

SUNWAY BERHAD (Company No : 921551-D)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012
 THE FIGURES HAVE NOT BEEN AUDITED

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2012

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/12/2012	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2011	CURRENT YEAR TO DATE 31/12/2012	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2011
	RM'000	RM'000	RM'000	RM'000
REVENUE	1,198,937	921,405	3,876,770	3,691,712
OPERATING EXPENSES	(1,109,844)	(846,071)	(3,584,148)	(3,518,669)
OTHER OPERATING INCOME	144,361	133,434	211,529	201,059
PROFIT FROM OPERATIONS	<u>233,455</u>	<u>208,768</u>	<u>504,152</u>	<u>374,102</u>
(LOSS) / GAIN ON DERIVATIVES	279	534	389	(7,767)
FINANCE INCOME	4,106	7,272	27,083	27,503
FINANCE COSTS	(20,832)	(22,987)	(104,625)	(80,943)
SHARE OF PROFIT FROM ASSOCIATES	21,499	19,356	152,307	99,689
SHARE OF PROFIT FROM JOINTLY CONTROLLED ENTITIES	77,771	(20,888)	148,929	85,949
PROFIT BEFORE TAX	<u>316,278</u>	<u>192,055</u>	<u>728,235</u>	<u>498,533</u>
INCOME TAX EXPENSE	(55,804)	(40,333)	(128,536)	(69,560)
PROFIT FOR THE PERIOD	<u>260,474</u>	<u>151,722</u>	<u>599,699</u>	<u>428,973</u>
ATTRIBUTABLE TO:				
- OWNERS OF THE PARENT	219,290	141,627	532,345	387,555
- NON-CONTROLLING INTERESTS	41,184	10,095	67,354	41,418
	<u>260,474</u>	<u>151,722</u>	<u>599,699</u>	<u>428,973</u>
EARNINGS PER SHARE				
(i) BASIC (sen)	<u>16.97</u>	<u>10.96</u>	<u>41.19</u>	<u>29.98</u>
(ii) DILUTED (sen)	<u>16.97</u>	<u>10.96</u>	<u>41.19</u>	<u>29.98</u>

(The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2012

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/12/2012	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2011	CURRENT YEAR TO DATE 31/12/2012	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2011
	RM'000	RM'000	RM'000	RM'000
PROFIT FOR THE PERIOD	260,474	151,722	599,699	428,973
FOREIGN CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN OPERATION	36,726	(5,858)	(3,764)	(721)
CASH FLOW HEDGE RESERVE - FAIR VALUE GAINS				
- FAIR VALUE OF DERIVATIVES	976	52,811	(19,882)	33,600
- AMOUNT RECYCLED TO PROFIT OR LOSS	<u>3,605</u>	<u>(47,380)</u>	<u>32,270</u>	<u>(47,380)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	<u>41,307</u>	<u>(427)</u>	<u>8,624</u>	<u>(14,501)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>301,781</u>	<u>151,295</u>	<u>608,323</u>	<u>414,472</u>
ATTRIBUTABLE TO:				
- OWNERS OF THE PARENT	252,179	144,530	546,471	376,089
- NON-CONTROLLING INTERESTS	49,602	6,765	61,852	38,383
	<u>301,781</u>	<u>151,295</u>	<u>608,323</u>	<u>414,472</u>

(The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.)

SUNWAY BERHAD (Company No : 921551-D)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012
 THE FIGURES HAVE NOT BEEN AUDITED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	AS AT END OF CURRENT QUARTER 31/12/2012	AS AT PRECEDING FINANCIAL PERIOD END 31/12/2011 (Restated)
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	806,911	960,567
Biological assets	613	416
Investment properties	1,150,348	888,896
Rock reserves	7,445	8,379
Land held for property development	1,042,306	1,017,292
Investment in associates	1,022,913	1,015,303
Investment in jointly controlled entities	530,241	265,896
Other investments	1,802	1,849
Derivative assets	13,544	33,600
Receivables	3,898	7,013
Goodwill	318,717	326,497
Deferred tax assets	31,807	33,308
	<u>4,930,545</u>	<u>4,559,016</u>
Current assets		
Properties development costs	600,245	669,334
Inventories	625,980	451,840
Receivables, deposits & prepayments	1,400,087	1,319,145
Deposits, bank & cash balances	1,140,245	776,705
Tax recoverable	47,787	67,588
	<u>3,814,344</u>	<u>3,284,612</u>
TOTAL ASSETS	<u>8,744,889</u>	<u>7,843,628</u>
EQUITY AND LIABILITIES		
Current liabilities		
Payables, accruals & other current liabilities	1,605,062	2,005,566
Bank borrowings	782,720	319,222
Taxation	31,034	27,098
Derivative liabilities	-	1,554
	<u>2,418,816</u>	<u>2,353,440</u>
Non-current liabilities		
Long term bank borrowings	1,964,180	1,934,472
Other long term liabilities	443,812	154,686
Derivative liabilities	204	182
Deferred taxation	49,436	56,556
	<u>2,457,632</u>	<u>2,145,896</u>
Total liabilities	<u>4,876,448</u>	<u>4,499,336</u>
Equity attributable to Owners of the Parent		
Share capital	1,292,505	1,292,505
Share premium	2,326,509	2,326,509
Equity Contribution from non-controlling interests	35,376	35,376
Negative merger reserve	(1,192,040)	(1,192,040)
Retained profits	936,709	432,773
Other reserves	159,339	121,820
	<u>3,558,398</u>	<u>3,016,943</u>
NON-CONTROLLING INTERESTS	<u>310,043</u>	<u>327,349</u>
Total equity	<u>3,868,441</u>	<u>3,344,292</u>
TOTAL EQUITY AND LIABILITIES	<u>8,744,889</u>	<u>7,843,628</u>
Net Assets Per Share	2.75	2.33

