

# FINANCIAL PERFORMANCE

## STATEMENT OF FINANCIAL PERFORMANCE

### CONDENSED FINANCIAL STATEMENT

RM'000	2020	2019	2018	2017	2016
		Restated	Restated	Restated	Restated
<b>Revenue</b>	<b>1,552,652</b>	1,768,727	2,256,835	2,076,290	1,788,844
Profit Before Tax	<b>101,504</b>	157,925	182,731	168,660	153,677
Income Tax Expense	<b>(27,777)</b>	(27,066)	(37,966)	(36,227)	(30,039)
<b>Profit Net of Tax</b>	<b>73,727</b>	130,859	144,765	132,433	123,638
Profit Attributable to:					
- Non-Controlling Interest	<b>941</b>	1,535	339	137	119
- Owners of the Parent	<b>72,786</b>	129,324	144,426	132,296	123,519
<b>FINANCIAL RATIOS</b>					
Gross Profit Margin (%)	<b>17.4</b>	21.4	19.7	20.6	21.2
Profit Before Tax Margin (%)	<b>6.5</b>	8.9	8.1	8.1	8.6
Effective Tax Rate (%)	<b>27.4</b>	17.1	20.8	21.5	19.5
Basic Earnings Per Share (sen)	<b>5.64</b>	10.02	11.18	10.24	9.55
Average Return on Capital Employed (%)	<b>12</b>	23	32	31	43
Average Return on Equity (%)	<b>12</b>	21	26	26	26

### QUARTERLY PERFORMANCE

RM'000	2020	Q4 2020	Q3 2020	Q2 2020	Q1 2020
	YTD	Oct-Dec	Jul-Sept	Apr-Jun	Jan-Mar
<b>Revenue</b>	<b>1,552,652</b>	627,236	419,409	140,181	365,826
Profit Before Tax	<b>101,504</b>	41,577	35,960	2,340	21,627
Income Tax Expense	<b>(27,777)</b>	(11,519)	(11,730)	(215)	(4,313)
<b>Profit Net of Tax</b>	<b>73,727</b>	30,058	24,230	2,125	17,314
Profit Attributable to:					
- Non-Controlling Interest	<b>941</b>	(142)	187	(68)	964
- Owners of the Parent	<b>72,786</b>	30,200	24,043	2,193	16,350
<b>Total Net Profit to Owners of the Parent</b>	<b>73,727</b>	30,058	24,230	2,125	17,314
<b>FINANCIAL RATIOS</b>					
Profit Before Tax Margin (%)	<b>6.5</b>	6.6	8.6	1.7	5.9
Effective Tax Rate (%)	<b>27.4</b>	27.7	32.6	9.2	19.9
Basic Earnings Per Share (sen)	<b>5.64</b>	2.34	1.86	0.17	1.27

SEGMENTAL REVENUE

	2020		2019		2018		2017		2016	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Building Construction	901,424	62%	1,033,113	64%	1,377,444	65%	1,288,046	67%	1,097,324	73%
Civil and Infrastructure	416,961	29%	460,830	28%	570,042	27%	487,866	25%	370,434	25%
Foundation and Geotechnical Engineering	143,620	10%	237,954	15%	252,752	12%	202,840	11%	200,092	13%
Mechanical, Electrical and Plumbing	377,045	26%	330,176	20%	510,555	24%	465,975	24%	321,656	21%
Others	1,871	0%	2,151	0%	6,669	0%	5,217	0%	2,086	0%
Consolidated Adjustment	(385,695)	(27%)	(445,310)	(27%)	(594,300)	(28%)	(518,552)	(27%)	(489,493)	(32%)
<b>Total Construction</b>	<b>1,455,226</b>	<b>100%</b>	<b>1,618,914</b>	<b>100%</b>	<b>2,123,162</b>	<b>100%</b>	<b>1,931,392</b>	<b>100%</b>	<b>1,502,099</b>	<b>100%</b>
<b>Total Precast</b>	<b>97,426</b>		<b>149,813</b>		<b>133,673</b>		<b>144,898</b>		<b>286,745</b>	
<b>Total Turnover</b>	<b>1,552,652</b>		<b>1,768,727</b>		<b>2,256,835</b>		<b>2,076,290</b>		<b>1,788,844</b>	

