool. It has incorporated 3D modelling into the system to enable more precise construction designs. Its R&D on VDC commenced in 2010 with a total ~MYR20m spent over the last 3 years. Going forward, R&D on VDC would continue as SCG is in the midst of incorporating 4D modelling that allows for efficient construction scheduling and 5D to integrate cost into the modelling and create cost scenarios to optimise cost. The VDC was formally adopted in 2012 for selected projects comprising The Everly Hotel and Sunway Pinnacle. VDC has proven to improve efficiency by cutting construction time and thus contribute to cost savings.

High caliber management, multiple wins

SCG is led by an experienced board of directors and senior management team. Its senior management has an average 22 years of experience in the construction industry and a long-service track record in SCG of average 15 years. SCG's Senior Managing Director, Mr Kwan Foh Kwai has been with SCG since 1996 with a total 37 years of experience in the construction industry. Mr Kwan was named the CEO of the Year at the Malaysian Construction Industry Excellence Awards (MCIEA) 2013. SCG meanwhile is the only construction company in Malaysia which has won the MCIEA Builder of the Year Award three times - in 2003, 2005 and 2013. It is also a two-time winner of the MCIEA International Achievement Award in 2010 and 2012. (See Appendix 2 for details of the management team).

Merit 2: And, greater track records

Diversified construction expertise

Started as main contractor for the Bandar Sunway township development in 1998, SCG has since executed MYR20b worth of jobs. (Refer to Appendix 3 for list of major ongoing, completed projects). Its diversified portfolio of completed projects encompasses buildings, infrastructure, residential and mixed property developments. Its building construction track record consists of commercial and institutional buildings such as office towers, resorts, hotels, shopping malls, government buildings and universities. There are also special-purpose buildings including hospitals, theme parks, film studio, convention centre and central utility facility. SCG is also charting stronger track record in the infrastructure segment with its ongoing rail (KVLRT extension, KVMRT 1), BRT and highway projects.

KLCC Convention Centre



Source: Company

Major/ongoing completed projects

Year started	Project	Location	Value (MYR'000)
Malaysia			
2001	SILK Highway	Kuala Lumpur	1,045,000
2002	Kuala Lumpur Convention Centre	Kuala Lumpur	549,300
2007	Ministry of Housing and Local Government and Ministry of Women, Family and Community Development buildings, Putrajaya	Selangor	520,000
2011	Pinewood Iskandar Malaysia Studios	Johor	308,900
2011	Legoland Malaysia Theme Park	Johor	257,969
2011*	LRT Package B (Kelana Jaya Line Extension)	Kuala Lumpur	569,000
2012*	Klang Valley MRT Package V4 (from Section 17 to Semantan)	Kuala Lumpur	1,172,750
2013	BRT- Sunway Line	Selangor	452,523
Overseas			Value (AED'000)
2006	Al-Reem Island Project (Phase 1)	Abu Dhabi, UAE	1,330,000
2008	Rihan Heights Project (Phase 1A)	Abu Dhabi, UAE	1,875,000

Source: Company; * Ongoing projects

DEFINITIONS:

KVMRT: Klang Valley Mass Rapid Transit; KVLRT: Klang Valley Light Rapid Transit;
BRT: Bus Rapid Transit; KL-SG HSR: Kuala Lumpur-Singapore High Speed Rail

Specialised, landmark design and build

Competition in the construction sector has intensified. In order to gain an edge over its competitors, SCG has undertaken more specialised construction projects in order to reap higher margins. While its foundation and geotechnical division's priority is to cater for internal projects, it has also clinched major external foundation works such as the KLCC NEC car park project worth MYR304m. SCG's MEP division has also completed several purpose-built or specialty projects such as the Putrajaya Gas District Cooling Plant and the Bio-XCell Central Utility Facility. Being armed with this specialised expertise, SCG would have superior technical knowledge in bidding for design and build projects. Landmark completed design and build building projects include the KL Convention Centre, Putrajaya ministry buildings and Legoland Theme Park.

Legoland

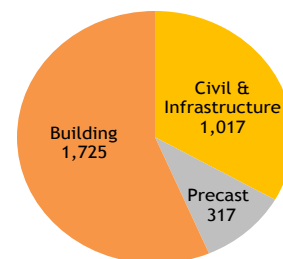


Source: Company

Bigger orderbook size

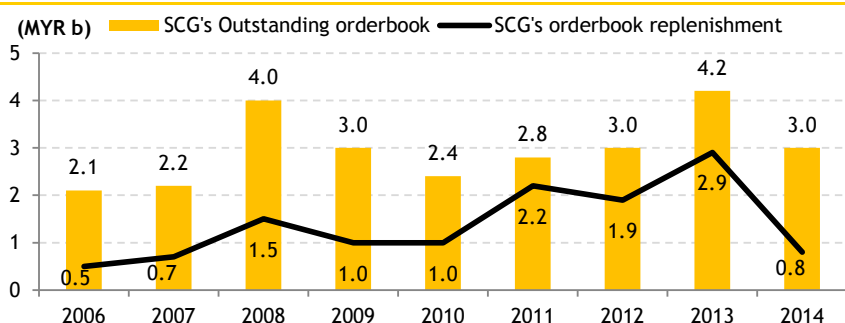
As SCG's capabilities expand, the size of its individual job wins have also increased. Major completed jobs of above MYR1b in value each include the SILK Highway, Rihan Heights Project, and Al-Reem Island Project while major ongoing infrastructure jobs of such size include the KVMRT 1. Over the last four years, SCG has achieved a commendable construction orderbook replenishment of MYR2b average p.a. The job wins are from diversified sectors including infrastructure and buildings, and have lifted its outstanding orderbook to MYR3.06b as of end-2014. This triples that of the MYR1.08b as of end-2003 when it was privatized, based on our records. SCG's MYR3.06b outstanding orderbook at end-2014 was ahead of Gamuda's MYR1.6b, and WCT's MYR2.2b, but behind IJM's MYR6.6b.

Orderbook breakdown end-Dec 2014 (MYR m)



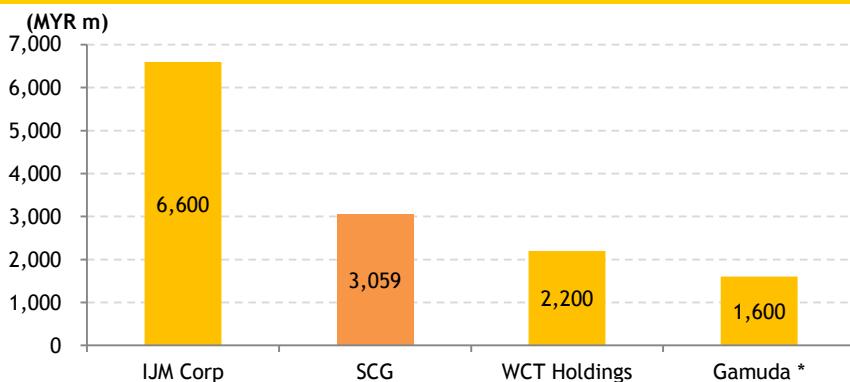
Source: Company

SCG's outstanding orderbook and job replenishment



Source: Company

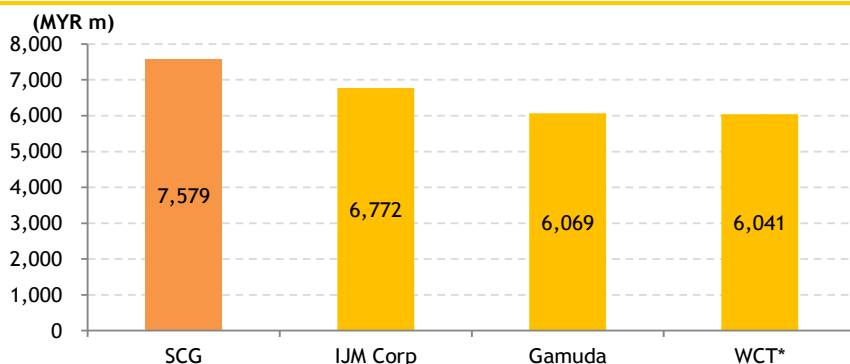
SCG's outstanding orderbook vs. IJMC's, Gamuda's and WCT's



Note: As at end-2014; Source: SCG, IJM, WCT, Gamuda

* Gamuda's orderbook was as of end-Jan 2015

SCG's construction revenue vs. IJMC's, Gamuda's and WCT's (2010-2014 total)



Note: IJMC's and Gamuda's revenues are calendarised, from their March and July FYEs respectively; Source: SCG, IJM, WCT, Gamuda

International exposure

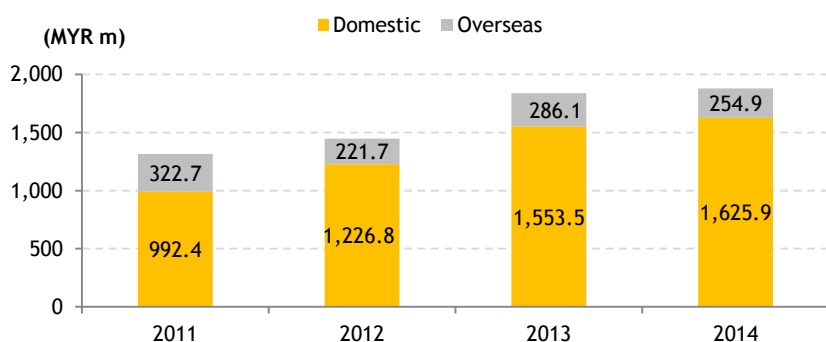
Aside from being prominently established domestically, SCG has also expanded its international footprint to five countries comprising Taiwan, India, Singapore, UAE and the Caribbean region since 1999. It has completed 10 building and civil/infrastructure construction projects and 1 MEP project overseas. The overseas infrastructure projects included seven highway construction contracts in India. Elsewhere, major building projects completed were Rihan Heights, Abu Dhabi (USD0.5b) and Al-Reem Island property project, Abu Dhabi (USD362m). Rihan Heights remains the single largest construction job secured and completed by SCG until today.

Al-Reem Island project



Source: Company

SCG's domestic vs. overseas revenue, 2011-2014



Source: Company

Rihan Heights



Source: Company

Established clientele

SCG's orderbook wins were mainly from established property developers like Putrajaya Holdings, KLCC Group of companies and Sunway Group. It has long working relationships of more than 10 years with each of them and has clinched several major projects from them. Other major clients include government related companies such as Syarikat Prasarana Negara S/B (for the KVLRT extension) and MMC-Gamuda KVMRT (PDP) S/B (for the KVMRT 1). The developer of Rihan Heights meanwhile is Singapore's Capitaland. SCG's established clientele is a further testament to its strong ability. Furthermore, they would have lower credit risk.

Merit 3: Well placed in the construction upcycle

Buoyant Malaysian construction sector

We are upbeat on the Malaysian construction sector, expecting sustainable job replenishment over the medium-term which will benefit the players. We expect a strong pipeline of construction projects under the government's mega transportation plans and major land development projects. These projects are key enablers under the Economic Transformation Programme (ETP) to lift Malaysia into a high income economy by 2020. The awards/tenders for several key projects including the KVLRT 3, KVMRT 2, Penang Transport Master Plan, KL118 Tower, TRX, and Bandar Malaysia are anticipated to take place from mid-2015. The 11th Malaysia Plan (11MP, 2016-2020) unveiled on 21 May 2015 has reaffirmed the implementation of critical infrastructure projects, especially that relating to urban and intra-urban rail. Government development expenditure will be higher at MYR260b under the 11MP compared with MYR223.5b estimated spending during the 10MP.

Prime beneficiary

SCG is well positioned to benefit from these upcoming projects, leveraging on its extensive experience and commendable track record. It also has the balance sheet (being in a net cash position) to take on public-private partnership (PPP) projects that may contain deferred payment terms. SCG was the best performing KVLRT contractor and has also achieved 5 star rating Safety and Health Assessment for the KVMRT 1 project. Hence, we are of the view that SCG is in a strong position to bid for mega infrastructure projects including the KVMRT 2, KVLRT 3, KV BRT, and major Klang Valley highways (DASH & SUKE). It is also vying for more building contracts from its existing clients including Putrajaya Holdings and KLCC Group of companies. Some potential building jobs would encompass the redevelopment of Kompleks Dayabumi and Putrajaya government buildings.