(The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2012

	ATTRIBUTABLE TO OWNERS OF THE PARENT														DISTRIBUTABLE		NON-CONTROLLING INTERESTS	TOTAL EQUITY
	EQUITY CONTRIBUTION FROM NON-CONTROLLING INTERESTS					NON-DISTRIBUTABLE									RETAINED PROFITS	TOTAL		
	SHARE CAPITAL	SHARE PREMIUM	NEGATIVE MERGER RESERVE	OTHER RESERVES, TOTAL	CAPITAL RESERVE	CAPITAL REDEMPTION RESERVE	FOREIGN EXCHANGE RESERVE	FAIR VALUE RESERVE	STATUTORY RESERVE	REVALUATION RESERVE	SHARE OPTION RESERVE	CASH FLOW HEDGE RESERVE	FURNITURE & FITTINGS RESERVE					
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
PERIOD ENDED 31 DECEMBER 2011																		
At 1 January 2011 (as previously stated)	-	-	35,376	1,652,652	128,391	34,137	75,378	(26,470)	20,026	618	22,501	2,201	-	-	1,701,520	3,517,939	380,700	3,898,639
Effects of adopting Amendments to FRS112	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,011	16,011	(48)	15,963
At 1 January 2011 (as restated)	-	-	35,376	1,652,652	128,391	34,137	75,378	(26,470)	20,026	618	22,501	2,201	-	-	1,717,531	3,533,950	380,652	3,914,602
Total comprehensive income	-	-	-	-	(11,466)	-	-	2,314	-	-	-	-	(13,780)	-	387,555	376,089	38,383	414,472
Arising from merger exercise	1,292,505	2,326,509	-	(2,844,692)	-	-	-	-	-	-	-	-	-	-	(1,661,632)	(887,310)	-	(887,310)
Additional shares acquired by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,849	21,849
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(39,463)	(39,463)
New ESOS granted	-	-	-	-	969	-	-	-	-	-	-	969	-	-	(969)	-	-	-
Redemption of redeemable preference shares	-	-	-	-	143	-	143	-	-	-	-	-	-	-	(143)	-	(65,300)	(65,300)
Dilution of equity interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,453)	(7,453)	515	(6,938)
Additional equity contribution	-	-	-	-	1,617	-	-	-	1,617	-	-	-	-	-	-	1,617	-	1,617
Acquisition of interest from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,286)	(9,286)
Transfer to statutory reserve	-	-	-	-	261	-	-	-	-	261	-	-	-	-	(261)	-	-	-
Transfer to furniture & fittings reserve	-	-	-	-	2,049	-	-	-	-	-	-	-	-	2,049	(2,049)	-	-	-
Share of depreciation transfer on land, net of tax by an associated company	-	-	-	-	(144)	-	-	-	-	-	(144)	-	-	-	193	49	-	49
At 30 December 2011 (as restated)	1,292,505	2,326,509	35,376	(1,192,040)	121,820	34,137	75,521	(24,156)	21,643	879	22,357	3,170	(13,780)	2,049	432,772	3,016,942	327,349	3,344,292
PERIOD ENDED 31 DECEMBER 2012																		
At 1 January 2012 (as previously stated)	1,292,505	2,326,509	35,376	(1,192,040)	121,820	34,137	75,521	(24,156)	21,643	879	22,357	3,170	(13,780)	2,049	401,263	2,985,433	326,366	3,311,799
Effects of adopting Amendments to FRS112	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,510	31,510	983	32,493
At 1 January 2012 (as restated)	1,292,505	2,326,509	35,376	(1,192,040)	121,820	34,137	75,521	(24,156)	21,643	879	22,357	3,170	(13,780)	2,049	432,773	3,016,943	327,349	3,344,292
Total comprehensive income	-	-	-	-	14,126	-	-	1,738	-	-	-	-	12,388	-	532,345	546,471	61,852	608,323
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(49,458)	(49,458)
Redemption of redeemable preference shares	-	-	-	-	25	-	25	-	-	-	-	-	-	-	(25)	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(927)	(927)
Acquisition of equity interest from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,079)	(5,079)	(4,140)	(9,219)
Additional equity contribution	-	-	-	-	69	-	-	-	69	-	-	-	-	-	33	102	-	102
Additional shares acquired by non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(24,633)	(24,633)
Liquidation of subsidiary	-	-	-	-	23,417	-	23,417	-	-	-	-	-	-	-	(23,417)	-	-	-
Transfer to furniture & fittings reserve	-	-	-	-	(79)	-	-	-	-	-	-	-	(79)	-	79	-	-	-
Utilisation of furniture & fittings reserve	-	-	-	-	(39)	-	-	-	-	-	-	-	(39)	-	-	(39)	-	(39)
At 31 December 2012	1,292,505	2,326,509	35,376	(1,192,040)	159,339	34,137	98,963	(22,418)	21,712	879	22,357	3,170	(1,392)	1,931	936,709	3,558,398	310,043	3,868,441