SEGMENTAL PROFIT

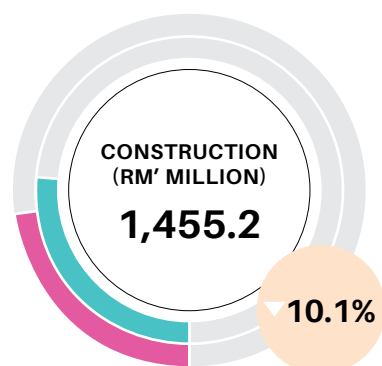
	2020		2019		2018		2017		2016	
			Restated		Restated		Restated		Restated	
<b>GROSS PROFIT MARGIN</b>										
Construction	18.0%		22.4%		20.6%		20.4%		20.7%	
Precast	9.9%		9.9%		4.8%		24.0%		23.9%	
Total	17.4%		21.4%		19.7%		20.6%		21.2%	
<b>PROFIT BEFORE TAX</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Construction	98,775	6.8%	155,172	9.6%	181,764	8.6%	141,173	7.3%	95,454	6.4%
Precast	2,729	2.8%	2,753	1.8%	967	0.7%	27,487	19.0%	58,223	20.3%
Total	101,504	6.5%	157,925	8.9%	182,731	8.1%	168,660	8.1%	153,677	8.6%

MAJOR CUSTOMERS

	2020		2019		2018		2017		2016	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Syarikat Prasarana Negara Berhad	-		-	0%	12,815	1%	40,239	2%	43,572	3%
MRCB George Kent Sdn. Bhd.*	280,000	19%	251,000	16%	176,155	8%	32,845	2%	-	-
MMC Gamuda	118,744	8%	193,026	12%	295,864	14%	344,124	18%	230,807	15%
Cititower Sdn. Bhd.	-	0%	-	0%	151,310	7%	161,200	8%	166,495	11%
Putrajaya Bina Sdn. Bhd.	14,546	1%	137,564	8%	536,348	25%	491,222	25%	184,619	12%
Petronas Management Training Sdn. Bhd.	88,086	6%	11,162	1%	-	-	-	-	-	-
Tenaga Nasional Berhad	149,759	10%	80,720	5%	-	-	-	-	-	-
In-House	629,034	44%	582,409	36%	464,975	22%	640,372	33%	710,624	48%
Others	175,057	12%	363,033	22%	485,695	23%	221,390	12%	165,982	11%
<b>Total Construction Turnover</b>	<b>1,455,226</b>	<b>100%</b>	<b>1,618,914</b>	<b>100%</b>	<b>2,123,162</b>	<b>100%</b>	<b>1,931,392</b>	<b>100%</b>	<b>1,502,099</b>	<b>100%</b>

\* For LRT3 package GS07&08 there was a client change from Prasarana Malaysia Bhd. to MRCB George Kent Sdn. Bhd.

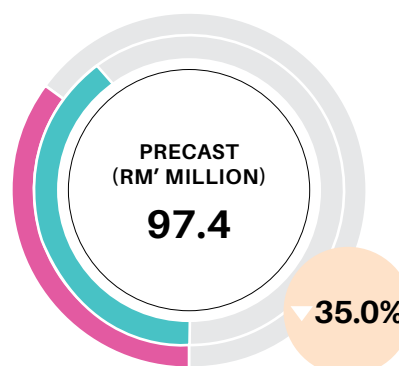
REVENUE



(2019: RM1,618.9 million)

Construction Segment

Lower revenue for financial year 2020 was solely attributed to more than 2.5 months of non activity during MCO period (18 Mar 2020 to 31 May 2020) due to COVID-19 pandemic.