Ahead in the BRT system

The country's first BRT project is being developed in Bandar Sunway and SCG is the contractor. Given SCG has also participated in the planning of this BRT Sunway Line, it could target the Project Delivery Partner (PDP) or construction works for future BRT systems. The Land Public Transport Commission (SPAD) has proposed 12 BRT lines in the Klang Valley with a cumulative length of 214.5 km that could cost up to MYR20b. Prasarana is now planning the KL-Klang 34km BRT route with estimated value of MYR1b. In addition to reducing travelling time, BRT also beefs up the transit network to provide the last mile connectivity, since it will be connected to the rail system including the KTM, KVLRT and KVMRT. It is also a cheaper alternative to LRT and MRT. The key features of the BRT system comprise allocating exclusive lanes for buses, pre-boarding payment, single ticketing system, high capacity buses and electrified buses which are more environmentally friendly.

BRT Sunway Line



Source: Company

Klang Valley’s proposed BRT lines



Source: SPAD

12 proposed BRT lines

	Length (km)	Interchanges
Klang - Pasar Seni	34.0	LRT, Monorail and KTM
Bandar Sunway	5.5	LRT and KTM
KL- Melawati	14.0	LRT, Monorail and KTM
KL - Puchong	18.0	LRT, Monorail and KTM
KL - Ampang	10.0	LRT, Monorail and KTM
Kinrara - Damansara	15.0	MRT, LRT and KTM
Shah Alam - Putra Heights	16.0	LRT and KTM
Ampang - Kepong	25.0	LRT and KTM
Kota Damansara - Shah Alam	24.0	MRT and LRT
Putrajaya - Kajang	18.0	MRT and KTM
Putra Heights - Putrajaya	22.5	LRT
Kerinci - Alam Damai	12.5	MRT and LRT
	214.5	

Source: SPAD

Higher margin specialised jobs

Sustainable job creation in the Malaysian construction sector will also benefit SCG’s foundation and geotechnical, and MEP divisions. In addition to internal projects, these two divisions are also targeting to win more external projects with better margins. The upcoming mega infrastructure and major high rise building construction projects in Malaysia would generate substantial foundation works. Sunway Geotechnics would have the competitive edge in clinching these complex jobs with its extensive technical expertise especially in large diameter bored piling and vast equipment fleet. Meanwhile, the MEP division would focus on specialty projects to apply its specialist engineering skills in building chilled water systems, industrial wastewater treatment and industrial steam generation systems.

Summary of upcoming projects in Malaysia

	MYR'b	
Rail		
KVMRT line 2 (52.2km)	28.0	PDP awarded. Tenders to start in end-2015, awards in mid-2016. Works expected to start in 2016.
KVMRT line 3	NA	Pending.
KVLRT 3 (Bandar Utama-Shah Alam-Klang-36.0km)	9.0	PDP awarded. Tenders to start in end-2015, awards in mid-2016. Works expected to start in 2016.
KL-Spore High Speed Rail (400km)	40.0	Feasibility study ongoing.
Electrified double track rail (Gemas-JB)	8.0	Announced in 11MP.
Johor LRT	1.2	Feasibility study ongoing.
ERL extension to Melaka	8.0	Feasibility study ongoing.
Monorail extension	3.0	Pending.
Freight Relief line (Serendah - Port Klang - Seremban)	3.0	Pending.
Penang Integrated Transportation Plan (includes LRT and highways)	27.0	PDP awarded. Tenders to start in end-2016 and works to start in 2017.
East Coast Railway	30.0	Pending.
BRT system	NA	Pending.
Highway		
West Coast Expressway (WCE) - 276km (remaining)	2.2	MYR2.8b was awarded to IJMC.
Pan-Borneo Highway - 1,663km (936km in Sarawak, 727km in Sabah)	27.0	PDP awarded. Tenders to start soon.
Damansara-Shah Alam Highway (DASH) - 47km	4.2	Tender is ongoing.
Sungai Besi-Ulu Klang Expressway (SUKE) - 59km	5.3	Tender is ongoing.
Power		
Baram and Balleh hydro power plants, Samalaju combined cycle power plant	NA	Feasibility studies ongoing.
East Malaysia (Sarawak & Sabah) rural infrastructure		
Total package, comprising (among others):	4.5	Announced in National Budget 2015.
- 635km rural roads (including former logging tracks)	0.9	
- Electricity connection for 15,000 houses	1.1	
- Rural clean water supply	0.4	
Government land development		
KL118 Tower (Warisan Merdeka)	3.0	Tender is ongoing.
Bukit Bintang City Centre	NA	EPF, Uda Land and Eco World to jointly develop the land. Construction to start soon.
Tun Razak Exchange (TRX)	NA	Signed partnership agreement with Lend Lease to develop mixed commercial development. Tender for infrastructure works is ongoing.
Kwasa Damansara Township	NA	Infrastructure works to be tendered soon.
Others		
RAPID, Pengerang	NA	Tendering for sub-contracts ongoing.
Waste-to-energy incinerator project, Kepong	0.8	Tendering in progress.

Source: Various, compiled by Maybank KE

Merit 4: The ‘Sunway’ connection

Supportive parent

Construction works from Sunway Group has historically accounted for 30%, on average, of SCG’s outstanding orderbook. SCG has completed a diverse range of projects secured from the Sunway Group including residential and commercial developments, medical centres, shopping malls and theme parks. While most of these projects were won via open competitive tenders, SCG has also been appointed contractor for selected projects based on mutually agreed pricing. These projects are mainly specialty buildings such as medical centres and shopping malls.

List of completed/ongoing projects from Sunway Group

Commercial buildings	Hotels	Shopping Malls	Medical Centers	Universities	Theme Parks
Menara Sunway	Sunway Lagoon Resort Hotel	Sunway Pyramid Shopping Mall	Sunway Medical Centre	Monash University Malaysia Campus	Sunway Lagoon Theme Park
Sunway Pinnacle	Pyramid Tower Hotel	Sunway Pyramid Shopping Mall Phase 2	Sunway Medical Center Phase 2	Sunway University new academic block	Sunway Lost World of Tambun
Sunway Velocity Phase 1A		Sunway Carnival Shopping Mall			
Sunway Geo Retail and Flexi Suites		Sunway Velocity Shopping Mall			
		Sunway Putra Mall			
		Sunway Pyramid Phase 3			

Source: Company

Connected via parent

Aside from internal projects, SCG has also benefited from Sunway Group’s relationship with Khazanah Nasional via its property development JV in Medini Iskandar, in Johor. On its own, SCG has also secured several projects from affiliate companies of Khazanah including Legoland Malaysia Theme Park and Pinewood Iskandar Malaysia Studio.

More to come

Sunway Berhad’s remaining landbank has a gross development value of ~MYR50b with development period spanning approximately 15 years and could generate an e.MYR20b worth of construction works. It has a property launch target of MYR1.8b (+9% YoY) in 2015. With its consistent delivery and close relationship with Sunway Group, we believe SCG would continue to benefit from its parent, Sunway Berhad’s property development. SCG is however selective in bidding for these projects, preferring mixed property development projects where it can apply its VDC technology for value engineering. Some of Sunway Berhad’s upcoming developments that SCG could vie for are the Sunway Velocity Hotel, Sunway Velocity Medical Centre and Sunway South Quay Condominium. Besides, SCG could be the appointed contractor for Sunway Berhad’s projects in Iskandar and Penang.

Sunway Velocity



Source: Company

Sunway Berhad's remaining GDV and landbank as of end-2014

Developments	% Shareholding	Remaining GDV (MYR m)	Remaining Landbank (acre)
Selangor/KL			
Sunway Damansara	60%	1,691.3	15.4
Sunway South Quay	60%	3,086.7	40.2
Sunway Montereiz	60%	43.7	5.4
Sunway Semenyih	70%	728.6	398.1
Sunway Cheras	100%	16.8	6.0
Sunway Duta	60%	120.0	3.2
Sunway Montana	100%	55.5	2.0
Sunway Alam Suria	100%	12.0	0.7
Sunway Resort City	100%	660.1	14.9
Casa Kiara III	80%	210.0	2.9
Sunway Velocity	85%	2,108.0	13.4
Sunway Tower KL 1	100%	240.0	1.0
Bangi	100%	59.0	3.0
Melawati	100%	43.0	2.0
Sg Long	80%	277.0	111.0
Mont Putra, Rawang	100%	156.0	163.0
Perak			
Sunway City Ipoh	65%	1,048.4	440.5
Penang			
Sunway Hills	100%	849.0	80.7
Sunway Cassia, Batu Maung	100%	74.0	6.6
Sunway Wellesley, Bukit Mertajam	100%	725.5	52.8
Paya Terubong	100%	1,500.0	24.5
Sunway Tunas, Balik Pulau	100%	60.0	9.0
Sunway Betong, Balik Pulau	100%	110.0	19.9
Singapore			
Mount Sophia	30%	2,137.2	5.9
Johor			
Bukit Lenang	80%	698.4	64.8
Medini	51%	11,727.0	686.5
Pendas	60%	18,000.0	1,079.1
China			
Sunway Guanghao	65%	66.8	3.7
Tianjin Eco City	60%	1,210.0	21.3
India			
Sunway OPUS Grand India	50%	702.4	23.8
Sunway MAK Signature Residence (JV with M.A.K Builders)	60%	181.2	14.0
Australia			
Wonderland Business Park (Sydney)	45%	378.1	48.4
TOTAL		48,975.5	3,363.4

Source: Sunway Berhad

Merit 5: Leading in precast

3rd largest in Singapore

SCG's precast concrete products manufacturing arm was established in 1992 but growth only picked up in 2008 when it started supplying precast concrete products to Sunway Group's JV property developments in Singapore. Subsequently, it has continued to build on the customers who are mainly contractors of Singapore's Housing Development Board (HDB). It has grown to be the third largest precast supplier in Singapore in 2013 in terms of revenue among the seven players in the precast segment.

Wide product variety

SCG's precast concrete products arm is one of the 14 licensed precast concrete contractors who can undertake precast concrete works of unlimited value in Singapore. It is also one of the 15, we estimate, licensed contractors for prefabricated bathroom units (PBUs) in Singapore which has a growing demand since it was mandated that 65% or more of the bathroom units for non-landed public housing have to consist of PBUs. The Singapore business is supported by two precast concrete plants located in Senai, Johor and Tampines, Singapore with annual capacity of 62,000m³ and 145,000m³ respectively. The plants utilization rate was at 34% (Senai) and 73% (Tampines) in 2014. The Senai plant capacity will be increased by 25% to 77,500m³ in 2015. SCG is also building a new plant in Iskandar, Johor with an estimated annual capacity of 93,000m³. The plant is expected to complete in two phases with full completion by early-2016.

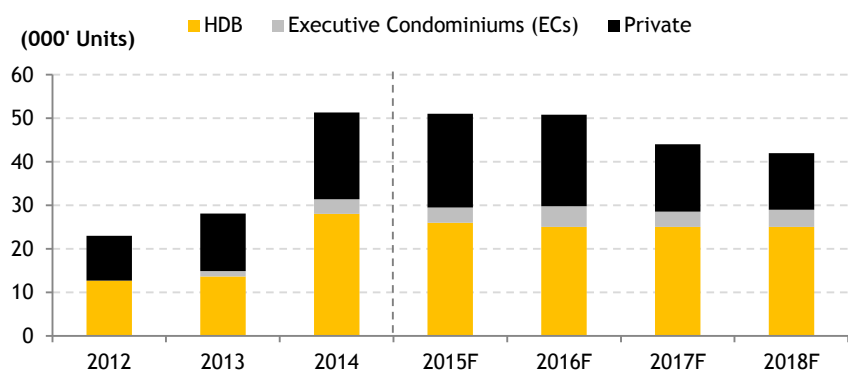
Diversified income source

SCG's precast concrete earnings are predominantly from supplying precast concrete products, including precast industrialised building system (IBS) components, to HDB projects in Singapore. The Singapore precast concrete business provides geographical diversification to SCG's earnings. It has accounted for 23% average of SCG's gross profit (2011-2014).

