

**RE:  
SHAPING  
OUR BUSINESS**

**Dear Shareholders,**

In a year which saw mounting challenges in the wider Malaysian construction industry, we increased our resolve to respond to the unprecedented challenges brought about by the COVID-19 pandemic.

**B**usiness Continuity Plans were enacted immediately to navigate the Company through the crisis in view of ultimately protecting the long-term value of our business.

The continued safety and well-being of our people remains a key priority for us. At the onset, we directed our efforts towards risk management measures to ensure the safety of our people. Safe Working Procedures were implemented to maintain social distancing along with stringent hygiene practices that were in line with the Government's directives to curb the spread of COVID-19. To reduce the risk of COVID-19, we will continue to monitor developments and mitigate risks related to the COVID-19 pandemic and its impact on our projects, operations, supply chain and the health and safety of our staff.

**OUR PERFORMANCE**

Despite the turbulent backdrop, SunCon has recorded a resilient full year performance with revenue of RM1.6 billion, sustained by our business expansion strategies and our in-house orders. We managed to stay on course in exceeding our order book replenishment target with RM2.3 billion in new orders and maintained a profit making position with PBT of RM101.5 million.



**DATU' IR  
GOH CHYE KOON**  
Chairman Of Sunway Construction Group Berhad

**MANAGING AN  
UNPRECEDENTED  
TIME**

Total Revenue  
**RM1,552.7  
MILLION**  
 For more information, please refer to page 36.

Total Profit After Tax  
**RM73.7  
MILLION**  
 For more information, please refer to page 36.

Our balance sheet remains robust and we were able to reward shareholders with a dividend payout of 4 sen per share. The dividend is consistent with our policy to distribute at least 35% of our earnings to shareholders and we are pleased to be able to continue generating strong returns to our shareholders.

Against the challenging backdrop, SunCon has continued its steadfast approach in business sustainability efforts with a focus on project execution and delivery, while expanding our core business and accelerating our business transformation enabled through digitalisation.

During the year, we have made further operation progress and this stands us in good stead today. We have completed the MRT V201 project, also known as the Putrajaya Line. The scope of work involved construction of 4.9 km of elevated viaduct including long span crossings over Keretapi Tanah Melayu (KTMB) tracks, and 3 elevated stations. The completion of the Putrajaya Line opens up further areas for development along its corridor and is set to be operational by 2021.

We have also completed the Nippon Express Warehouse project in Shah Alam which is Nippon Express Group's most extensive single-structure multifunctional logistics warehouse outside of Japan, with UNIQLO being one of the key users. The project was constructed on a joint venture with Taisei Corporation of Japan.

Sunway Group's development projects have helped to cushion the impact from the pandemic crisis. The steady flow of jobs from our parent company have translated to a more resilient performance. In 2020, we were awarded five projects from our parent company, including the Sunway International School project in Subang for RM121 million, Sunway Belfield service apartments project for RM403 million, CP2 commercial mixed development project at Sunway South Quay for RM463 million (inclusive of RM119.0 million of substructure works which was awarded in 2019), Sunway Velocity 2 Plot B serviced apartments and retail for RM253 million, and Sunway Medical Centre 4 for RM612 million,

which is inclusive of RM450 million of main building works that was awarded in 2018. Work has already commenced at all projects.

Other key projects in our portfolio include the Petronas New Leadership Centre project in Bangi and the TNB HQ Campus Phase 2 project in Bangsar, Kuala Lumpur, which are progressing steadily and are expected to complete in 2021 and 2022 respectively.

We are also progressing on track at our LRT3 GS07808 project, with the remodelled scope of works and revised contract sum of RM1.295 billion following the cost rationalisation exercise. The project's completion date is targeted for 2022.

In the Sustainable Energy segment, we have made significant progress with the award of three external solar photovoltaic system projects from F&N Group of Companies in Shah Alam and Klang, Selangor, and in Karak, Pahang. The combined contract sum of the projects is RM18.1 million. Further to that, University Sains Malaysia (USM) had awarded us the rooftop Power Purchase Agreement (PPA) solar project which will be implemented at USM Engineering Campus in Nibong Tebal, Penang. The projects will be carried out in 2021 and are expected to complete in the same year.