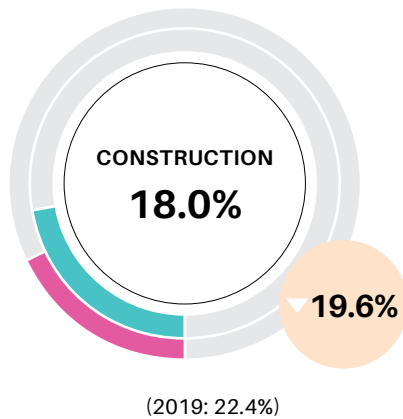
(2019: RM149.8 million)

Precast Segment

Lower revenue for financial year 2020 due to COVID-19 pandemic which saw our operations hampered due to inability to operate for most of 2nd quarter of 2020. In addition, we were operating at less than 50% efficiency in 3rd quarter 2020 as Singapore's Ministry of Manpower only allowed gradual reopening of projects in Singapore.

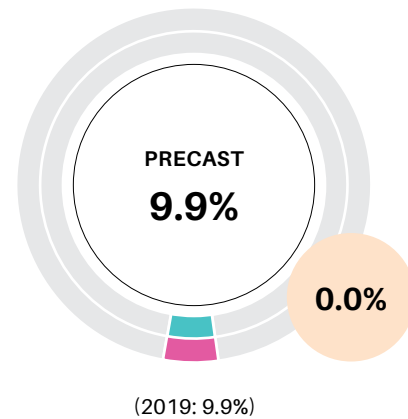
■ 2020 ■ 2019

GROSS PROFIT



Construction Segment

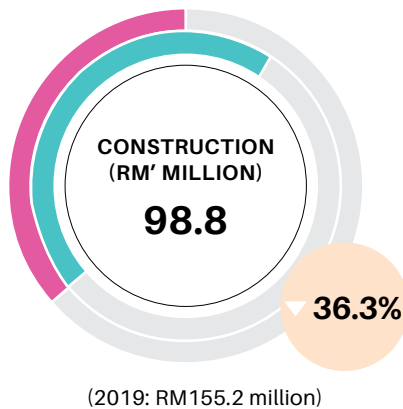
The construction segment gross profit margin saw a decline for financial year 2020 as some projects secured were at a thinner margin due to the competitive landscape of the construction industry.



Precast Segment

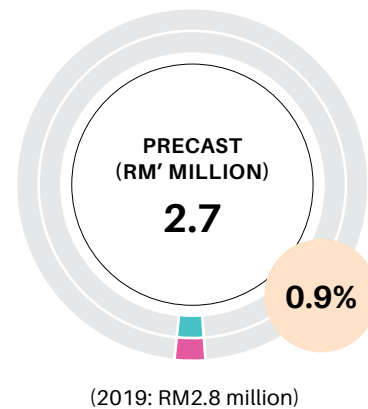
The precast segment gross profit margin for the financial year 2020 was comparable to that reported in 2019 due to recognition of better yielding margin projects despite having to cover fixed overhead that the segment had to bear with during the COVID-19 pandemic Circuit Breaker in Singapore and MCO in Malaysia.

PROFIT BEFORE TAX



Construction Segment

The lower profit in financial year 2020 is in line with lower gross profit margin and turnover. Profit was also supported by the overall 25% reduction in administration expense.



Precast Segment

Profit maintained at RM2.7 million for both financial year ended 2020 and 2019 despite lower turnover due to lower staff cost from COVID-19 support grant and lower bonus in addition to lower management fees.