(The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2012

	FOR THE 12 MONTHS PERIOD ENDED 31/12/2012	FOR THE 12 MONTHS PERIOD ENDED 31/12/2011
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	3,651,524	3,915,612
Payments for operations	(3,295,755)	(3,572,993)
Interest received	43,835	19,593
Dividend received from associate and jointly controlled entity	79,254	153,863
Cash generated from operations	478,858	516,075
Taxes refunded	28,313	18,729
Taxes paid	(121,084)	(135,767)
Net cash generated from operating activities	386,087	399,037
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant & equipment	317,447	13,314
Proceeds from dilution of equity interest in a subsidiary	-	14,200
Proceeds from disposal of investment in a subsidiary	-	51
Deposit paid on additional investment in subsidiary	(9,247)	-
Disposal of other investments	-	(50)
Acquisition of land	(43,827)	(84,448)
Acquisition of property, plant and equipment	(170,883)	(142,228)
Acquisition and additional investment in subsidiaries	(8,001)	(14,276)
Acquisition and subsequent expenditure of investment properties	(250,754)	(110,570)
Investment in associates	(11,425)	(10,087)
Repayment from/ (advances to) associates, jointly controlled entity and joint venture partners	46,856	71,005
Investment in jointly controlled entities	(227,900)	(29,873)
Net cash used in investing activities	(357,734)	(292,962)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net bank and other borrowings	401,455	856,815
Issue of ordinary shares to minority shareholders of subsidiaries	-	300
Issue of preference shares to minority shareholders of subsidiaries	-	2,100
Interest paid	(115,673)	(66,354)
Redemption of preference shares held by non-controlling interests of subsidiaries	-	(65,300)
Redemption of preference share in other investments	-	10,853
Redemption of preference share in jointly controlled entities	-	9,500
Capital repayment to shareholders	-	(904,753)
Dividend paid to non-controlling interests of subsidiaries	(38,921)	(39,463)
Net cash generated from/(used in) financing activities	246,861	(196,302)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	275,214	(90,227)
EFFECTS OF EXCHANGE RATE CHANGES	(3,425)	7,310
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	773,277	856,194
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	1,045,066	773,277
Cash and cash equivalents at end of financial period comprise the following :		
Deposits, bank & cash balances	1,140,245	776,705
Bank overdrafts	(95,179)	(3,428)
	1,045,066	773,277

(The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the Annual Statutory Financial Statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.)

NOTES TO FINANCIAL STATEMENTS :

A1 Accounting Policies and Basis of Preparation

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

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

The Group falls within the scope of Transitioning Entities. Transitioning Entities are allowed to defer the adoption of the new MFRS Framework for an additional two years. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2014. For the financial years ending 31 December 2012 and 31 December 2013, the Group will continue to prepare financial statements using the Financial Reporting Standards ("FRS").

The interim financial report is unaudited and is prepared in accordance with FRS134 " Interim Financial Reporting " and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2011. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2011.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 31 December 2011 except for the adoption of the following new FRSs, amendments to FRSs and IC Interpretations that are effective for financial statements effective from 1 January 2012, as disclosed below:

IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement
Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7	Disclosures - Transfers of Financial Assets
Amendments to FRS 112	Deferred Tax - Recovery of Underlying Assets
FRS 124	Related Party Disclosures

The adoption of the above pronouncements does not have significant impact to the Group, except as described below:

Amendments to FRS 112: Deferred Tax - Recovery of Underlying Assets

The amendments clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in FRS 140: Investment Property should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in FRS 116: Property, Plant and Equipment to be always measured on a sale basis of that asset.

The effects on adoption of Amendments to FRS 112 on the opening reserves of the Group and other items of the consolidated statements of financial position as at 1 January 2011 and 1 January 2012 respectively are as follows:

	Before the adoption of Amendments to FRS 112 RM'000	Effects on adoption of Amendments to FRS 112 RM'000	After the adoption of Amendments to FRS 112 RM'000
Balance Sheet as at 1 January 2011			
Retained profits	371,544	16,011	387,555
Deferred taxation	73,334	(15,963)	57,371
Non-controlling interests	380,700	(48)	380,652
Balance Sheet as at 1 January 2012			
Retained profits	401,263	31,510	432,773
Deferred taxation	89,049	(32,493)	56,556
Non-controlling interests	326,366	983	327,349

A2 Report of the Auditors

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

A3 Seasonal or Cyclical Factors

The results for the current quarter under review were not materially affected by seasonal or cyclical factors except for the leisure and hospitality segments which normally peaks during major festive seasons and holidays.

A4 Unusual Items

There were no material unusual items affecting the amounts reported for the current quarter ended 31 December 2012 except for the following:

a) Current and preceding year corresponding quarter

	31/12/12 RM'million	31/12/11 RM'million
Profit before tax as reported	316.3	192.1
(Gain)/Loss on derivatives ¹	(0.3)	(0.5)
Fair value gain from investment properties ³	(25.7)	(50.3)
Net gain on disposal of assets to REIT ⁴	(97.8)	-
Listing and merger expenses ⁶	-	0.3
Profit before tax excluding unusual items	192.5	141.6
Profit after tax and non-controlling interests as reported	219.3	141.6
(Gain)/Loss on derivatives ¹	(0.3)	(0.5)
Fair value gain from investment properties ³	(22.4)	(30.5)
Net gain on disposal of assets to REIT ⁴	(75.4)	-
Reversal of deferred taxation ⁵	(7.1)	(10.2)
Listing and merger expenses ⁶	-	0.3
Profit after tax and non-controlling interests excluding unusual items	114.1	100.7

b) Cumulative current and preceding year to date

	31/12/12 RM'million	31/12/11 RM'million
Profit before tax as reported	728.2	498.5
(Gain)/Loss on derivatives ¹	(0.4)	7.8
Fair value gain from associate ²	(76.5)	(31.1)
Fair value gain from investment properties ³	(25.7)	(50.3)
Net gain on disposal of assets to REIT ⁴	(97.8)	-
Listing and merger expenses ⁶	-	20.8
Profit before tax excluding unusual items	527.8	445.7
Profit after tax and non-controlling interests as reported	532.3	387.6
(Gain)/Loss on derivatives ¹	(0.4)	7.8
Fair value gain from associate ²	(76.5)	(31.1)
Fair value gain from investment properties ³	(22.4)	(30.5)
Net gain on disposal of assets to REIT ⁴	(75.4)	-
Reversal of deferred taxation ⁵	(7.1)	(10.2)
Listing and merger expenses ⁶	-	20.8
Reversal of taxation ⁷	-	(17.2)
Profit after tax and non-controlling interests excluding unusual items	350.6	327.1

Notes:

¹ The Group recognised RM0.3 million (profit before and after tax and non-controlling interests) and RM0.4 million in gain on derivatives for the current quarter and for the 12 months ended 31 December 2012 respectively as a result of the effects of FRS 139: Financial Instruments: Recognition and Measurement. For the corresponding quarter and 12 months ended 31 December 2011, the Group recognised RM0.5 million (profit before and after tax and non-controlling interests) and suffered RM7.8 million in loss on derivatives respectively.