A key focus of the Company's growth strategy is to expand our core business for long term value creation. In line with this, SunCon had entered into a memorandum of understanding (MoU) with ENGIE South East Asia during the year, to setup a Joint Venture company to explore district cooling systems for greenfield and brownfield urban development projects. ENGIE South East Asia is part of the ENGIE Group, the European leader in energy and value-added energy solutions with a global presence. With this collaboration, SunCon will be able to leverage on the expertise and experience from ENGIE South East Asia as well as explore opportunities to expand the district cooling technology in Malaysia as we work towards building a sustainable future together.

Regional expansion remains another key focus for our company's growth strategy. During the year, SunCon's regionalisation efforts recorded a





Petronas New Leadership Centre project

significant milestone with the award of two highway construction projects in India from the NHAI. The first project is for RM508 million and involves the four-laning of Thorapalli Agraharam to Jittandahalli section of National Highway (NH-844) from Km. 23.350 to Km. 60.100 under Bharatmala Pariyojana Phase-I (National Corridor) in the state of Tamil Nadu, India. The second project for RM315 million is for the construction of a two-lane road with paved shoulder of the Meensurutti (Km. 98.433) to Chidambaram (Km. 129.965) section of NH-227 of the Bharatmala Pariyojana Phase-I in Tamil Nadu. Both projects were awarded to our joint venture consortium with RNS Infrastructure Ltd, which we have established a long-term relationship with since our maiden venture into India in 2001. We remain optimistic that SunCon is in a good position to capitalise on the many opportunities that are present in the Indian market.

Both projects will be operated under the Hybrid Annuity Model (HAM), where NHAI will pay 40% of the project cost during the construction period while the remaining 60% will be paid over a period of 15 years as a fixed annuity amount. HAM is an initiative by the Indian government, which was introduced as a better financial mechanism for road development. The projects mark SunCon's 8<sup>th</sup> and 9<sup>th</sup> highway projects in India to date, and are part of our regional expansion strategy.

#### DIGITAL TRANSFORMATION

We are constantly looking for new ways to enhance our capabilities and achieve greater growth. Progressive technologies, digitalisation and automation are the key enablers which we have embraced to achieve business excellence.

As part of our on-going efforts to transform our business, in the past year, we have accelerated our digitalisation initiatives in BIM technology to help us achieve our goal of greater productivity and efficiency, and to deliver better value to our clients.

SunCon is the first construction company in Malaysia to have successfully delivered the first and the largest BIM-Facility Management (FM) project in Malaysia at the Parcel F, Putrajaya project in 2019. Since then, we have advanced our efforts in BIM-FM with the introduction of BIM-FM solutions in Sunway City as part of the Sunway's commitment to the United Nation's Sustainable Development Goals (UNSDG). To date, we have invested over RM40 million in BIM technology and BIM is now widely implemented and integrated into our daily operations.

At our project sites, we are also constantly innovating through the adoption of new, cost-effective technology. We are the first contractor in Malaysia to deploy open-source Chatbot to prototype and streamline construction site processes to further support our project operations and enhance safety implementation.

**As a leading construction group, we are set to continue to grow our business by leveraging on Industrial Revolution 4.0 technologies to provide further value added services to our esteemed clients.**

#### OUR BOARD CULTURE

As Chair, promoting a culture of openness and debate in the boardroom is one of my key responsibilities. Our 2020 evaluation of the Board's effectiveness confirmed that we have a collaborative and collegiate Board whose discussions are both challenging and constructive. The evaluation process was conducted internally and included a questionnaire completed by each Board member. We looked at the relationship between the Executive Directors and the Non-Executive Directors as well as the effectiveness of each of the committees. The results did not raise any issues for the Board to address in terms of the way that we operate.

With regard to the culture of the Group as a whole, we as a Board play an important leadership role by demonstrating our commitment to the Group's long-established core values and our commitments to being a responsible business. These values and commitments give strength and cohesion across our businesses to ensure that the resources fundamental to our business model are nurtured to drive long-term profit and social value, for the benefit of our stakeholders.

#### CORPORATE GOVERNANCE

SunCon is committed to upholding a high standard of corporate governance and business integrity in our business, to ensure long-term business sustainability and enhancement of shareholder value as we continue to grow.

To further strengthen our corporate governance practices, during the year we have officially rolled out the Anti Bribery and Corruption (ABC) Policy. The ABC Policy outlines the Company's zero tolerance approach against all forms of bribery and corruption and is in adherence to all relevant Malaysian laws, including the Malaysian Anti-Corruption Commission Act 2009. The policy has been made compulsory to all our staff and

business partners. Further to that, we have also appointed a Compliance Officer to our leadership team to ensure a high standard of compliance to all regulatory and internal requirements.