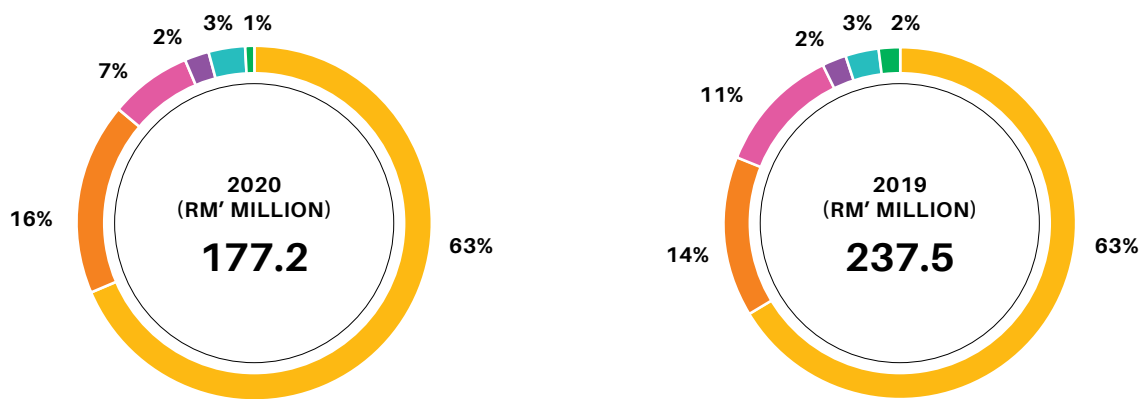
■ 2020 ■ 2019

**OTHER INCOME**

Other income for financial year 2020 was at RM22.5 million (2019 : RM20.1 million). Slightly higher other income was due to wage subsidy obtained from Pakej Ransangan Ekonomi Prihatin Rakyat from Malaysia and Singapore’s Job Support Scheme in addition to insurance claim. Included in other income are gains on disposal of assets, scrap sales and reversal of MFRS 9 provision.

**ADMINISTRATION EXPENSES**

- Staff Related Expenses
- Management & Shared Services
- Maintenance Cost
- Depreciation & Amortisation
- Rental of Premise
- Travelling Expenses



Administrative Expenses decreased by 25% from RM237.5 million in year 2019 mainly from

- (a) reduction in staff cost by more than 25%. Number of staff (excluding foreign workers) reduced from 1,291 pax in 2019 to 1,176 pax in 2020, representing a 8.9% reduction through natural attrition. In addition foreign workers also decreased from 861 to 605 during the same period. Apart from headcount reduction that contributed to lower staff cost, the lower bonus for year 2020 also added up to the reduction
- (b) reduction in depreciation cost by 15% as some of our assets, in particular boring rigs, were already fully depreciated in year 2020
- (c) reduction in management fees and shared service cost by 50%.

**OTHER EXPENSES**

The total of other expenses amounted to RM24.9 million (FYE 2019 : RM19.7 million). Higher other expenses in financial year ended 2020 was due to :

- (a) MFRS 9 allowance for impairment this year is RM14.2 million as compared to RM2.3 million provision in 2019. The higher provision is due to one particular debtor
- (b) Interest rates swap marked to market for Singapore Overnight Rate which saw the rate decline in financial year ended 2020 due to COVID-19 of RM1.9 million
- (c) Goodwill written off for our precast segment of RM3.6 million

The above higher other expenses is in comparison to financial year ended 2019 which saw the partial write off of our launching girder of RM7.1 million and provision for an arbitration case on prudence grounds of RM6.7 million.

**FINANCE INCOME AND OTHER DISTRIBUTION INCOME AND FINANCE COST**

Finance income and other distribution income for FYE 2020 was at RM 7.8million (FYE 2019 : RM24.6 million). The actual interest from placement decreased culminating from dropped in Malaysia OPR during year 2020 from 3.0% to 1.75%. The decreased was also contributed as our placement interest was recognized as share of associate in 2020 compared to interest in 2019 when the said fund was considered as a subsidiary.

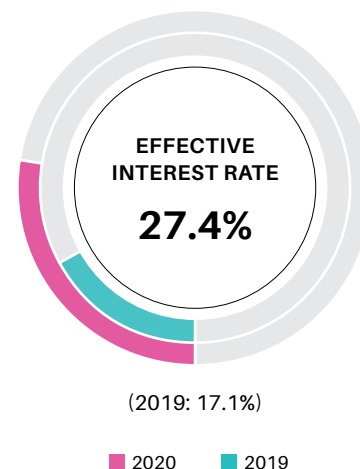
Finance cost was lower for FYE 2020 mainly due the reduction of Malaysia OPR and Singapore overnight rate (from 1.56% to 0.2%).