² The Group recognised RM76.5 million and RM 31.1 million (profit and after tax and non-controlling interests) as share of fair value gain from Sunway Real Estate Investment Trust ("Sunway REIT") for the year ended 31 Decemebr 2012 and 31 Decemeber 2011 respectively.

³ During the quarter ended 31 December 2012, the Group recognised RM25.7 million (profit before tax) and RM22.4 million (profit after tax and non-controlling interests) of fair value gain from its investment properties, as explained in Note A10. For the corresponding quarter ended 31 December 2011, the Group recognised RM50.3 million (profit before tax) and RM30.5 million (profit after tax and non-controlling interests) of fair value gain from its investment properties.

⁴ During the quarter ended 31 December 2012, the Group recognised RM97.8 million (profit before tax) and RM75.4 million (profit after tax and non-controlling interest and consolidated elimination) of profits on disposal following the completion of the disposal of the Group's interest in the land and building of Sunway Medical Centre Berhad ("SMC") together with SMC's plant and machinery, services infrastructure and all fixtures and fittings affixed or located or used in SMC as mentioned in Note B7 below.

⁵ During the quarter ended 31 December 2012, the Group reversed RM7.1 million (profit after tax and non-controlling interest) of deferred tax provided on investment properties of the Group on the basis that the carrying value will be recovered through sale pursuant to Amendments to FRS 112: Deferred Tax - Recovery of Underlying Assets. During the corresponding quarter ended 31 December 2011, the Group reversed RM15.5 million (profit after tax and non-controlling interest) in relation to the above and charged out RM5.3 million (profit after tax and non-controlling interest) of deferred tax.

⁶ The Group incurred listing expenses of RM0.3 million (profit before and after tax and non-controlling interests) and RM20.8 million in the corresponding quarter ended 31 December 2011 and the 12 months ended 31 December 2011 respectively in relation to the merger exercise.

⁷ During the corresponding 1st quarter ended 31 March 2011, the Group reversed RM17.2 million (profit after tax and non-controlling interest) of taxation provided following a successful tax treatment appeal to the Australian Tax Office.

A5 Changes in Estimates

There were no changes in estimates that have a material effect on the amounts reported for the current quarter ended 31 December 2012.

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

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

A7 Dividend Paid

There was no dividend paid during the financial period ended 31 December 2012.

A8 Segmental Reporting

Segmental results for the financial period ended 31 December 2012 are as follows:

	Property Development	Property Investment Division	Construction	Trading and Manufacturing	Quarry	Investment Holdings	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
BY BUSINESS SEGMENTS									
REVENUE AND EXPENSES									
Revenue									
External sales	923,236	590,923	1,274,893	558,709	196,898	6,994	325,117	-	3,876,770
Inter-segment sales	100	78,289	183,454	128,496	4,418	183,591	49,291	(627,639)	-
Total Revenue	923,336	669,212	1,458,347	687,205	201,316	190,585	374,408	(627,639)	3,876,770
Results									
Operating segment results	187,643	137,579	40,902	47,221	12,156	(36,004)	114,655	-	504,152
Gain on derivatives	-	-	16	-	-	373	-	-	389
Finance income	8,347	7,593	7,283	636	514	-	2,710	-	27,083
Finance costs	(7,974)	(76,914)	(3,406)	(4,066)	(497)	(5,418)	(6,350)	-	(104,625)
Share of results of associated companies	5	151,791	-	-	-	-	511	-	152,307
jointly controlled entities	124,289	-	24,640	-	-	-	-	-	148,929
Profit before taxation	312,310	220,049	69,435	43,791	12,173	(41,049)	111,526	-	728,235
Taxation	(65,251)	(20,680)	(17,953)	(11,324)	(8,920)	11,035	(15,443)	-	(128,536)
Profit for the period	247,059	199,369	51,482	32,467	3,253	(30,014)	96,083	-	599,699
Non controlling interests	(44,310)	(4,168)	(6,946)	100	-	1,201	(13,231)	-	(67,354)
Attributable to owners of the parent	202,749	195,201	44,536	32,567	3,253	(28,813)	82,852	-	532,345

	Revenue	Profit before tax	Profit after tax	Attributable to owners of the parent
	RM'000	RM'000	RM'000	RM'000
BY GEOGRAPHICAL SEGMENTS				
Malaysia	3,204,873	570,975	461,800	404,764
Singapore	259,623	135,206	127,992	127,972
China	215,789	(15,570)	(15,489)	(14,150)
India	14	(44,263)	(44,263)	(44,963)
Australia	71,881	25,725	18,979	9,708
United Arab Emirates	20,150	29,574	29,574	28,591
Other Countries	104,440	26,588	21,106	20,423
	3,876,770	728,235	599,699	532,345

Core segmental results (excluding unusual items as per Note A4) for the financial period ended 31 December 2012 are as follows:

	Property Development	Property Investment Division	Construction	Trading and Manufacturing	Quarry	Investment Holdings	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
BY BUSINESS SEGMENTS									
REVENUE AND EXPENSES									
Revenue									
External sales	923,236	590,923	1,274,893	558,709	196,898	6,994	325,117	-	3,876,770
Inter-segment sales	100	78,289	183,454	128,496	4,418	183,591	49,291	(627,639)	-
Total Revenue	923,336	669,212	1,458,347	687,205	201,316	190,585	374,408	(627,639)	3,876,770
Results									
Operating segment results	185,908	120,489	36,836	44,440	12,156	(36,004)	16,831	-	380,656
Finance income	8,347	7,593	7,283	636	514	-	2,710	-	27,083
Finance costs	(7,974)	(76,914)	(3,406)	(4,066)	(497)	(5,418)	(6,350)	-	(104,625)
Share of results of associated companies	5	75,275	-	-	-	-	511	-	-
jointly controlled entities	124,289	-	24,640	-	-	-	-	-	148,929
Profit before taxation	310,575	126,443	65,353	41,010	12,173	(41,422)	13,702	-	527,834
Taxation	(65,194)	(26,262)	(17,953)	(11,324)	(8,920)	11,035	(5,443)	-	(124,061)
Profit for the period	245,381	100,181	47,400	29,686	3,253	(30,387)	8,259	-	403,773
Non controlling interests	(44,310)	(2,418)	(6,946)	100	-	1,201	(837)	-	(53,210)
Attributable to owners of the parent	201,071	97,763	40,454	29,786	3,253	(29,186)	7,422	-	350,563

	Revenue	Profit before tax	Profit after tax	Attributable to owners of the parent
	RM'000	RM'000	RM'000	RM'000
BY GEOGRAPHICAL SEGMENTS				
Malaysia	3,204,873	370,574	265,874	222,982
Singapore	259,623	135,206	127,992	127,972
China	215,789	(15,570)	(15,489)	(14,150)
India	14	(44,263)	(44,263)	(44,963)
Australia	71,881	25,725	18,979	9,708
United Arab Emirates	20,150	29,574	29,574	28,591
Other Countries	104,440	26,588	21,106	20,423
	3,876,770	527,834	403,773	350,563

A9 Valuation of Property, Plant and Equipment and Investment Properties

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

A10 Material events

The Group adopts the fair value model for its investment properties. There is no significant and indicative change in value of the said investment properties since the last balance sheet date, except for the following directors' revaluation during the current quarter based on a professional valuer's opinion:

- (i) Sunway Monash U Residence Sdn. Bhd. was revalued to RM205.2 million which give rise to a fair value gain of RM5.2 million (profit after tax and non-controlling interest of RM2.8 million).
- (ii) Sunway Residence Sdn. Bhd. was revalued to RM60.8 million which give rise to a fair value gain of RM2.8 million (profit after tax and non-controlling interest of RM2.8 million).
- (iii) Sunway Dimension Stones Sdn. Bhd. was revalued to RM8.8 million which give rise to a fair value gain of RM4.1 million (profit after tax and non-controlling interest of RM4.1 million).
- (iv) 18 other investment properties were revalued to RM605.3 million which give rise to a fair value gain of RM13.6 million (profit after tax and non-controlling interest of RM12.7 million).

The above mentioned fair value gains are reflected in other operating income.

A11 Changes in the Composition of the Group

There were no material changes in the composition of the Group for the current quarter ended 31 December 2012 except for the following:

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

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

HISB had on even date entered into two (2) Sale and Purchase Agreements ("SPA") with IASB for the acquisition of the Land on an "as is where is" basis and free from encumbrances but otherwise subject only to the express or implied conditions of the land titles and restrictions-in interest endorsed on the land titles or otherwise affecting the Land for a total purchase consideration of up to RM412,728,000.

SunCity and IASB agree to hold ordinary shares and redeemable preference shares in HISB in the proportion of 60:40. The Company will provide a shareholder advance to HISB equivalent to 60% of the amount of the deposits under the SPA to enable HISB to pay the deposit and IASB will deem the amount equivalent to 40% of the deposits as being paid. The shareholder advances and 40% of the deposits will be capitalised into ordinary shares and redeemable preference shares when the SSA becomes unconditional.

SunCity and IASB agree that the balance purchase consideration for the Land will be funded in the following manner:

- (i) SunCity and IASB to subscribe for new securities or zero coupon bonds or such other securities as may be agreed between the parties in HISB free from all encumbrances and with rights and benefits attaching thereto in the agreed proportion and/or SunCity and IASB to provide shareholders' loan in the proportion of 60:40; and
- (ii) external financing.

A12 Contingent Liabilities and Assets

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

	31/12/2012 RM'000	31/12/2011 RM'000
Guarantees given to third parties in respect of contracts and trade performance	<u>2,997,760</u>	<u>2,275,002</u>

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

A13 Commitments

(a) Capital commitment not provided for in the financial year as at 31 December 2012 is as follows:

	31/12/2012 RM'000	31/12/2011 RM'000
Amount authorised and contracted for	101,004	39,043
Amount authorised but not contracted for	<u>877,463</u>	<u>1,094,913</u>
	<u>978,467</u>	<u>1,133,956</u>

(b) Operating lease commitment not provided for in the financial year as at 31 December 2012 is as follows:

	31/12/2012 RM'000	31/12/2011 RM'000
Future minimum lease payment:		
- not later than 1 year	39,831	62,217
- later than 1 year and not later than 5 years	180,337	186,367
- later than 5 years	<u>111,932</u>	<u>143,818</u>
	<u>332,100</u>	<u>392,402</u>
Future minimum lease receipts:		
- not later than 1 year	47,935	29,753
- later than 1 year and not later than 5 years	216,291	126,863
- later than 5 years	<u>231,438</u>	<u>323,313</u>
	<u>495,664</u>	<u>479,929</u>

B1 Review of Performance

For the quarter

The Group recorded revenue of RM1,198.9 million and profit before tax of RM192.5 million (after excluding unusual items as per Note A4) for the current quarter ended 31 December 2012 as compared to revenue of RM921.4 million and profit before tax of RM141.6 million (see Note A4) for the corresponding quarter ended 31 December 2011. The higher current quarter revenue was mainly due to higher property sales and construction revenue. As a result, the Group registered a higher current quarter profit before tax.