Buoyed by HDB supply

Despite record housing deliveries of ~51k units in 2014, Maybank KE's property analyst in Singapore still expect a net increase of 45,800 units per annum till 2018 in Singapore's housing supply. Under such a scenario, supply increases over the next four years could be larger than the total additions over the past decade. This is due to steady growth in both public and private housing in Singapore. In Feb 2015, the Singapore government reiterated its target of completing 25,000-26,000 public homes a year till 2018. We expect SCG's precast concrete business to remain supported by the steady demand from HDB construction in Singapore. In addition, SCG is targeting non-HDB projects including Sunway Group's projects in Singapore. Besides, demand for precast IBS could also be driven by new government polices to intensify IBS components in construction.

Net Annual Changes of Housing Supply



Source: i) Urban Redevelopment Authority, Housing and Development Board of Singapore for historicals, ii) Maybank KE for forecasts

Expanding into Malaysia

SCG is also looking to expand its precast concrete business into Malaysia. In particular, it is planning to introduce IBS construction in Iskandar. In Malaysia, the industrialised building system (IBS) in the construction sector currently represents only 15%-20% of overall projects in Malaysia which signifies significant growth opportunities. The Construction Industry Development Board (CIDB) is planning to mandate the use of 50% IBS content for private sector projects on top of the already mandated 70% IBS content for government projects. The recently announced 11MP also promotes measures to transform the construction industry that include adoption of IBS in construction. SCG was previously (in 1999) involved in the supply and installation of 2,200 units of teachers' quarters in Kuala Lumpur, Selangor and Pahang.

Financials

Solid MYR2.9b current outstanding orderbook

SCG's outstanding orderbook was solid at MYR3.06b as at end-Dec 2014, equivalent to 1.6x of its trailing revenue. The high average job replenishment rate of MYR2b p.a. from 2011 to 2014 was buoyed by mega infrastructure and internal property construction jobs. The significant job wins comprise: i) MYR569m KVLRT extension (2011), ii) MYR1.17b KVMRT 1 Package V4 (2012) and iii) MYR452m BRT - Sunway Line (2013). Meanwhile, Sunway Group has contributed MYR600-880m worth of construction works annually during 2012-2014. The precast concrete division accounted for MYR317m or 10% of SCG's total orderbook as of end-2014.

2015 YTD total job wins amount to ~MYR700m which consist of ~MYR400m construction and ~MYR300m precast concrete jobs. Incorporating job burn rate in 1H15, SCG's latest outstanding orderbook is estimated to be MYR2.9b.

Estimated new job win in 2015 YTD

<u>Civil, infrastructure & building</u>	(MYR m)
CP3 (Sunway Geo @ SSQ)	244
Bukit Lenang Phase 1A	96
Sunway Iskandar International School	27
Others	35
	402
<u>Precast division in Singapore</u>	
Workers' Dormitory CCK	26
Sembawang N3C8	42
Yishun N4C17	39
Estimated other job wins	194
	300
Grand total	702

Source: Company, Maybank KE

Expect higher replenishment ahead

SCG is poised to benefit from the upcoming major infrastructure projects including the KVLRT 3 (construction value: MYR9b) and KVMRT 2 (project value: MYR28b) where the construction works are expected to be awarded in 2016. Elsewhere, SCG could also secure more construction jobs from its long term clients such as Putrajaya Holdings, KLCC or Sunway Group that have strong pipelines of development plans. We forecast new construction job wins of MYR2b and MYR2.5b in 2015 and 2016 respectively. As for its precast concrete division, we assume MYR300m new orders p.a. in 2015- 2016 (vs. an average MYR200-300m wins in 2011-2014), supported by steady HDB construction in Singapore. SCG has already met our MYR300m new order target for its precast concrete division for 2015. (Refer to table in the next page for more details)

New awards assumptions: 2015-2016

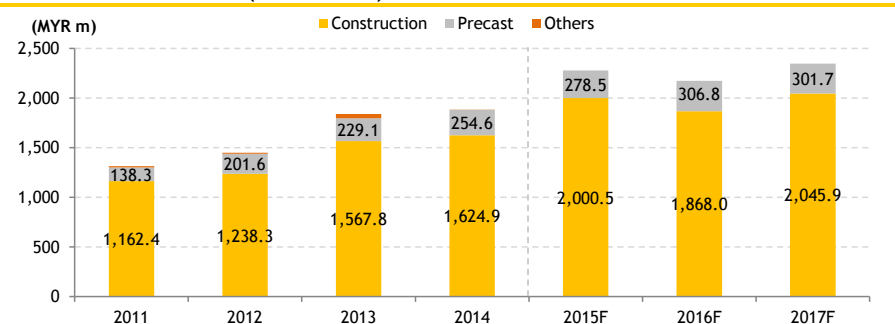
(MYR m)	2011	2012	2013	2014	2015F	2016F
Construction	NA	NA	NA	NA	2,000	2,500
Precast	NA	NA	NA	NA	300	300
Total new wins	2,200	1,900	2,900	800	2,300	2,800
Outstanding orderbook year-end	2,800	3,000	4,200	3,059	3,080	3,705

Source: Company for historicals, Maybank KE for forecasts

Revenue to tick up in 2015

We expect group revenue to grow 21% YoY to MYR2.28b in 2015, buoyed by strong orderbook wins in the last three years. SCG has completed the BRT - Sunway line recently and is expected to complete its works on the KVLRT extension in 2015, while the overall KVMRT 1 works has entered the last mile for completion in 2016 which implies that works momentum should be higher this year. We expect SCG to complete MYR1.83b (60%) of its MYR3.06b outstanding orderbook (at end-2014) in 2015. We expect 2016 group revenue to be marginally down (-5% YoY) due to lower construction works recognition (-7% YoY) caused by slower job wins in 2014 but this would be partially offset by higher revenue from its precast concrete division (+10% YoY). However, group revenue will pick up in 2017 as works on the major infrastructures including KVMRT 2 and KVLRT 3 accelerate (our job wins expectation for 2016 implies KVMRT 2 and KVLRT 3 wins). Overall, we forecast group revenue to grow at 7.7% 3-year CAGR (2014-2017).

Revenue breakdown (2011-2017)

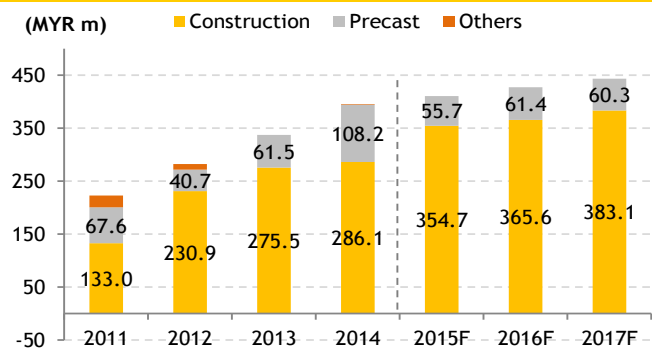


Source: Company for historicals, Maybank KE for forecasts

Gross profit margins to normalise

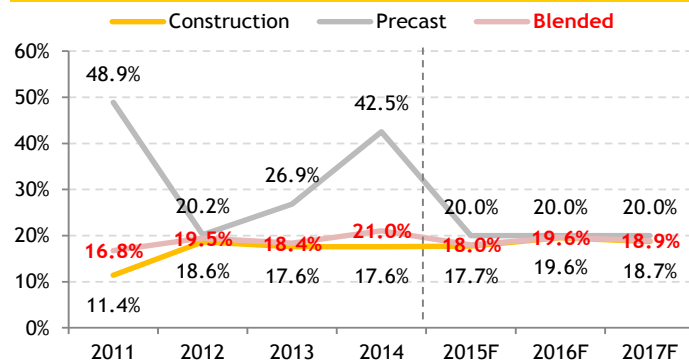
We forecast SCG's 2015 blended gross profit (GP) margin to be at 18.0% (-3.0ppt YoY). While we expect 2015 construction GP margin to be flattish at 17.7% (+0.1ppt YoY), precast concrete GP margin is expected to trend towards 20.0% (-22.5ppt YoY). 2014 precast concrete GP margin was exceptionally high at 42.5% (+15.6ppt YoY) due to higher margins recognised during the finalisation of a project. In 2016, we project SCG's blended GP margin to increase 1.6ppt YoY, driven by the higher construction GP margin (+1.8ppt YoY) as we expect higher margin recognition from the finalisation of several projects including KVMRT 1. In 2017, blended GP margin would normalise by -0.7ppt to 18.9%. We estimate SCB's gross profit to grow at a 3.9% 3-year CAGR (2014-2017).

Gross profit breakdown (2011-2017)



Source: Company for historicals, Maybank KE for forecasts

Gross profit margins by segment (2011-2017)

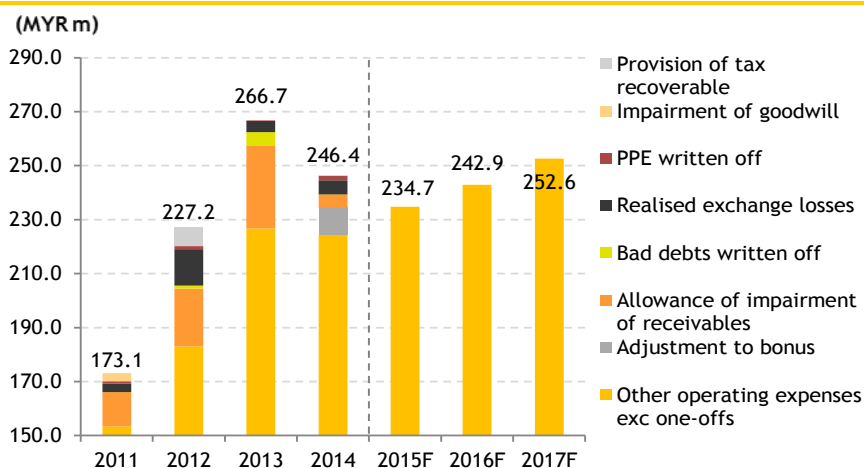


Source: Company for historicals, Maybank KE for forecasts

Stronger EBIT growth at 10.5% 3-year CAGR

We forecast group EBIT to grow at a stronger 22% YoY in 2015 and 6% YoY in 2016 with EBIT margin estimates of 6.4% and 7.1% respectively. The forward EBIT margin estimates are higher (2011-2014 average: 4.4%) due to lower operating expenses forecasts after we adjusted them for one-offs. SCG's 2011-2014 other operating expenses included non-recurring items: i) allowance of impairment of receivables, ii) bad debts written off, iii) realised foreign exchange losses, iv) fixed assets written off, v) impairment of goodwill and vi) provision of tax recoverable. In addition, the wages, salaries and bonuses costs of MYR163.8m in 2014 (+20.9% YoY) is expected to be lower going forward after its property project was completed in 2014. In 2017, estimated EBIT growth of 5% YoY would be in line with revenue growth while EBIT margins remain flattish at 6.9% (-0.2ppt YoY).