Further details on SunCon’s capital management is presented under Capital Management section.

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b> <b>Restated</b>
Finance Income - cash and bank	<b>5,944</b>	12,363
Finance Income - structured entities	<b>1,828</b>	7,804
Finance Income - arbitration (India)	-	3,461
Finance Income - others	<b>33</b>	941
Finance Cost - MYR	<b>(4,547)</b>	(5,539)
Finance Cost - SGD	<b>(1,225)</b>	(2,205)
Finance Cost - Interco	<b>(686)</b>	(4,662)
Finance Cost - MFRS 16	<b>(485)</b>	(812)
Finance Income rate	<b>3.9%</b>	4.05%
Finance Cost rate - M'sia	<b>2.72% to 3.01%</b>	3.81%
Finance Cost rate - S'pore	<b>0.92% to 1.08%</b>	2.25% to 2.62%

**TAXATION**

The effective tax rate for FYE 2020 of 27.4% was higher than Malaysia’s statutory tax rate of 24% mainly due to under provision of tax in 2019 coupled with non deductibility of expense with regards to goodwill write off and higher provision for MFRS 9. This was in comparison to lower effective tax rate in 2019 which has the impact of reversal of over provision of tax in 2018.



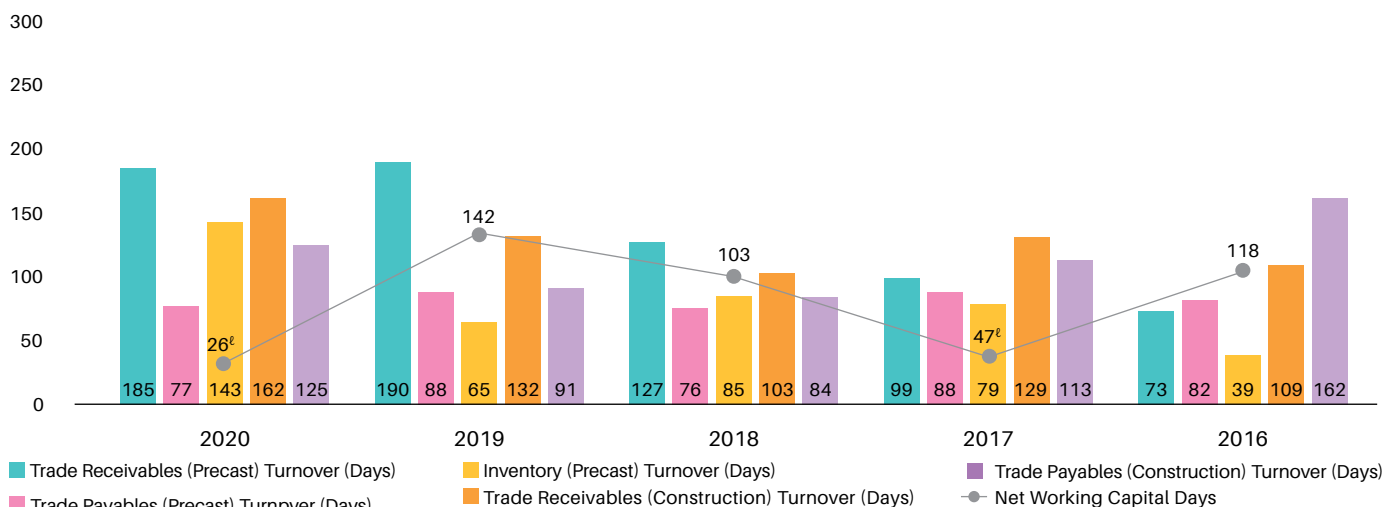
**STATEMENT OF FINANCIAL POSITION**

**KEY BALANCE SHEET**

	Note	2020 RM'000	2019 RM'000 Restated	2018 RM'000 Restated	2017 RM'000 Restated	2016 RM'000 Restated
Property, Plant and Equipment	1	107,321	138,507	176,468	164,342	138,381
Investments in joint arrangements	2	44,805	44,261	44,739	-	-
Other Non Current Assets	3	451,637	12,411	9,673	132,764	16,729
<b>Total Non Current Assets</b>		<b>603,763</b>	195,179	230,880	297,106	155,110
Receivables	4	866,397	817,936	884,359	1,005,106	652,984
Cash and Bank	*	200,071	614,605	493,615	339,015	502,697
Intercompany		143,395	123,190	83,516	73,650	132,187
Tax Recoverable	5	19,720	21,721	22,100	21,922	12,737
Other Current Assets (inventory + other debtors + financial assets)	6	72,717	229,700	216,361	88,090	266,727
<b>Total Current Assets</b>		<b>1,302,300</b>	1,807,152	1,699,951	1,527,783	1,567,332
<b>Total Assets</b>		<b>1,906,063</b>	2,002,331	1,930,831	1,824,889	1,722,442
Trade Payables	7	836,187	674,640	656,182	728,039	577,029
Borrowings and Lease Liabilities	*	235,620	235,907	117,267	136,876	136,515
Intercompany		13,347	14,408	62,460	149,087	82,960
Other Current Liabilities		108,840	195,252	226,840	247,397	190,181
<b>Total Current Liabilities</b>		<b>1,193,994</b>	1,120,207	1,062,749	1,261,399	986,685
Borrowings and Lease Liabilities	*	72,729	61,553	10,739	13,053	-
Intercompany		-	95,833	96,314	-	-