The property development segment reported revenue of RM397.9 million and profit before tax of RM142.0 million in the current quarter as compared to revenue of RM246.3 million and profit before tax of RM82.7 million in the corresponding quarter in the previous financial year. The higher revenue recorded in the current quarter was mainly due to new sales and higher progressive sales billings. Besides the higher sales, the strong profit growth was also boosted by better profit contribution from the Singapore projects which enjoyed strong performance.

The property investment segment reported revenue of RM168.5 million and profit before tax of RM47.0 million for the current quarter as compared to revenue of RM157.2 million and profit before tax of RM41.1 million in the corresponding quarter in the previous financial year. The performance of this segment was steady and in tandem with the higher revenue, profit before tax was also higher.

The construction segment reported revenue of RM360.3 million and profit before tax of RM17.2 million during the current quarter as compared to revenue of RM252.2 million and profit before tax of RM1.1 million in the corresponding quarter in the previous financial year. The increase in revenue was due to higher progressive billing of infrastructure and building works and stronger sales of precast products. Although profit before tax also increased, the improvement was partly reduced by the elimination of intra-group construction profit due to timing difference. The lower performance of the previous corresponding quarter was largely due to the significant impairment provisions incurred by Sunway Global in China.

The trading and manufacturing segment reported a current quarter revenue of RM122.7 million and profit before tax of RM7.1 million as compared to the revenue of RM136.4 million and profit before tax of RM12.2 million in the corresponding quarter in the previous financial year. The performance of this segment was partly affected by the difficult trading environment in the overseas markets.

The quarry segment reported a current quarter revenue of RM57.2 million and profit before tax of RM5.0 million as compared to revenue of RM48.6 million and profit before tax of RM1.1 million in the corresponding quarter in the previous financial year. The performance of the current quarter improved due to higher selling prices and lower operating costs due to better cost management.

The other segment reported a current quarter revenue of RM86.1 million and loss before tax of RM2.7 million as compared to revenue of RM79.5 million and profit before tax of RM9.7 million in the corresponding quarter in the previous financial year. The loss for the current quarter was mainly due to further impairment provisions by Sunway Global in China . Before such provisions, the profit before tax was approximately RM10 million which was comparable with the results of the corresponding quarter ended 31 December 2011.

For the 12 month period

The Group recorded revenue of RM3,876.8 million and profit before tax of RM527.8 million (after excluding unusual items as per Note A4) for the current 12 months ended 31 December 2012 as compared to revenue of RM3,691.7 million and profit before tax of RM445.7 million (see Note A4) for the corresponding 12 months ended 31 December 2011 with major contribution from its property development, property investment and construction segments.

The property development segment reported revenue of RM923.2 million and profit before tax of RM310.6 million for the 12 month period ended December 2012 as compared to the revenue of RM915.6 million and profit before tax of RM222.6 million reported for the 12 month period ended December 2011. The higher revenue was due to new sales and progress billings from ongoing local projects . The profit before tax increased by approximately 40% from the previous financial year due to stronger profit recognition from projects in Malaysia and higher profit contribution from Singapore projects which delivered strong performance .

The property investment segment reported revenue of RM590.9 million and profit before tax of RM126.4 million for the 12 month period ended December 2012 as compared to the revenue of RM516.5 million and profit before tax of RM149.4 million reported for the 12 month period ended December 2011. The higher revenue was mainly contributed by its properties held for investment and Sunway Putra Hotel which was acquired late last year. However, the profit before tax was lower due higher interest costs incurred and provisions of doubtful debts.

The construction segment reported revenue of RM1,274.9 million and profit before tax of RM65.4 million for the 12 month period ended December 2012 as compared to the revenue of RM1,220.9 million and profit before tax of RM61.4 million reported for the 12 month period ended December 2011. Progress billings from ongoing local construction projects was higher in current year, but the increase was partly offset by lower overseas construction billings and higher elimination of intra-group construction revenue due to timing difference. As a result , the current profit before tax only increased marginally as compared to the previous period.

The trading and manufacturing segment reported revenue of RM558.7 million and profit before tax of RM41.0 million for the 12 month period ended 31 December 2012 as compared to the revenue of RM553.1 million and profit before tax of RM46.3 million for the 12 month period ended 31 December 2011. This segment continued to deliver steady performance despite the uncertain economic environment especially in the overseas markets.

The quarry segment reported revenue of RM196.9 million and profit before tax of RM12.2 million for the 12 month period ended 31 December 2012 as compared to revenue of RM184.5 million and profit before tax of RM7.9 million for the 12 month ended 31 December 2011. The better profit performance was mainly due to better selling prices and lower operating costs due to better cost management.

The other segment reported revenue of RM325.1 million and profit before tax of RM13.7 million for the 12 month period ended 31 December 2012 as compared to revenue of RM297.7 million and profit before tax of RM7.6 million for the 12 month ended 31 December 2011. The improvement in the current profit before tax was however partly offset by further impairment provisions by Sunway Global in China. The current profit before tax was RM 26.1 million before such impairment provisions. The improvement in profit contribution was from the healthcare and financial / insurance services units.

B2 Material Changes in the Quarterly Results

The Group recorded revenue of RM1,198.9 million and profit before tax of RM192.5 million for the current quarter ended 31 December 2012 as compared to revenue of RM867.0 million and profit before tax of RM142.7 million achieved in the preceding quarter. The higher current quarter revenue was mainly due to higher property sales and construction revenue, whereas the increase in profit contribution was mainly from the property development and investment segments.