**During the year, our corporate governance practices had achieved multiple recognitions. We won the**

2019 MSWG-ASEAN Corporate Governance Scorecard Award - Asset Class Award	2019 MWSG-ASEAN Corporate Governance Award - Industry Excellence Award - Construction category
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We were also recognised as among the top 10 companies out of 100 public listed companies in Malaysia with the best corporate governance disclosures. This marks the 4<sup>th</sup> consecutive year that we have won the prestigious award since our listing in 2015.

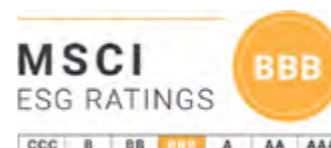
Apart from that, we won the Platinum Award in the National Annual Corporate Report Awards (NACRA) 2020, which is the highest award for the category of companies with market capitalisation below RM2 billion. The awards are based on a new framework which integrates elements of sustainability and integrated reporting.

We regularly review and strengthen our approach to governance to reflect best practice and the changing environment, and to help us deliver on our vision.

#### SUSTAINABILITY PERFORMANCE

At SunCon, we recognize the important role sustainability plays in continuing to be a leader in the construction industry. As part of the Sunway Group, we uphold the Group's corporate vision "to be Asia's model corporation in sustainable development, innovating to enrich lives for a better tomorrow". Driven by our commitment to conduct business in a sustainable and responsible manner, we strive to make a positive impact on the communities in which we operate by integrating Environment, Social and Governance (ESG) considerations into our decision making practise.

SunCon's sustainability leadership was recognised by the prestigious Asia Sustainability Reporting Award (ASRA) 2019 for the second consecutive year, whereby we won the Bronze award in the category of Asia's Best Sustainability Report Within Integrated report. We were also honoured to be recognized with the Gold Award in The Asset ESG Corporate Awards 2020 which benchmarks corporate sustainability among regional companies in Asia.



Apart from that, we maintained a score of 'BBB' in the MSCI ESG Ratings which aims to measure a company's resilience to long-term, financially relevant ESG risks. The score represents an average rating in the construction and engineering industry.

We continue to make progress in our sustainability agenda by pledging our support in the Task Force for Climate-related Financial Disclosures (TCFD) recommendations in 2021. We are among one of the first few Malaysian firms to join more than 1,700 organisations worldwide to support this cause which aims to achieve a carbon neutral world by 2050.

As part of our sustainability initiatives, during the year, we have implemented rooftop solar panels at our new machinery workshop in Sunway Enterprise Park and precast manufacturing plant in Senai, Johor to reduce the carbon emissions of our site operations. Moving forward, SunCon will continuously reduce our environmental footprint by establishing and measuring key metrics in line with Sunway Group's sustainability efforts. Apart from that, we aim to certify our precast division with manufacturing facilities in Johor to environmental management system ISO 14001 and ISO 45001 occupational health and safety management system.

#### PROSPECTS

Looking ahead, the Malaysian economy is expected to pick up steam in 2021 with a growth range of between 6.5% and 7.5% (BNM), following the contraction in 2020. The economy has already started showing signs of recovery with the virus appearing to have peaked, the commencement of vaccine rollout, and the easing of MCO restrictions. However uncertainties still remain on the slow rollout of vaccines due to supply bottlenecks and the emergence of new virus variants which may cause a setback to the path to recovery.

We anticipate the construction sector in Malaysia to remain challenging on the back of the soft economic landscape. However with our strong order book of RM5.1 billion as at December 2020 we can tide over these two years until the economy bounces back with more infrastructure pump priming from the Government. We will continue to look at expanding overseas in the ASEAN region and India, as well as our in-house bedrock order book from the Sunway Group which has helped to cushion the impact from the pandemic crisis. We will also capitalise on the prospects of the growing renewable energy sector in the country as well as district cooling systems to further grow our business. Operationally, we strive to continue to optimise our productivity with constant improvement in automating and digitalising various processes and continue with our VDC (Virtual Design and Construction) journey to further improve all aspects of the project life cycle. We are confident that the Company will remain resilient to steer through the uncertain and challenging outlook and are cautiously optimistic of a positive performance in the year ahead.