Breakdown of other operating expenses



Source: Company for historicals, Maybank KE for forecasts

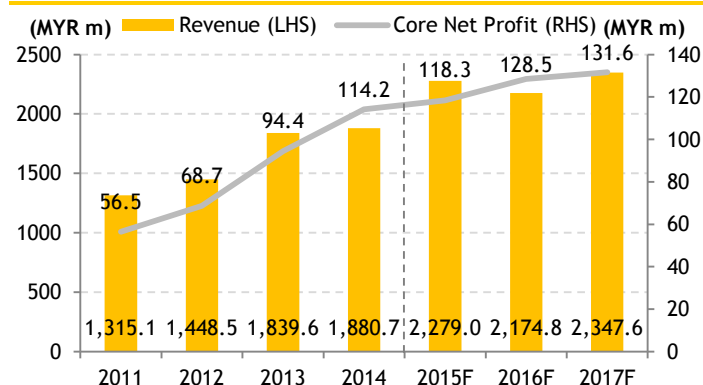
Muted share of JVs' contributions

We forecast SCG's core pretax profit to grow at a 6.1% 3-year CAGR (2014-2017). The lower growth in pretax profit vis-à-vis EBIT is because 2011-2014 pretax profit included share of JV profits from i) its Rihan Heights, Abu Dhabi construction project and ii) its SunCity SunCon JV property project in Singapore that were both completed in 2014. Going forward, we expect muted contributions from the JVs. Excluding the share of JVs' profits from 2014 pretax profit, we project SCG's core pretax profit to grow at a 15.1% 3-year CAGR (2014-2017).

Steady net profit growth of 4.8% 3-year CAGR (2014-2017)

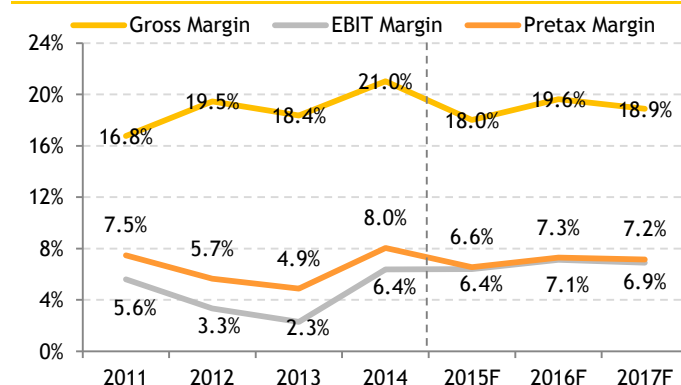
We estimate SCG's 2015 core net profit to grow at 3.6% YoY to MYR118m driven mainly by higher revenue due to a stronger orderbook but this would be partly offset by a more normalised precast concrete margins. Meanwhile, 2016 core net profit would increase 8.6% YoY to MYR128m, based on our estimates, on stronger construction margins although turnover would be flattish. Beyond that, we forecast a core net profit growth of 2.4% YoY in 2017 on higher construction revenue. The estimated core net profit margins are at 5.2% (-0.9ppt YoY), 5.9% (+0.7ppt YoY) and 5.6% (-0.3ppt) in 2015-2017.

Revenue and Net Profit (2011-2017)



Source: Company for historicals, Maybank KE for forecasts

Historical and forecasted margins (2011-2017)



Source: Company for historicals, Maybank KE for forecasts

Strong 1H15 results; on track

SCG reported 2Q15 net profit of MYR38m (+10% QoQ) that brought 1H15 net profit to MYR72m, making up 61% of our full-year forecast. At the pretax level, 1H15 pretax profit was largely in line, at 54% of our full-year forecast. The tax rate was lower in 1H15 largely due to recognition of unutilised tax losses. We expect its tax rate to normalise in 2H15.

Operationally, the 5.4% QoQ growth in 2Q15 blended EBIT was due to stronger construction EBIT (+58.1% QoQ). This was mainly driven by strong pick up in construction works recognition (+37.9% QoQ) and construction EBIT margins were slightly higher (+0.6ppt QoQ). This was however partly offset by lower precast concrete EBIT (-35.3% QoQ) as earnings normalised post lumpy earnings recognition in 1Q15.

Results Summary Table

FY Dec (RM m)	Quarterly			1H15
	2Q15	1Q15	% QoQ	
Turnover	500.2	496.1	0.8	996.3
EBIT	41.3	39.2	5.4	80.5
Interest expense	0.4	0.4	(16.6)	0.8
Associates, JVs	(0.1)	-	na	(0.1)
Pre-tax profits	41.6	39.6	5.0	81.2
Tax	(3.8)	(5.2)	(27.4)	(9.0)
Minority Interests	-	(0.0)	(100.0)	(0.0)
Net profit	37.8	34.4	10.0	72.2
	2Q15	1Q15	+/- ppt	1H15
EBIT margin (%)	8.3	7.9	0.4	8.1
Pretax margin (%)	8.3	8.0	0.3	8.2
Tax rate (%)	9.1	13.2	(4.1)	11.1
Revenue:	2Q15	1Q15	% QoQ	1H15
Construction	554.2	402.0	37.9	1,082.5
Precast concrete	85.1	94.1	(9.6)	179.1
Inter-coy	(139.1)	-	NM	(265.3)
Total	500.2	496.1	(24.6)	996.3
EBIT				
Construction	27.0	17.1	58.1	44.1
Precast concrete	14.3	22.1	(35.3)	36.4
Total	41.3	39.2	5.4	80.5
EBIT margin (%)	2Q15	1Q15	+/- ppt	1H15
Construction	4.9	4.3	0.6	4.1
Precast concrete	16.8	23.5	(6.7)	20.3
Total	8.3	7.9	0.4	8.1

Sources: Company

Low collection risk

SCG's trade receivable turnover period (excluding retention sums) increased from 68 days in end-2011 to 92 days as of end-2014. Although its historical trade receivable turnover period is longer than its normal credit period of 30 to 60 days, the collection risk remains low as 77.3% of its trade receivables as of end-2014 were within the normal credit period. In addition, the longer trade receivable turnover period is due to the major projects that are more complicated. SCG's clients are predominantly established developers and government related companies that pose low credit risk.

Cash generative capability

SCG was at a net cash of MYR156m as at end-2014 which grew to MYR221m as at end-Jun 2015. Without any major capex anticipated in the medium term (estimated MYR40m+ p.a.), its business is highly cash generative, with strong free cash flow (FCF) of MYR109.5m/110.5m/147.8m in 2015/2016/2017 based on our projections.

MYR20.7m/45m/46m base case dividends for 2H15/2016/17

SCG' dividend policy has a target payout ratio of 35% of core net profit. This translates to current 2016 dividend yields of 3.2%. SCG intends to pay its dividends in two tranches, to be announced in its first half and final results in February and August. This follows its parent, Sunway Berhad's twice yearly payout.

Pre-listing restructuring

Sunway Construction Sdn Bhd (SunCon) was injected into SCG at MYR258.6m that was satisfied via the issuance of 1,292.9m SCG ordinary shares of MYR0.20 each. Prior to this, SunCon has i) received MYR350m from SCG's related companies, comprising settlement of advances and ii) distributed MYR390m of cash dividends to its immediate holding company, Sunway Holdings. The total listing expenses was an expected MYR17.2m, of which MYR1.2m was borne by SCG, while the remaining by Sunway. We have incorporated the MYR1.2m in our earnings model for SCG.

Risks

Expiring land lease for precast business

SCG's precast concrete manufacturing plant in Tampines, Singapore, sits on two parcels of land with short term leases expiring in Apr 2017. The leases may not be renewed due to government policy change to encourage precast players to automate, with land leases priority to be given to set up Integrated Construction and Precast Hubs (ICPH). SCG could buy another piece of land in Singapore to set up an ICPH which would require a substantial investment of SGD60m-80m. Or, it could move its Singapore operations to its existing Senai plant and new plant in Iskandar, Johor. These alternatives would ensure the continuous supply of precast materials to its Singapore clients. Relocating to Johor may however impact SCG's cost competitiveness in Singapore and affect profitability due to higher logistics cost and selected raw material costs could also be higher. This could be offset by the lower labour and rental cost in Malaysia.

Fluctuations in supply and prices of raw materials

The nature of the construction business constantly requires the purchase of a wide range of raw materials like steel bars, ready mixed concrete, diesel, electrical cables and fittings. Construction operations could be delayed with insufficient quantities of raw materials. Earnings/margins are also highly sensitive to raw material prices. Nonetheless, SCG has not experienced any significant price hikes in raw materials in the past that has affected its financial performance.

Safety of project sites

On 27 Feb 2015, one Bangladeshi worker died while another was injured in an accident at the Semantan section of the KVMRT 1 works contracted to SCG. The workers were tying the reinforcement bars (rebars) to the cage when the tie wire broke, causing the rebars to fall and hit the workers. SCG has taken full responsibility for the incident. It is currently not aware of any breaches of applicable workplace safety and health requirements. Although SCG achieved the 5 Star Ratings for Health and Assessment System in Construction for the KVMRT 1 Package V4 in 2014, this unfortunate incident occurred subsequently. This incident could impact SCG's tender for future KVMRT projects, in our view. The case is still under investigation by the Department of Occupational Safety and Health (DOSH) and we understand that there has been no closure yet.

Valuation

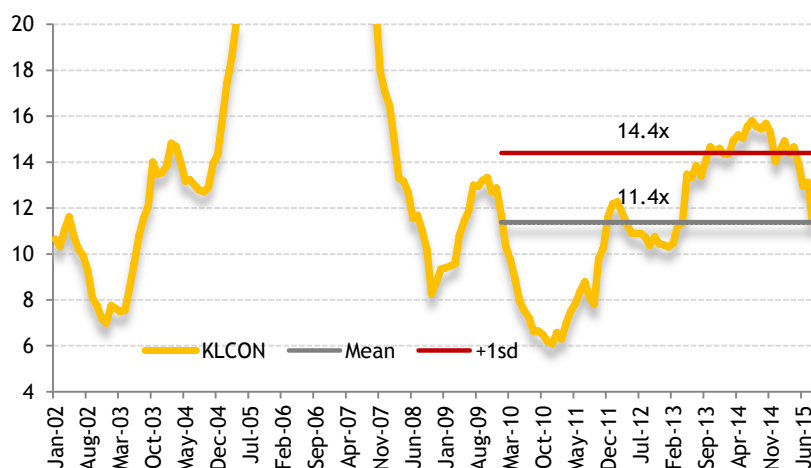
Favours PER valuation

The construction industry is a cyclical industry as it is dependent on macroeconomic factors that determine construction job flows. This in turn affects orderbook replenishment and earnings of construction companies. Construction companies' outstanding orderbook at any point in time can only provide near-to-medium terms earnings visibility. In deriving fair value, we apply the price-to-earning (PER) valuation method. And, in deciding the PE multiple to be applied, we draw on macro factors like the construction industry cycle and specific factors like the construction companies' strength and size. For SCG, it has segments and geographical diversification that could mitigate the earnings fluctuations. On these considerations, we peg its valuation to 13x 2016 PER and derive a target price of MYR1.30.

Sector valuation to recover

The Kuala Lumpur Construction Index (KLCON Index) has fallen 11% since end-Jul 2015 alongside the broad market weakness, and it currently trades at 11.4x one-year forward PER. This is at its 5-year mean of 11.4x. Our view is that Malaysia's development plans will continue to sustain construction companies' orderbook replenishment in both infrastructure and building construction for the longer term. The 11MP supports our view with selected major public sector infrastructure projects to proceed and support economic growth. 2015 YTD, project delivery partners (PDP) for three mega infrastructure projects have already been appointed - KVMRT 2, KVLRT 3, Penang Transport Master Plan. As construction job awards pick up in 2016, we expect the sector valuation to improve beyond its mean valuation. The key phrase here is "sustained job flows" which should support double-digit valuations for the sector. The sector's current valuation is way below its 2-year peak of 15.8x. The sector is also trading below its regional peers with Indonesia and Thailand construction trading at 16.7x and 29.9x one-year forward PERs.