The property development segment reported revenue of RM397.9 million and profit before tax of RM142.0 million in the current quarter as compared to revenue of RM176.6 million and profit before tax of RM89.2 million in the immediate preceding quarter. The higher revenue recorded in the current quarter was mainly due to new sales and higher progressive sales billings from local projects. The strong growth in profit was also boosted by the better profit contribution from the Singapore projects which enjoyed strong sales.

The property investment segment reported revenue of RM168.5 million and profit before tax of RM47.0 million for the current quarter as compared to revenue of RM148.2 million and profit before tax of RM20.7 million in the immediate preceding quarter. Current quarter revenue and profit before tax are higher due to seasonality factors. The higher profit in current quarter was mainly contributed from the leisure and hospitality division due to higher visitorship and increased in occupancy rates at year end due to the holiday season.

The construction segment reported revenue of RM360.3 million and profit before tax of RM17.2 million in the current quarter as compared to revenue of RM267.3 million and profit before tax of RM19.4 million in the immediate preceding quarter. The higher revenue in the current quarter was largely due to increased in progress billings from ongoing local construction and infrastructure projects, such as Light Rail Transit (LRT) and Mass Rapid Transit (MRT). Despite the higher revenue, the current quarter profit before tax was lowered by provisions on refundable operational taxes not yet collected for its overseas contracts.

The trading and manufacturing segment reported revenue of RM122.7 million and profit before tax of RM7.1 million in the current quarter as compared to the revenue of RM143.3 million and profit before tax of RM10.5 million in the immediate preceding quarter. The performance of this segment was affected by the challenging trading environment in the overseas markets.

The quarry segment reported a current quarter revenue of RM57.2 million and profit before tax of RM5.0 million as compared to revenue of RM53.8 million and profit before tax of RM3.6 million in the preceding quarter. The better performance was due to higher selling prices during the quarter.

The other segment reported a current quarter revenue of RM86.1 million and loss before tax of RM2.7 million as compared to revenue of RM77.3 million and profit before tax of RM6.2 million in the preceding quarter. The loss for the current quarter was mainly due to the further impairment provisions by Sunway Global in China. Before such provisions, the profit before tax was approximately RM10 million with strong contributions from the healthcare unit and the local operations of the building material unit.

B3 Prospects

The global economy has narrowly averted another major slowdown following the resolution of the European sovereign debt crisis but the growth prospect will remain modest at best due to the fiscal tightening measures implemented by most of the advanced economies to rein in their budget deficits. In view of this, the business environment will remain challenging.

However, the Malaysian economy may continue to remain fairly resilient due to the recent recoveries in China and the U.S. which will help to underpin this region's economic growth. The Group will continue its focus to unlock the synergistic benefits from its property and construction focused portfolio to improve its resilience and cost competitiveness. Barring any unforeseen circumstances, the Group is expected to continue to perform satisfactorily in 2013.

B4 Variance of Actual Profit from Profit Forecast

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

B5 Taxation

The effective tax rate for the current quarter is 17.6%. The lower effective tax rate was mainly due to the following:

- (a) the recognition of share of profit from certain jointly controlled entities which shares result on a profit after tax basis; and
- (b) the reversal of deferred tax on investment properties of the Group.

	Current Quarter Ended 31/12/2012 RM'000	Cumulative Year To Date 31/12/2012 RM'000
Current taxation	(55,024)	(135,447)
Deferred taxation	7,722	6,910
	(47,302)	(128,536)

B6 Profit/(Loss) before Taxation

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

	Current Quarter Ended 31/12/2012 RM'000	Cumulative Year To Date 31/12/2012 RM'000
Depreciation and amortisation	(19,832)	(89,913)
Provision/Impairment for:		
- Trade receivables	(15,027)	(16,331)
- Inventories	(1,525)	(3,461)
- Property, plant and equipment	(9,371)	(9,371)
- Advances to Jointly controlled entities	(6,437)	(6,437)
- Investment in jointly controlled entities/associates	(22,387)	(22,387)
- Goodwill	(6,160)	(6,160)
Write off:		
- Trade receivables	(782)	(1,274)
- Inventories	183	(184)
- Property, plant and equipment	(6,176)	(7,003)
Gain/(loss) on disposal of:		
- property, plant and equipment	98,460	100,847
Foreign exchange gain/(loss):		
- Others	(1,019)	(6,803)
- Unrealised for hedged items	3,605	32,270
Cash flow hedge reserve recycled to profit or loss	(3,605)	(32,270)

B7 Status of Corporate Proposal Announced

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

Proposed Acquisition of 48% Equity Interest in Sunway Pyramid Sdn Bhd ("SPSB")

On 12 July 2010, SCB entered into a Share Sale Agreement ("SSA") with Reco Pyramid (M) Sdn Bhd ("RPSB") to acquire 48 million ordinary shares of RM1.00 each in SPSB ("SPSB Sale Shares") representing 48% equity interest in SPSB for the SPSB Consideration as per following:

Salient terms and conditions of the SPSB SSA

Completion of the Proposed Acquisition of SPSB will occur on the last business day of the month immediately following the month (or such other date as the Company and RPSB may mutually agree in writing) in which:

- (i) the condition precedent, namely the completion of the Proposed Acquisition of Sunway Leisure Sdn Bhd (formerly known as Mega Capacity Sdn Bhd), is fulfilled; and
- (ii) all the pre-closing events are completed.

The Proposed Acquisition was completed on 31 December 2012 upon fulfillment of all the conditions precedent. As a result of the Proposed Acquisition of SPSB, SPSB has become a wholly-owned subsidiary of Sunway City Sdn. Bhd..