Other Non Current Liabilities		730	2,273	6,536	7,009	608
<b>Total Non Current Liabilities</b>		<b>73,459</b>	159,659	113,589	20,062	608
<b>Total Liabilities</b>		<b>1,267,453</b>	1,279,866	1,176,338	1,281,461	987,293
<b>Total Equity</b>		<b>638,610</b>	722,465	754,493	543,428	735,149
<b>Total Liabilities and Equity</b>		<b>1,906,063</b>	2,002,331	1,930,831	1,824,889	1,722,442

\* Please refer to Capital Management on page 45.

**NET WORKING CAPITAL DAYS**



<sup>ℓ</sup> Lower net working capital days due to reclass of investment in wholesales funds to investment in associative under non-current assets.

**NOTE 1 : PROPERTY, PLANT AND EQUIPMENT**

There is only an addition to fixed assets of RM3.4 million (2019 : RM8.3 million) and total disposal of NBV of RM0.1 million in 2020 (2019 : RM0.5 million). The minimal addition is in line with our conscious effort to work within our existing pool of assets.

**NOTE 2 : INVESTMENT IN JOINT ARRANGEMENTS**

Investment in joint ventures pertains to investment in HL Sunway JV Pte Ltd and the amount is the paid up capital to acquire the land in Singapore for ICPH.

**NOTE 3 : OTHER NON CURRENT ASSETS**

These comprises of investment in associates with majority being our investment in Maybank Shariah Institutional Income Fund and Kenanga Money Extra Fund 2.

**NOTE 4 : TRADE RECEIVABLES**

Overall both precast and construction segments saw an increase in trade receivables turnover period as billings were not uniform throughout the financial year 2020 due to COVID-19 MCO/CMCO and Circuit Breaker in Singapore. The fourth quarter of financial year 2020 was significantly higher than third quarter as most projects were more adept to working in more stringent COVID-19 SOP coupled with higher progress in some projects.

Trade receivable turnover for precast segment is traditionally higher due to longer duration required for settlement.

The increase in turnover days for trade receivables are due to a handful of debts that we are pursuing settlement. We have assessed the collection and have provided for those that we consider as possible defaults as per accounting standards MFRS 9.

**NOTE 5 : TAX RECOVERABLE**

Total tax recoverable amounted to RM19.7 million (2019 : RM21.7 million). Amount recoverable from India tax authorities amounted to RM12.3 million and all are under legal proceedings. SunCon continues to pursue its recoverability of taxes from the tax authorities in India.