KLCON Index forward PER



Source: Bloomberg

Regional construction sector: Peer valuation summary

Stock	Rec	Shr px (LC)	Mkt cap (USD'm)	TP (LC)	PER (x) CY14A	PER (x) CY15F	PER (x) CY16F	P/B (x) CY14A	P/B (x) CY15F	ROE (%) CY14A	ROE (%) CY15F	Net yld (%) CY15F
Thailand												
CH. Karnchang	Buy	26.25	1,301.8	33.5	44.8	34.8	30.7	2.3	2.2	5.2	6.4	1.1
Italian-Thai Dev.	Buy	7.75	1,170.5	10.7	148.8	53.3	35.6	2.7	2.5	1.8	4.8	0.0
Sino-Thai Eng. & Cont.	Buy	25.25	982.8	31.0	25.3	25.1	23.5	4.6	4.2	18.2	16.5	1.6
Simple average					73.0	37.7	29.9	3.2	3.0	8.4	9.2	0.9
Indonesia												
PP Persero	Buy	3,415	1,477.9	4,500	31.1	22.6	17.3	6.9	5.6	22.3	24.7	1.0
Wijaya Karya	Hold	2,625	1,478.9	2,800	26.2	31.6	23.9	4.0	3.7	15.4	11.8	1.1
Waskita Karya	Buy	1,590	1,302.9	2,000	30.9	28.7	21.4	5.4	2.4	17.6	8.5	0.2
Adhi Karya	Buy	2,025	362.3	2,700	11.3	9.1	7.0	2.1	1.8	18.6	19.3	1.9
Acset Indonusa	Buy	4,200	182.5	6,500	20.1	18.4	13.9	3.3	2.8	16.2	15.5	1.0
Simple average					23.9	22.1	16.7	4.3	3.3	18.0	16.0	1.0

Prices as of 8th Sep 2015

Source: Maybank KE, Bloomberg

Sector valuation supported on a bottom-up approach

We also compare the KLCON Index valuation with the basket of Malaysian construction stocks under our research coverage. We have an OVERWEIGHT call on the construction sector with BUY calls on almost all stocks under our coverage. The construction stocks under our coverage currently trade at a simple average one-year forward PER of 12.1x (weighted average, based on market capitalisation, is 14.8x). Based on our fair values for the respective construction stocks, we derive a sector simple average one-year forward PER of 15.8x (weighted average is 19.2x). The implied sector "fair" PER valuation of 15.8x based on this bottom-up approach is consistent with the KLCON Index's +1SD of mean.

Malaysia construction sector: Average sector PER at latest closing prices and Maybank KE's target prices

Stock	Rec	Shr px (MYR)	Mkt cap (MYR m)	TP (MYR)	PER (x) CY14A	PER (x) CY15F	PER (x) CY16F	P/B (x) CY14A	P/B (x) CY15F	ROE (%) CY14A	ROE (%) CY15F	Net yield (%) CY15F
At 8th Sep 2015 closing prices												
Gamuda	Buy	4.36	10,489.7	6.00	14.4	15.0	15.4	1.8	1.7	12.4	11.2	2.8
IJM Corp	Buy	3.08	10,985.5	3.90	16.7	16.3	14.9	0.6	0.5	6.7	7.3	2.4
WCT Holdings	Buy	1.23	1,474.8	2.20	13.8	14.8	9.8	0.6	0.6	4.4	4.0	5.0
CMS	Buy	4.77	5,124.8	5.35	22.0	20.9	16.9	2.7	2.5	12.2	11.9	1.9
Eversendai	Buy	0.71	549.5	1.00	14.8	9.7	8.5	0.6	0.6	4.1	5.9	2.1
HSL	Buy	1.69	928.7	2.15	12.1	12.1	9.9	1.6	1.4	12.9	11.9	2.0
Kimlun	Hold	1.13	339.6	1.20	10.0	6.9	9.3	0.8	0.8	8.5	11.2	3.9
Weighted average					16.4	16.2	14.8	1.4	1.3	9.7	9.5	2.6
Simple average					14.8	13.7	12.1	1.2	1.2	8.7	9.1	2.9
SCG	BUY	1.09	1,409.3	1.30	11.3	11.9	11.0	4.3	3.9	34.2	32.8	2.9
At Maybank KE's target prices												
Gamuda				6.00	19.8	20.6	21.1					
IJM Corp				3.90	21.1	20.6	18.8					
WCT Holdings				2.20	24.7	26.5	17.5					
CMS				5.35	24.7	23.5	19.0					
Eversendai				1.00	20.8	13.7	12.0					
HSL				2.15	15.4	15.4	12.5					
Kimlun				1.20	10.6	7.4	10.0					
Weighted average					21.1	21.0	19.2					
Simple average					19.6	18.2	15.8					

Source: Maybank KE, Bloomberg

Specific considerations: SCG's strength and size

We next considered SCG's strength and size to derive a fair PER for the stock. We are of the view that SCG's strong capabilities and proven track record would support its involvement in the construction of some of the upcoming mega infrastructure projects. In particular, SCG's experience in the KVLRT extension and KVMRT 1 construction should strengthen its bids for works in the upcoming KVLRT 3 and KVMRT 2 projects. And, its experience in Putrajaya ministry building design-and-built jobs will support its bids for similar design-and-build jobs in Putrajaya. In terms of size, SCG that is currently ranked among the top in Malaysia in orderbook size and construction revenue is also the largest pure construction stock on the Malaysian bourse in terms of market capitalisation. In any pure-play stock, it would have scarcity premium especially in times of an industry upswing.

- **4th largest market cap construction company.** The two largest listed construction groups in Malaysia presently are IJM and Gamuda with market capitalisation of above MYR10b each. SCG's current market capitalisation of MYR1.4b is close to the third largest listed group, WCT, with a market size of MYR1.5b. Hence, SCG is the 4th largest construction company in terms of market capitalisation. These rankings exclude CMS (market size of MYR5.1b) as it offers purely a Sarawak exposure.
- **Sole large cap pure construction play.** IJM, Gamuda and WCT offer not just construction exposure as they are also involved in property (development and/or investment), infrastructure (toll roads and/or water concession), industrials (building materials) and plantations (oil palm upstream). Construction revenue made up 17% of IJM's FY3/15A group revenue, 53% of Gamuda's FY7/14A group revenue and 73% of WCT's FY12/14A group revenue. Hence, SCG is the only large cap pure construction play in the Malaysian bourse.

Pure construction players typically trade at a discount to the construction groups that have other businesses. Presently, IJM, Gamuda and WCT are trading at 10-15x PERs based on their calendarised 2016 earnings. On the other hand, listed pure construction plays in Malaysia that we have screened and selected are trading at an average forward PER valuation of 8.8x. We believe that SCG is not directly comparable to these other pure plays given its wider and niche capabilities, larger capacity and bigger outstanding orderbook. In addition, the average market cap of the pure plays is just about MYR530m.

In conclusion, we peg SCG to 13x 2016 PER and derive a TP of MYR1.30. We think it deserves to trade above our sector average 2016 PER of 12.1x given its superior strength and size. A scarcity premium is also justified as it is the only listed large cap pure construction play that is a direct beneficiary of the upcoming mega infrastructure projects.

Pure construction companies valuation

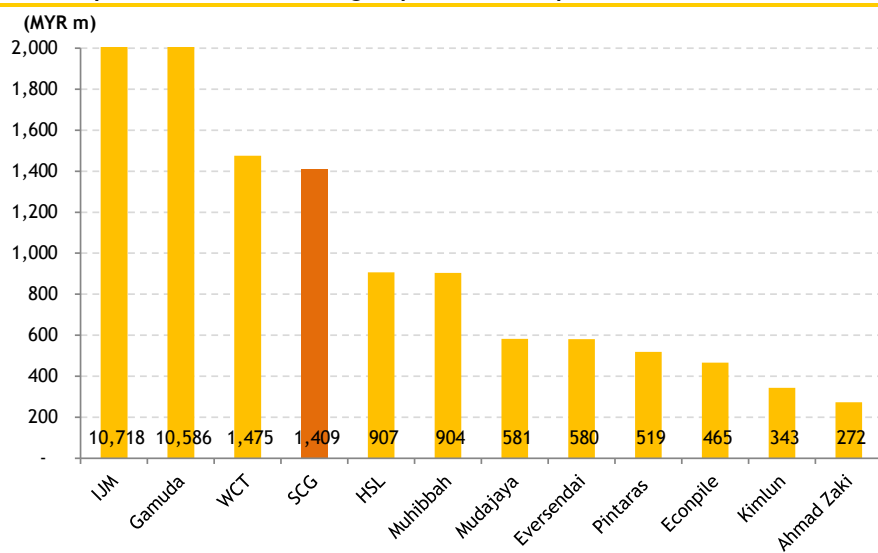
Companies	Mkt cap (MYR m)	PER (x) CY14A	PER (x) CY15F	PER (x) CY16F
Eversendai *	568.8	15.3	10.1	8.8
Kimlun *	339.6	10.0	8.5	8.2
Muhibbah	880.9	9.7	8.2	7.6
Mudajaya	592.2	NA	NA	16.2
Pintaras Jaya BHD	519.2	13.0	10.3	8.0
Benalec Holdings Bhd	435.5	128.4	8.5	6.0
Econpile Holdings Bhd	465.5	NA	8.6	7.7
Ahmad Zaki Resources Bhd	272.4	21.6	11.3	8.1
Simple average	527.6	33.0	9.4	8.8

* Eversendai and Kimlun PERs are based on Maybank KE's estimates while the remaining are based on Bloomberg consensus.

Prices as of 8th Sep 2015.

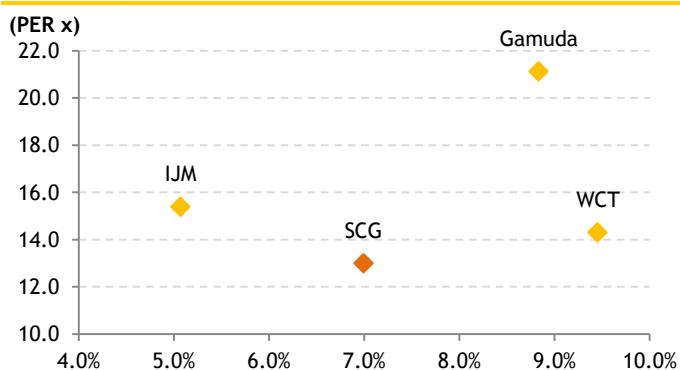
Source: Bloomberg, Maybank KE

Market cap rank of construction groups as of 8th Sep 2015



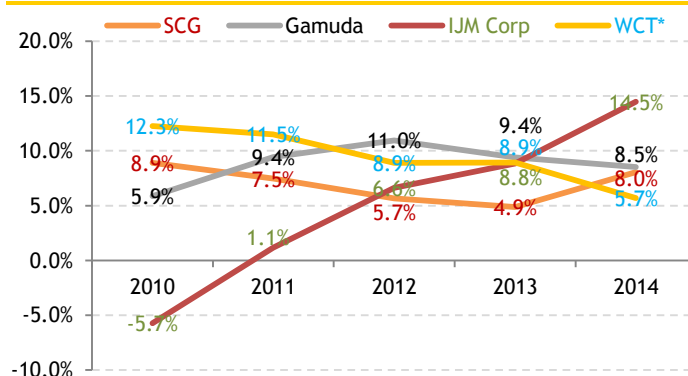
Source: Bloomberg, Maybank KE

Target 2016 PER & construction pretax profit margin (CY10-14 average)



Note: SCG's PER is based on our high-end equity valuation estimate; WCT's construction pretax profit is based on our own estimate; Source: SCG, IJM, Gamuda, WCT

Historical construction pretax profit margins (CY10-14)



Note: WCT's construction pretax profit is based on our own estimate; Source: SCG, IJM, Gamuda, WCT, Maybank KE

Market liquidity to provide further uplift?

As the construction industry is a cyclical one, construction stocks have been subjected to sharp swings in share prices and valuations in the past. The KLCON Index has traded at between 6.1x and 15.8x one-year forward PERs during the bear and bull cycles in the last five years, we observe. Hence, we believe there is upside potential for the construction sector/ KLCON Index beyond the current 11.4x one-year forward PER valuation when positive sentiment in the sector strengthens, with news flows on construction job prospects. This would drive market liquidity towards this sector, lifting valuations. As a pure construction play, SCG would be the strongest proxy to the sector news flows and sentiment.