Proposed Disposal by Sunway Medical Centre Berhad ("SMC")

RHB Investment Bank Berhad, on behalf of the Board of Directors, announced that SMC, a subsidiary of the Company had on 9 October 2012 entered into a conditional sale and purchase agreement with OSK Trustee Berhad ("Trustee"), the trustee of Sunway Real Estate Investment Trust ("Sunway REIT"), for the disposal of the land and building of SMC together with SMC's plant and machinery, services infrastructure and all fixtures and fittings affixed or located or used in SMC ("SunMed Property") for a total cash consideration of RM310 million.

In addition, SMC had on even date entered into a conditional hospital master lease agreement with the Trustee and Sunway REIT Management Sdn Bhd, the manager of Sunway REIT, for the lease of the SunMed Property from the Trustee.

The proposals are conditional upon the following approvals being obtained:

- 1 the approval or no objection from the state authority for the transfer of the SunMed Property from SMC to the Trustee and for the lease of the SunMed Property by the Trustee to SMC;
- 2 the Securities Commission Malaysia for the valuation of the SunMed Property;
- 3 the unitholders of Sunway REIT for the Proposed Disposal at the unitholders' meeting to be convened; and
- 4 any other relevant authority and/or party, if required.

The Proposed Disposal was completed on 31 December 2012 following SMC's receipt of the full consideration.

B8 Group Borrowings and Debt Securities

The Group borrowings as at 31 December 2012 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Borrowings:			
- Current	409,142	373,578	782,720
- Non-current	1,556,897	407,283	1,964,180
	1,966,039	780,861	2,746,900

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

<u>Secured</u>	Foreign currency		RM'000	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
US Dollar (USD'000) *	-	355,000	-	1,088,430
Singapore Dollar (SGD'000) **	845	12,812	2,120	32,156
Trinidad & Tobago Dollar (TTD'000) **	8,940	-	4,318	-
Chinese Renminbi (RMB'000) **	58,953	57,297	29,023	28,207
Indonesian Rupiah (RP'000) **	1,631,937	-	521	-
Australia Dollar (AUD'000) **	1,526	46	4,871	147
<u>Unsecured</u>				
Singapore Dollar (SGD'000) **	12,185	43	30,581	108
			71,433	1,149,048

Notes:

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

** Borrowings obtained by overseas subsidiaries.

B9 Derivative Financial Instruments

The Group's outstanding derivatives as at 31 December 2012 were as follows:

Type of Derivatives	Contract/ Notional RM'000	Fair Value RM'000	Gains/(Losses) Fair Value for the period RM'000
Foreign currency forward contracts			
- Less than 1 year	1,265	25	16
Interest rate swap contracts			
- 1 year to 3 year	18,184	(204)	374
Total losses on derivatives as per Note A4			389
Cross currency swap contracts			
- 1 year to 3 year	1,073,318	13,543	12,388
Total derivatives		13,364	12,777

Foreign currency forward contracts

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

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

Interest rate swap contracts

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

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

Cross currency swap contracts

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

B10 Changes in Material Litigation

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

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

Arising from this suit, the Plaintiffs have filed a counterclaim action against Affin and SunwayMas as the second defendant on 9 May 2008. SunwayMas intended to defend this counterclaim and on the advice of their solicitors, an application to strike out the counter claim against SunwayMas was filed on 4 December 2008. The application was heard and disposed of on 5.2.2010 wherein the counterclaim against SunwayMas was struck out with costs. The Plaintiffs filed an appeal against the decision on 2 March 2010. The Court of Appeal had dismissed with costs the appeal filed by the Plaintiffs. The Court of Appeal did not grant any leave to the Plaintiffs to appeal to the Federal Court.

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

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

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

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

The Statement of Claim was raised in respect of various claims (including claiming the refund of the amount cashed on the Bank Guarantees) and the total amount claimed is Rs891.5 million (approximately equivalent to RM70 million).

At the hearing on 2 February 2009, the arbitrator recorded SunCon’s filing of the Statement of Defence and Counterclaim. In the counterclaim, SunCon is seeking for Rs78,13,94,628.61 (approximately equivalent to RM60 million) for inter alia, additional costs incurred by SunCon to complete the works, recovery of mobilisation advance and interest charges, loss of reputation and loss of profits.

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

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

B11 Realised and Unrealised Profits

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

	31/12/2012 RM'000	31/12/2011 RM'000
Total retained profit of the Group:-		
Realised	491,187	426,831
Unrealised	35,818	-
Total share of retained profits from associated companies:		
Realised	46,183	33,111
Unrealised	168,348	41,665
Total share of retained profits from Jointly Controlled Entities:		
Realised	169,108	92,902
Unrealised	-	-
Less: Consolidation adjustments	26,064	(161,736)
Total Group's retained profits as per consolidated accounts	936,709	432,773

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

B12 Dividend

The Board of Directors has declared an interim single tier dividend of 6% per ordinary share of RM1.00 each for the financial year ended 31 December 2012.(2011 : Nil), which will be paid on a date to be determined.

B13 Earnings per share

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

	Current Quarter Ended 31/12/2012 RM'000	Cumulative Year To Date 31/12/2012 RM'000
<u>Basic earnings per share</u>		
Profit attributable to members of the Company	219,290	532,345
Weighted Average Number of Ordinary Shares	1,292,505	1,292,505
Earnings per share (Basic) (sen)	16.97	41.19
<u>Diluted earnings per share</u>		
Profit attributable to members of the Company	219,290	532,345
Weighted Average Number of Ordinary Shares	1,292,505	1,292,505
Earnings per share (Diluted) (sen)	16.97	41.19

By Order of the Board

**Tan Kim Aun
Chin Lee Chin
Secretaries**