The balance of the tax recoverable are with the Inland Revenue Board of Malaysia of which majority are for over payment of taxes with respect to tax audit for year of assessment of which we have received written confirmation of settlement and are of the opinion the amount can be recovered soon.

**NOTE 6 : INVENTORY & FINANCIAL ASSETS**

Our Precast Segment’s inventory mainly comprised of finished goods (2020 : 66%; 2019 : 57%). As a result, our holding period has now increased to 143 days (FYE 2019 : 65 days). Without finished goods, which are custom-made for clients, the raw material inventory turnover for this financial year would be 50 days.

Financial assets in 2019 amounted to RM172.9 million (2020 : nil) comprises of certain debt instruments which we invested under Maybank Shariah Institutional Income Fund of which we have consolidated.

**NOTE 7 : TRADE PAYABLES**

Precast Division : Despite longer debtors turnover period, precast pays its creditors obligation timely (FYE 2020: 77 days; FYE 2019 : 88 days) in order to receive rebates for prompt payment.

Construction Division : Payment terms to our creditors increased in line with increase in trade debtors collection (FYE 2020 : 125 days; FYE 2019 : 91 days).



STATEMENT OF CASH FLOWS

CONDENSED CASH FLOW STATEMENT

RM'000	Year Ended				
	2020	2019 Restated	2018 Restated	2017 Restated	2016 Restated
Dividend from Joint Venture	110	790	731	2,153	-
Other Operating Cash Flows	87,692	193,333	196,062	56,683	85,616
<b>Total Operating Cash Flows</b>	<b>87,802</b>	<b>194,123</b>	<b>196,793</b>	<b>58,836</b>	<b>85,616</b>
Acquisition of Property, Plant & Equipment	(3,393)	(8,312)	(56,169)	(54,688)	(19,016)
Disposal of Property, Plant & Equipment	1,537	3,564	1,393	6,246	2,055
(Acquisition)/Disposal of Investment	(359,017)	3,216	(73,219)	(120,102)	(209,733)
Net cash flow from equity contribution of non-controlling interest	10,633	(66,052)	162,817	-	246,662
Net cash outflow from loss of control of structured entity	(5,890)	-	-	(36,929)	-
Placement in Funds	-	(24,490)	24,125	(24,125)	78,000
Release/(Placement) of deposits pledged to licensed banks	181,753	(263,784)	-	-	-
Other Investing Cash Flows	1,200	-	237	(7)	379
<b>Total Investing Cash Flows</b>	<b>(173,177)</b>	<b>(355,858)</b>	<b>59,184</b>	<b>(229,605)</b>	<b>98,347</b>
Dividend	(61,245)	(90,357)	(96,918)	(71,090)	(84,039)
(Repayment to)/Advance received from Related Company	(95,833)	(46,618)	24,413	83,314	11,250
Other Financing Cash Flows	9,783	156,459	(29,574)	(2,851)	(326)
<b>Total Financing Cash Flows</b>	<b>(147,295)</b>	<b>19,484</b>	<b>(102,079)</b>	<b>9,373</b>	<b>(73,115)</b>

OPERATING CASH FLOWS

Operating cashflow was much lower compared to last financial year but was comparable to the profit after tax recorded.

INVESTING CASH FLOWS

This financial year saw a reduction of deposit pledged to licenced bank for our Singapore term loan as we restructured our security terms with our bankers.

Capital expenditure remained low in this current financial year as the Group's pool of assets was sufficient to support the present order book.

Increase in acquisition of investment was due increased placement in Maybank Shariah Institutional Income Fund and Kenanga Money Extra Fund 2 coupled with the change of accounting treatment from one of the fund from subsidiary to associate in FYE 2020.

FINANCING CASH FLOWS

The financing activities for this year was mainly from the repayment of all our advances from Sunway Treasury and also payment of dividend. The positive financing cash flow in the previous financial year 2019 was mainly due to drawdown of Singapore loan to finance the ICPH construction. As the construction of ICPH was affected this financial year due to COVID-19, the drawdown has reduced.