Shariah compliant

SCG is Shariah compliant, under the Securities Commission's guidelines.

Above average dividend yield

Management is targeting a minimum dividend payout ratio of 35% of core net profit. The implied net dividend yield would be 2.9% for 2H15 and 3.2% for 2016. The latter is above our construction sector average 2016 dividend yield of 2.9%.

FYE 31 Dec	FY13A	FY14A	FY15E	FY16E	FY17E
Key Metrics					
P/E (reported) (x)	21.1	11.3	11.9	11.0	10.7
Core P/E (x)	14.9	12.3	11.9	11.0	10.7
P/BV (x)	2.3	4.2	3.9	3.2	2.7
P/NTA (x)	2.3	4.3	3.9	3.2	2.7
Net dividend yield (%)	2.3	28.0	1.5	3.2	3.3
FCF yield (%)	2.4	9.8	7.8	7.8	10.5
EV/EBITDA (x)	na	na	6.5	5.9	5.2
EV/EBIT (x)	na	na	8.4	7.5	6.5

INCOME STATEMENT (MYR m)

Revenue	1,839.6	1,880.7	2,279.0	2,174.8	2,347.6
Gross profit	338.0	395.4	410.4	427.0	443.4
EBITDA	112.7	151.2	188.9	197.8	204.9
Depreciation	(42.8)	(41.6)	(42.9)	(43.0)	(42.6)
EBIT	69.9	109.6	146.0	154.8	162.3
Net interest income / (exp)	2.1	0.7	3.5	4.0	5.7
Associates & JV	45.4	30.4	0.0	0.0	0.0
Exceptionals	(27.5)	10.6	0.0	0.0	0.0
Pretax profit	89.8	151.3	149.5	158.8	168.0
Income tax	(23.7)	(26.5)	(31.2)	(30.3)	(36.4)
Minorities	0.8	0.1	0.0	0.0	0.0
Reported net profit	66.9	124.8	118.3	128.5	131.6
Core net profit	94.4	114.2	118.3	128.5	131.6

BALANCE SHEET (MYR m)

Cash & Short Term Investments	156.1	291.6	310.4	376.0	477.7
Accounts receivable	1,020.5	737.9	850.4	819.5	870.9
Inventory	25.5	20.2	30.7	28.7	31.3
Property, Plant & Equip (net)	180.9	178.7	179.1	177.5	179.5
Intangible assets	3.6	3.6	3.6	3.6	3.6
Investment in Associates & JVs	22.1	24.2	24.2	24.2	24.2
Other assets	33.1	16.0	16.0	16.0	16.0
Total assets	1,441.9	1,272.2	1,414.5	1,445.5	1,603.2
ST interest bearing debt	75.1	135.1	135.1	135.1	135.1
Accounts payable	730.7	791.3	906.0	853.4	925.5
LT interest bearing debt	15.4	0.1	0.1	0.1	0.1
Other liabilities	11.0	17.0	17.0	17.0	17.0
Total Liabilities	832.2	943.9	1,058.6	1,006.0	1,078.2
Shareholders Equity	614.2	333.5	361.1	444.7	530.2
Minority Interest	(4.5)	(5.2)	(5.2)	(5.2)	(5.2)
Total shareholder equity	609.7	328.3	355.9	439.4	525.0
Total liabilities and equity	1,441.9	1,272.2	1,414.5	1,445.5	1,603.2

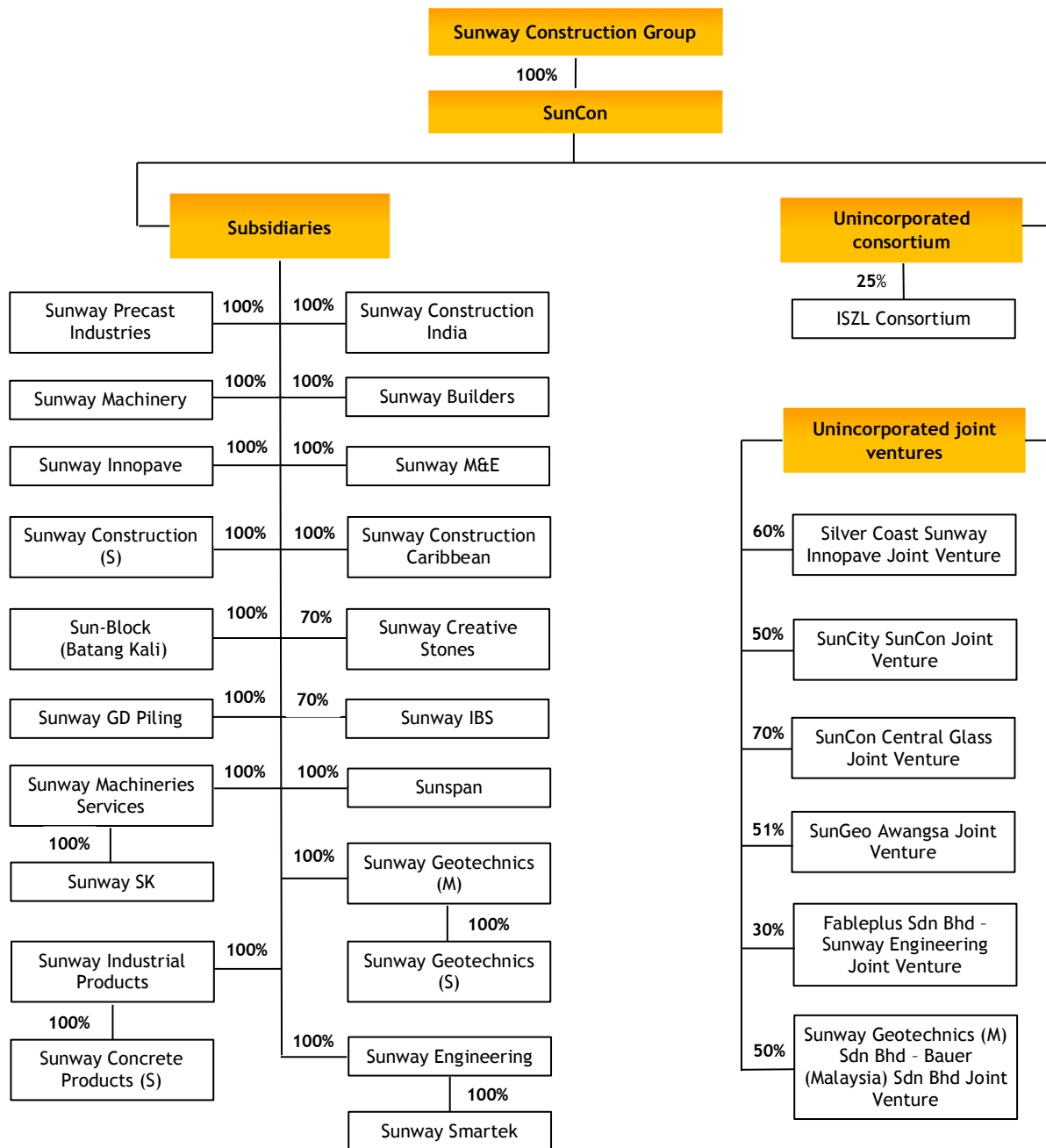
CASH FLOW (MYR m)

Pretax profit	89.8	151.3	149.5	158.8	168.0
Depreciation & amortisation	42.8	41.6	42.9	43.0	42.6
Adj net interest (income)/exp	2.1	0.7	3.5	4.0	5.7
Change in working capital	(68.3)	14.1	(8.4)	(19.7)	18.2
Cash taxes paid	(20.1)	(28.5)	(31.2)	(30.3)	(36.4)
Other operating cash flow	36.8	4.7	(3.5)	(4.0)	(5.7)
Cash flow from operations	83.1	183.9	152.8	151.9	192.4
Capex	(49.4)	(45.7)	(43.3)	(41.3)	(44.6)
Free cash flow	33.7	138.2	109.5	110.5	147.8
Dividends paid	(14.5)	(428.0)	(90.7)	(45.0)	(46.1)
Change in Debt	29.2	46.5	0.0	0.0	0.0
Other invest/financing cash flow	(24.8)	394.3	0.0	0.0	0.0
Net cash flow	23.7	151.0	18.8	65.5	101.7

FYE 31 Dec	FY13A	FY14A	FY15E	FY16E	FY17E
Key Ratios					
Growth ratios (%)					
Revenue growth	27.0	2.2	21.2	(4.6)	7.9
EBITDA growth	25.7	34.2	24.9	4.7	3.6
EBIT growth	12.6	56.8	33.3	6.0	4.9
Pretax growth	9.7	68.4	(1.1)	6.2	5.8
Reported net profit growth	22.2	86.5	(5.2)	8.6	2.4
Core net profit growth	37.6	20.9	3.6	8.6	2.4
Profitability ratios (%)					
EBITDA margin	6.1	8.0	8.3	9.1	8.7
EBIT margin	3.8	5.8	6.4	7.1	6.9
Pretax profit margin	4.9	8.0	6.6	7.3	7.2
Payout ratio	49.3	nm	17.5	35.0	35.0
DuPont analysis					
Net profit margin (%)	3.6	6.6	5.2	5.9	5.6
Revenue/Assets (x)	1.3	1.5	1.6	1.5	1.5
Assets/Equity (x)	2.3	3.8	3.9	3.3	3.0
ROAE (%)	16.1	24.1	34.1	31.9	27.0
ROAA (%)	6.5	8.4	8.8	9.0	8.6
Liquidity & Efficiency					
Cash conversion cycle	27.2	(10.6)	(33.1)	(36.9)	(32.9)
Days receivable outstanding	204.5	168.3	125.4	138.2	129.6
Days inventory outstanding	5.7	5.5	4.9	6.1	5.7
Days payables outstanding	183.0	184.4	163.5	181.2	168.2
Dividend cover (x)	2.0	0.3	5.7	2.9	2.9
Current ratio (x)	1.5	1.1	1.1	1.2	1.3
Leverage & Expense Analysis					
Asset/Liability (x)	1.7	1.3	1.3	1.4	1.5
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	na	na	na	na	na
Debt/EBITDA (x)	0.8	0.9	0.7	0.7	0.7
Capex/revenue (%)	2.7	2.4	1.9	1.9	1.9
Net debt/ (net cash)	(65.6)	(156.4)	(175.2)	(240.8)	(342.5)

Source: Company; Maybank

Appendix 1: Corporate Structure



Appendix 2: Board of Directors and Key Management

Board of Directors

Name	Designation	Profile
Dato' Ir Goh Chye Koon	Senior Independent Non-Executive Chairman	<p>Dato' Ir Goh Chye Koon (aged 65) graduated with a Bachelor of Engineering (Hons) degree in Civil Engineering from the University of Malaya in 1973. He is a Professional Engineer (P.Eng) and a Member of the Institution of Engineers Malaysia (MIEM).</p> <p>Dato' Ir Goh began his career as an engineer with the Ministry of Works, where he served for 11 years before joining IJM Corporation Berhad as a Senior Engineer in 1984. In 1986, he was promoted to General Manager (Central Region) and subsequently assumed the role of Alternate Director in 1995 and promoted to Deputy Group Managing Director in 1997. He was later redesignated to Deputy Chief Executive Officer and Deputy Managing Director in 2004. Since his retirement in 2008, Dato' Ir Goh Chye Koon has continued to serve as the Executive Director of IJM Corporation Berhad until June 2009 and thereafter Non-Executive from July 2009 until June 2013.</p> <p>Dato' Ir Goh was appointed as Chairman of institutions such as the Building Industry Presidents' Council and Main Committee Member (2001-2009) and Chairman of the Working Group for construction projects (Local and Foreign) in the Construction Industry Master Plan of the Construction Industry Development Board (CIDB). He was also a member of the Presidential Consultative Council of the Board of Engineers Malaysia (2002-2004), Construction Consultative Panel of Malaysia Productivity Corporation (2003-2009) and CIDB Malaysia from 2004-2006. He has served as President of the Masters Builders Association Malaysia for the session 2004/2006 and as its Deputy President, Vice President and Deputy Secretary General.</p> <p>Dato' Ir Goh is currently an Advisory Peer Group Member of the School of Science and Technology at Wawasan Open University (since 2010).</p>
Kwan Foh Kwai	Senior Managing Director	<p>Mr Kwan Foh Kwai (aged 63) graduated with a Bachelor of Engineering (Hons) degree from the University of Malaya in 1977. He began his career as a Contract Engineer in 1977 with the Department of Public Works, Ministry of Works for three years and was attached to the East-West Highway project. In 1980, he moved to Promet Construction Sdn Bhd as its Site Manager and subsequently, he joined Alam Baru Sdn Bhd, a Class "A" Contractor as General Manager from 1984 to 1986. From 1986-1996, he was attached with Taisei Corporation of Japan and his last position was General Manager of Taisei (Malaysia) Sdn Bhd.</p> <p>Mr Kwan joined Sunway Construction Berhad as an Executive Director in 1996 and in June 2001, he was promoted to Managing Director of Sunway Construction Berhad, which was delisted from Bursa Securities and converted to a private limited company in 2004. Mr Kwan was appointed as Senior Managing Director of SCG on 6 Nov 2014.</p> <p>Mr Kwan is a member of various organizations such as Member of The Institution of Engineers, Malaysia, Fellow Member of the Chartered Institute of Building and Board Member of International Federation of Asian & Western Pacific Contractors' Associate (IFWAPCA). Mr Kwan is also the Immediate Past President of Masters Builders Association of Malaysia for the term 2012 to 2016 and has 37 years of extensive working experience in the construction industry, both in the public and private sectors. He also sits on the Board of Governors of SMJK Yuk Choy, Ipoh, Perak as the Chairman.</p>
Dato' Siow Kim Lun	Independent Non-Executive Director	<p>Dato' Siow Kim Lun (aged 64) graduated with a Master in Business Administration from the Catholic University of Leuven in Belgium in 1981 and holds a Bachelor of Economics (Hons) degree from Universiti Kebangsaan Malaysia, which he obtained in 1978. He has also attended the Advanced Management Program at the Harvard Business School in 1997.</p> <p>Dato' Siow started his career in investment banking with the Malaysian International Merchant Bankers Berhad (now known as Hong Leong Investment Bank Berhad) in 1981 and later joined its associate company, Malaysian International Finance Berhad in 1984 as the Manager of its Petaling Jaya branch. From 1985 to 1993, Dato' Siow served in Permata Chartered Merchant Bank (now known as Affin Hwang Investment Bank Berhad) as a manager and later as the Divisional Head of its Corporate Finance Division. Between 1993 and 2006, he served the Securities Commission Malaysia (SC) in several positions which include Director of its Issues and Investment Division, Director of Market Supervision Division and Executive Director in the Office of the SC Chairman.</p> <p>After his retirement from the SC, Dato' Siow established MainStreet Advisers Sdn Bhd with his partner in 2007, which is involved in the provision of corporate finance advisory services. Dato' Siow was a board member of UMW Oil & Gas Corporation Berhad, YTY Industry Holdings Berhad and Xingguan International Sports Holdings Limited. He also served as a member of the Listing Committee at Bursa Securities from 2007 to 2009.</p> <p>At present, Dato' Siow is a Director of Citibank Berhad, Kumpulan Wang Persaraan, UMW Holdings Berhad and UMW Technology Sdn Bhd, EITA Resources Berhad, Hong Leong Assurance Berhad, Eco World International Berhad and MainStreet Advisers Sdn Bhd as well as a member of the Land Public Transport Commission.</p>

Board of Directors (continued)

Name	Designation	Profile
Dato' Dr Ir Johari Bin Basri	Independent Non-Executive Director	<p>Dato' Dr Ir Johari Bin Basri (aged 61) graduated in 1977 with a Bachelor of Engineering from University Technology Malaysia and obtained his MSc in Terotechnology from Manchester University, United Kingdom in 1984 and PhD in Process Safety from the University of Sheffield, United Kingdom in 1997. He was awarded the Malaysian Government scholarship for both MSc and PhD programs.</p> <p>In 1977, Dato' Dr Ir Johari joined the Factories and Machinery Department of Malaysia as a Factories and Machinery Inspector (engineer). Upon the completion of his MSc and PhD program, he resumed his services with the Factories and Machinery Department, which was later renamed the Department of Occupational Safety and Health (DOSH). Dato' Dr Ir Johari then took on the role of Executive Director of the National Institute of Occupational Safety and Health (NIOSH) for the years 2000-2002 and 2004-2007. In between periods, he returned to DOSH and assumed the role of Director General. Concurrently, during his tenure in NIOSH Malaysia from 2004-2007, he was the Executive Director of ASEAN-OSHNET, the regional group of ten ASEAN member countries working together towards improving the safety and health of the workers. In 2007, he returned to DOSH to resume the role of Director General until his retirement in June 2014.</p> <p>Dato' Dr Ir Johari was also a member of the Board of Directors of NIOSH (2007-2014), Board Member of CIDB (2007-2014), Chairman for the Industrial Standard Committee of Occupational Safety and Health (ISCW) SIRIM Berhad (2007-2014) and Member for the Malaysian National Standards Committees (MyNSC) Standards Malaysia (2007-2014).</p> <p>Dato' Dr Ir Johari is currently an Adjunct Professor at University Malaysia Pahang. He is also a Fellow of the Institute of Engineers Malaysia, Associate Fellow of The Institution of Chemical Engineer (UK), a Professional Engineer registered with the Board of Engineers Malaysia, Member of Malaysian Gas Association, Member of The Japan International Cooperation Agency Alumni Society of Malaysia (MyJICA) and a Life Member of The Malaysian Society for Occupational Safety and Health</p>
Dato' Chew Chee Kin	Non-Independent Non-Executive Director	<p>Dato' Chew Chee Kin (aged 69) graduated with a Bachelor of Economics (Hons) degree from the University of Malaysia in 1974. He had attended the Program in Management Development at Harvard Business School in 1980.</p> <p>Dato' Chew started his career as a Trainee Executive in UMW (Malaya) Sdn Bhd in 1974. Prior to joining Sunway Group in 1981, he was the General Manager of UMW (Malaya) Sdn Bhd. He joined Sunway Group as the General Manager and was promoted to Group General Manager (Operations) in 1984 and subsequently promoted to Deputy Group Managing Director (Operations) of the Sunway Holdings Group in 1989. In 1995, he was promoted to Group Managing Director of the Sunway Holdings Berhad Group and to President of the Sunway Holdings Berhad Group in 1999. Upon the completion of the merger of SunCity and SunHoldings in 2011, he was designated as the President of Sunway.</p> <p>Dato' Chew is the Executive Director and President of Sunway and is a director in Gopeng Berhad. He has more than 30 years of experience in general management, quarrying, construction, building materials, trading and manufacturing businesses.</p>
Evan Cheah	Non-Independent Non-Executive Director	<p>Evan Cheah (aged 35) graduated with a Bachelor of Commerce Degree and Bachelor of Business System Degree from Monash University in 2001. He is also a Chartered Financial Analyst Charterholder, a Certified Practising Accountant, and a Member of Malaysian Institute of Accountants.</p> <p>Evan joined Sunway Group upon graduation as an Executive Assistant and was attached to the Sunway Group Finance Division from 2001 to 2002 with key roles in investment analysis, due diligence, corporate finance, management accounting and group procurement. In 2003, he was promoted and rotated to Sunway Construction to be its Finance Manager and later on assumed the role of General Manager, Business Development of Sunway Group's Trading & Manufacturing division in 2006. Evan was then promoted to Executive Director of Sunway Mas, a property development company within Sunway Group, in charge of operational matters in 2010.</p> <p>In 2011, Evan was designated Chief Executive Officer of Sunway Group's China operations, responsible for the China Corporate Office and the development of new business opportunities for the Sunway Group in China. He assumed the additional role of Executive Director in the President's Office of Sunway, assisting the Group President in overseeing the Trading & Manufacturing, Building Materials, Quarry & Information Technology businesses.</p>

Source: Company

Key Management

Name	Designation	Profile
Chung Soo Kiong	Deputy Managing Director	<p>Mr Chung Soo Kiong graduated from the University of Abertay Dundee with a Bachelor of Science (Hons) degree in Quantity Surveying in 1995. He also holds a Diploma in Building (Technology) from Tunku Abdul Rahman College, which he obtained in 1990.</p> <p>Mr Chung began his career in 1990 with TAISEI Corporation where over a period of seven years, he rose to the position of Section Manager - Quantity Surveying, responsible for carrying out pre and post-project works for projects such as the KL International Airport, Plaza Pelangi Shopping Complex in Johor Bahru and DBKL-Pernas Sogo Commercial Development/Shopping Complex. Mr Chung joined Sunway Construction in 1997 as the Contract Manager of Business Development & Marketing Department and subsequently acted as the Country Manager/Project Director of Sunway Innopave Sdn Bhd (Abu Dhabi Branch) for the period from 2007 to 2013.</p> <p>Mr Chung has held the position of Deputy Managing Director of Sunway Construction Sdn Bhd since 2013 and has over 20 years of experience in the construction sector.</p>
Ng Bee Lien	Senior General Manager	<p>Ms Ng Bee Lian has a Bachelor of Commerce majoring in Finance from the University of Western Australia in 1994 and is a Chartered Accountant with the Malaysian Institute of Accountants (MIA).</p> <p>Ms Ng served as an auditor with Ernst & Young during the period of 1994 to 1997 and her last position was Audit Senior Executive. She then joined Muhibbah Engineering (M) Sdn Bhd in 1997 where she served as an accountant. She joined Sunway Construction as a Senior Manager in 2005 and was subsequently promoted to Assistant General Manager and General Manager.</p> <p>In 2014, she was promoted to Group Financial Officer and has with her over 20 years of working experience in finance and audit, with over 16 years of such working experience specifically in the construction sector.</p>
Liew Kok Wing	Senior General Manager - Civil Division	<p>Mr Liew Kok Wing graduated with a Bachelor of Engineering (Hons) degree in Civil Engineering in 1993 from the National University of Singapore and also holds a Master of Science Degree in Civil Engineering from the National University of Singapore.</p> <p>Mr Liew started his career with L & M Geotechnic in Singapore in 1993, where he acted as Project Engineer before he was transferred to L & M Systems Thailand in 1996 as a Project Manager in charge of infrastructure works for a low rise luxury housing project in Bangkok. In the same year, he left to join Taylor Woodrow Projects (M) Bhd as a Geotechnical Engineer before joining Sunway Construction.</p> <p>From Nov 1996 to Mar 1998, Mr Liew served as the Senior Geotechnical Engineer in Sunway Construction for projects undertaken by Sunway Construction in Malaysia. In 1998, he left to join Nishimatsu Construction Company of Singapore as a Senior Engineer where he was in charge of open shield tunnel boring works for an MRT construction project. He rejoined Sunway Construction in 2000 as Site Agent and was promoted to positions of Deputy Project Manager, Project Manager and Senior Project Manager before assuming the position of Assistant General Manager in 2005.</p> <p>Mr Liew is currently the Senior General Manager - Civil Division and has held the position since 2013, bringing along 20 years of experience in the construction field.</p>
Wong Kwan Song, Richard	Senior General Manager - Building Division	<p>Mr Wong Kwan Song graduated with a Bachelor of Engineering (Hons) degree in Civil Engineering from the University of Portsmouth in 1999. He had earlier obtained a Certificate in Technology (Building) from Tunku Abdul Rahman College in 1986.</p> <p>Beginning his career in 1987 at Syarikat Pembinaan Perlis Sdn Bhd as a Site Supervisor, Mr Wong later joined Syarikat Pembinaan YTL Sdn Bhd in 1988 for a year as a Site Supervisor before joining Sunway Construction in 1989. He was later, Site Agent of Sunway Construction before he joined Setarabina Sdn Bhd in 1995 to serve as Project Manager. He rejoined Sunway Construction in 1999 and has since held various positions during his 15 years tenure with the group, including Deputy Manager - Project, Manager - Project, Senior Manager - Project, Assistant Manager - Operations, General Manager - Operations and since 2012, he has held the position of Senior General Manager.</p> <p>Mr Wong acts as the head of the Building Division through his position as Senior General Manager - Building Division which includes overseeing the overall planning and coordination of construction projects from conceptualization, design, construction through to completion within established budgets and quality standards. He has over 27 years of experience in the building and construction industry.</p>