CAPITAL MANAGEMENT

	Year Ended				
	2020	2019	2018	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000
		Restated	Restated	Restated	Restated
Term Loans - Long term	67,203	52,656	-	-	-
Term Loans - Short term	76,367	76,270	-	-	-
Loan Bills Discounting	107,345	157,124	107,544	134,659	136,515
Revolving Credits	50,000	-	6,087	-	-
<b>Total Borrowings</b>	<b>300,915</b>	286,050	113,631	134,659	136,515
<b>Total Finance Cost (financial institute only)</b>	<b>5,750</b>	7,729	4,177	3,459	2,924
<b>Total Finance Income (financial institute only)</b>	<b>5,944</b>	12,363	15,170	6,974	8,947
<b>Net Finance Income</b>	<b>194</b>	4,634	10,993	3,515	6,023

FINANCIAL RATIOS

<b>Net Gearing Ratio (Times)</b>	<b>0.16</b>	<b>Net Cash Positive</b>			
Interest Coverage Ratio (%)	16	18	42	46	51

SunCon has a robust capital management system to ensure that we maintain a healthy capital ratio in order to support our daily operations without disruption. Our strategy is to maximise shareholders' wealth by managing our excess funds accordingly. Our funds are invested in a diverse portfolio such as the fixed income securities, money market instruments and placement in selected funds.

Our objective as a Group is to optimise internal funds and to minimise external borrowings, and we will source for the most reasonable rate both in placement and borrowing. We manage our funds by planning our payment ahead of time to ensure that we keep a minimum bank balance at all times.

Our payment and collection are mostly transacted in Ringgit Malaysia and Singapore Dollars for our precast business in Singapore. We constantly monitor our foreign currency exposure and ensure that we hedge accordingly when the opportunity arises.

DEBT MANAGEMENT

SunCon has borrowings of RM107.3 million (FYE 2019 : RM157.1 million) from Loan Bill Discounting where monthly project progress certificates are being used as an instrument for lending with maturity tenure ranging from 30 to 120 days. These short term borrowings are mainly used to manage our receivables turnaround period. It is also used to support the initial capital requirement of new projects, capital expenditure requirements, bulk purchase of materials for better economies of scale and optimisation of interest rates differential.

Apart from that, our borrowings also consists of term loan for our Singapore precast division's ongoing ICPH plant expansion.

Due to accounting treatment of our placement in Maybank Shariah Institutional Income Fund and Kenanga Money Extra Fund 2 to investment in associate, SunCon Group registered a net gearing position of 0.16 times in this financial year.

**INVOICE FACTORING**

In any construction job, cash turnaround is of great importance. As such, SunCon strives to ensure that our payments to subcontractors and suppliers are on a timely basis so that they have sufficient cash flow to work around. Any disruption to our subcontractors and suppliers will have a chain effect on the progress at site. However, in any circumstances where our subcontractors require funds earlier than the stipulated credit period, we will arrange for them to factor their invoices with Sunway Leasing so that they are able to obtain their required funds within 3 business days with competitive rates. As at December 2020 a total RM25 million was financed through Sunway Leasing.

**SHARIAH COMPLIANT FUNDS**

SunCon has cash under conventional accounts and investments of RM200.1 million (FYE 2019 : RM493.7 million), the ratio of cash under conventional accounts and instruments over total assets was at 11% (2019 : 25%) hence satisfying the compliant regulation that requires cash that are placed under conventional accounts and instruments to be less than 33% of total assets. Total assets in year ended 31 December 2020 amounted to RM1,906.1 million (FYE 2019 : RM2,002.3 million).

**CREDIT FACILITIES**

It is important to ensure that we have sufficient credit facilities on hand to ensure that we can seize any job opportunity in the market. Our credit facilities vary for the issuance of bank guarantees such as performance bond, advanced payment bonds, tender bonds, security bonds, loan bill discounting and revolving credit. In 2020, we have utilised 45% of our credit facilities.

**CREDIT FACILITIES**