Key Management (continued)

Name	Designation	Profile
Eric Tan Chee Hin	Senior General Manager - MEP Division	<p>Mr Eric Tan graduated with a Bachelor of Engineering degree in Mechanical Engineering from Universiti Sains Malaysia in 1996 and subsequently obtained a Master of Business Administration degree in 2001 from The Nottingham Trent University.</p> <p>Mr Tan began his career with SSP (E&M) Sdn Bhd in 1996 where he served as a Mechanical Engineer. In 2000, he joined Sunway Engineering Sdn Bhd. He has held various positions during his tenure of almost 14 years with the Sunway Construction Group, including Design Manager, Senior Design Manager/Senior Project Manager, Assistant General Manager, General Manager and since 2013, Senior General Manager.</p> <p>Mr Tan is a registered engineer with the Board of Engineers Malaysia. He is also a registered GBI (Green Building Index) Facilitator and GBI Commissioning Specialist (CxS) with GreenBuilding Index Sdn Bhd. He has over 18 years of experience in construction design and engineering and currently oversees the design management and mechanical, electrical and plumbing engineering (MEP) operations of the Sunway Construction Group.</p>
Kwong Tzyy En	Senior General Manager - Precast Division	<p>Mr Kwong Tzyy En holds the academic qualification of General Certificate of Education (GCE) 'A' Levels, which he obtained in 1978.</p> <p>Mr Kwong held the position of Managing Director in Huey Long Construction Co. from 1981 to 1988, where he specialized in underground telecom piping. In 1989, he joined Spandeck Engineering Pte Ltd and served as the Production Manager overseeing the supply of precast components for both HDB and private projects. Thereafter, he held the position of Senior Production Manager at L & M Precast Pte Ltd from 1992 to 2000 and Hanson Precast Pte Ltd from 2000 to 2001. He joined Sunway Concrete Products (S) in 2001 and has held various positions based primarily in Singapore during his tenure of almost 13 years with the Sunway Construction Group, including Operations Manager, Senior Operations Manager, Assistant General Manager and, since 2011, General Manager.</p> <p>Mr Kwong has more than 20 years of experience in the construction sector, particularly in the area of the precast concrete industry and currently assumes the responsibilities which include marketing and contracts, overall planning, organizing and overseeing the operations of Sunway Concrete Products (S).</p>
Yip Lai Hun	Senior General Manager - Supply Chain & Contracts Management	<p>Ms Yip Lai Hun holds a Diploma in Technology (Building) and a Certificate in Technology (Architecture) from Tunku Abdul Rahman College, which she obtained in 1990 and 1987 respectively.</p> <p>Ms Yip's started her career as an Assistant Quantity Surveyor in MBF Builders Sdn Bhd in 1990 before she joined Rinota Construction Sdn Bhd where she also served as a Quantity Surveyor. She served from 1992 to 1993 as a Quantity Surveyor with J.V NLC Construction (Nishimatshu - Lum Chang) before joining Sunway Construction in 1993. During her 21 years tenure with the Sunway Construction Group, she has held various positions including Assistant Manager - Contracts, Manager - Contracts, Senior Manager - Contracts, Assistant General Manger - Contracts, General Manager - Contracts and since 2013 has been holding the position of Senior General Manager - Supply Chain & Contracts Management.</p> <p>With the benefit of more than 24 years of experience in tendering, subcontracting, contracts administration, ICT system development and maintenance, quantity surveying and implementing Quality Environmental Safety and Health (QESH) Management System, Ms Yip is responsible for overseeing the supply chain and contracts management functions of the Sunway Construction Group.</p>
Akira Yabe	Director - Special Projects	<p>Mr Akira Yabe graduated with a Bachelor of Science & Engineering degree from Waseda University in 1979. He is a Professional Engineer, Japan (P.E. Jp - Civil Engineering and Comprehensive Technical Management), Registered Architect (1st Class), Registered Construction Engineer (1st Class) and Japan Concrete Institute (JCI) Authorised Chief Concrete Engineer.</p> <p>In 1979, Mr Akira started his career with TAISEI Corporation as a Construction Engineer. With almost 30 years tenure at TAISEI Corporation, he has held other positions including Senior Construction Engineer, Deputy Project Manager and Project Manager in Japan, Malaysia and Egypt. He joined Yamashita Sekkei in 2008 as a Manager in the Technical Direction Office.</p> <p>Mr Akira joined Sunway Construction Group in 2010, where he was subsequently promoted to the position of Director - Quality Environmental Safety & Health in year 2012 before assuming the role of Director - Total Quality Management (Centre of Excellence) in 2013. He brings along over 35 years of experience in the building and construction industry.</p>

Source: Company

Appendix 3: Major projects by SCG (1994-2014)

SCG: Major building and civil/infrastructure construction projects

Year Started	Project	Location	Value (MYR'000)	Progress
Malaysia				
1994	Sunway Lagoon Resort Hotel	Selangor	161,537	Completed
1995	Sunway Pyramid Shopping Mall	Selangor	209,001	Completed
2001	SILK Highway	Kuala Lumpur	1,045,000	Completed
2002	Kuala Lumpur Convention Centre	Kuala Lumpur	549,300	Completed
2005	Monash University Malaysia Campus	Selangor	119,228	Completed
2005	University Teknologi MARA Phase 1 expansion	Selangor	181,000	Completed
2005	Maju Expressway Package 3	Selangor	165,000	Completed
2007	Ministry of Housing and Local Government and Ministry of Women, Family and Community Development buildings, Putrajaya	Selangor	520,000	Completed
2008	South Klang Valley Expressway	Selangor	263,576	Completed
2010	Gas District Cooling Plant, Putrajaya	Selangor	42,000	Completed
2011	Pinewood Iskandar Malaysia Studios	Johor	308,900	Completed
2011	Legoland Malaysia Theme Park	Johor	257,969	Completed
2011	Bio-Xcell Biotechnology Park	Johor	74,100	Completed
2012	Sunway Pinnacle	Selangor	175,100	Completed
2013	LRT Piling Works (Kelana Jaya Line Extension)	Kuala Lumpur	27,828	Completed
2011	LRT Package B (Kelana Jaya Line Extension)	Kuala Lumpur	569,000	On-going
2012	Klang Valley MRT Package V4 (from Section 17 to Semantan)	Kuala Lumpur	1,172,750	On-going
2012	Sunway University new academic block	Selangor	203,917	On-going
2013	Afiniti Medini Mixed Development Project, Iskandar Malaysia	Johor	282,908	On-going
2013	Sunway Velocity Mall	Kuala Lumpur	349,711	On-going
2013	BRT- Sunway Line	Selangor	452,523	Completed
UAE				
2006	Al-Reem Island Project (Phase 1)	Abu Dhabi, UAE	1,145,662	Completed
2008	Rihan Heights Project (Phase 1A)	Abu Dhabi, UAE	1,615,125	Completed
India				
2002	Grand Trunk Road	India	206,565	Completed
2005	East-West Corridor Highway	India	216,152	Completed
Trinidad & Tobago				
2005	Ministry of Legal Affairs Tower	Trinidad & Tobago	183,224	Completed

Source: Company

SCG: Major foundation and geotechnical engineering services

Year Started	Project	Location	Value (MYR'000)	Progress
Malaysia				
2007	Sunway Vivaldi	Kuala Lumpur	42,814	Completed
2010	Sunway Pinnacle	Selangor	88,000	Completed
2011	Sunway Pyramid Phase 3	Selangor	48,300	Completed
2012	Tropicana Gardens	Selangor	56,150	Completed
2012	Sunway Velocity Shopping Mall	Kuala Lumpur	179,000	Completed
2011	Sunway Velocity Phase 3	Kuala Lumpur	290,500	On-going
2012	Mengkuang Dam expansion	Penang	47,250	On-going
2013	Sunway South Quay Commercial Precinct 3	Selangor	99,400	On-going
2013	KLCC North East Car Park,	Kuala Lumpur	304,000	On-going
2013	KLCC Package II	Kuala Lumpur	222,000	On-going

Source: Company

SCG: Major mechanical, electrical and plumbing services

Year Started	Project	Location	Value (MYR'000)	Progress
Malaysia				
2002	Kuala Lumpur Convention Centre	Kuala Lumpur	183,382	Completed
2004	Traders Hotel Kuala Lumpur	Kuala Lumpur	77,367	Completed
2005	Monash University Malaysia Campus	Selangor	41,729	Completed
2007	Sunway Medical Centre Phase 2	Selangor	26,964	Completed
2011	Chilled Water Reticulation Network And Energy Transfer Station, KLIA	Kuala Lumpur	33,000	Completed
2013	Sunway Putra mall	Kuala Lumpur	55,100	On-going
UAE				
2009	Rihan Heights Project (Phase 1A)	Abu Dhabi, UAE	295,460	Completed

Source: Company

SCG: Major manufacturing and sales of precast concrete

Year Started	Project	Location	Value (MYR'000)	Progress
Singapore				
2008	DBSS @ Boon Keng	Singapore	57,709	Completed
2009	DBSS @ Toa Payoh	Singapore	137,716	Completed
2009	Punggol East C20	Singapore	88,896	Completed
2012	Bukit Panjang N5C15	Singapore	53,131	Completed
2012	DBSS @ Yuan Ching	Singapore	49,330	Completed
2012	Yishun N3C23	Singapore	88,116	Completed
2012	Khaling Whampoa C23B	Singapore	50,682	On-going
2013	Sembawang N1C7 and 8	Singapore	56,567	On-going
2014	Punggol West C36	Singapore	46,932	On-going
2014	Bukit Merah C50	Singapore	77,341	On-going

Source: Company

Appendix 4: Key milestones of SCG (1981-2010)

SCG: Key milestones (1981-2010)

Year	Key milestones
1981	- Sunway Construction commenced active operations as Sungei Way Quarry & Construction Sdn Bhd.
1984	- Sungei Way Quarry & Construction Sdn Bhd changed its name to Sungei Way Construction Sdn Bhd.
1992	- Incorporated Sunway Precast Industries (incorporated as Aktiviti Setia (M) Sdn Bhd) for the manufacture and sale of precast concrete products.
1994	- Incorporated Sunway Concrete Products (S) for the manufacture and sale of precast concrete products.
1995	- Incorporated Sunway Engineering Sdn Bhd to deliver mechanical, electrical and plumbing services.
1996	- Sungei Way Construction Sdn Bhd converted its status from a private company to a public company and assumed the name of Sungei Way Construction Berhad. - Incorporated Sunway Machinery (incorporated as SWC Machinery Sdn Bhd) for machinery and logistics support. - Incorporated Sunway Geotechnics (M) (incorporated as Sunway Pipe Pro Sdn Bhd) to deliver foundation and geotechnical engineering services.
1997	- Public listing on the Main Board of the then Kuala Lumpur Stock Exchange. - Sunway Construction certified ISO 9002:1994 compliant.
1999	- Sungei Way Construction Berhad changed its name to Sunway Construction.
2001	- Sunway Construction certified OHSAS 18001:1999 compliant.
2002	- Sunway Construction upgraded certification to ISO 9001:2000 for the scope of design and construction services.
2004	- Sunway Construction taken private by Sunway Holdings Incorporated Berhad, now known as Sunway Holdings Sdn Bhd.
2009	- Implemented VDC. - Sunway Construction upgraded certifications to ISO 9001:2008 and OHSAS 18001:2007. - Sunway Construction certified ISO 14001:2004.
2010	- Launched internal quality commitment initiative, "Journey Towards Total Quality Management".

Source: Company

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