#### APPRECIATION

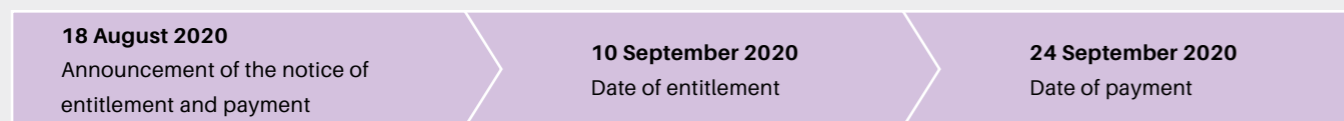
We wish to thank our clients, business partners and employees for their dedication and support during this challenging year. Our achievements in 2020 would not have been possible without the hard work and commitment from all of you.

DIVIDENDS



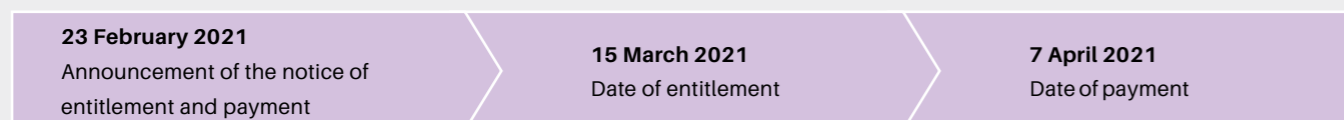
1<sup>ST</sup> INTERIM DIVIDEND OF 1.25 SEN PER SHARE

First interim single tier dividend of 1.25 sen per ordinary share for the financial year ended 31 December 2020



2<sup>ND</sup> INTERIM DIVIDEND OF 2.75 SEN PER SHARE

Second interim single tier dividend of 2.75 sen per ordinary share for the financial year ended 31 December 2020



DIVIDEND POLICY

	2020	2019	2018	2017	2016
Dividend per share (RM'sen)	4	7	7	7	5
Dividend payout (RM'000)	51,574	90,256	90,457	90,457	64,646
Profit After Tax and MI (RM'000)	72,786	129,324	144,426	132,296	123,519
Dividend Payout Ratio	71%	70%	63%	68%	52%

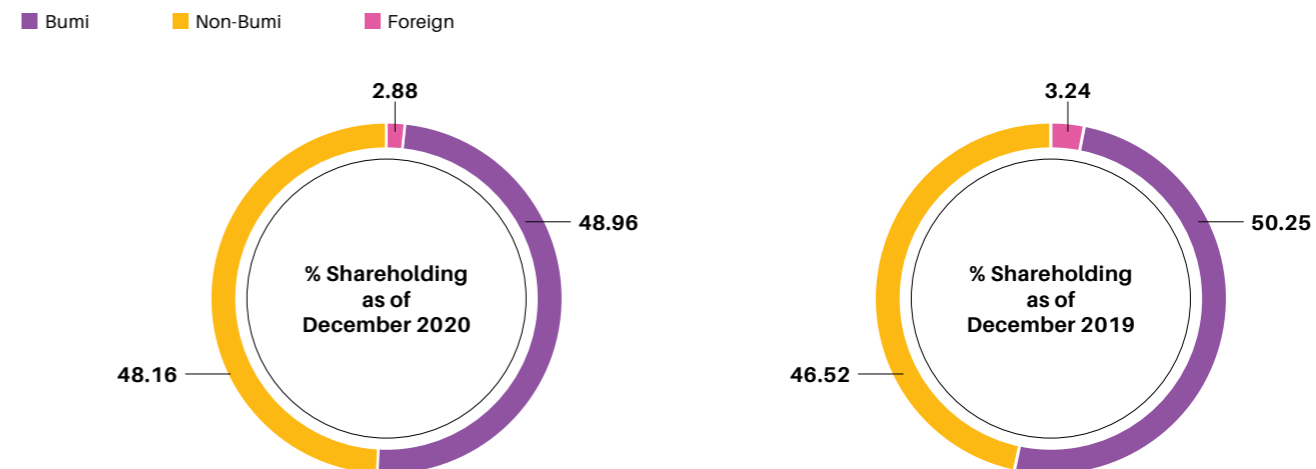
SunCon's dividend policy is to distribute at least 35% of our net profit for the year back to our esteemed shareholders. The Board's intention is to continuously pay good dividends to our shareholders in appreciation of their support towards the company's growth.

During the year, SunCon declared a total dividend of 4 sen per share. We have consistently paid higher dividend payout since our listing in 2015.

We are committed in delivering satisfactory results backed by strong fundamentals and sound balance sheet to reward shareholders more than the Group's dividend payout policy of 35% of net profit.

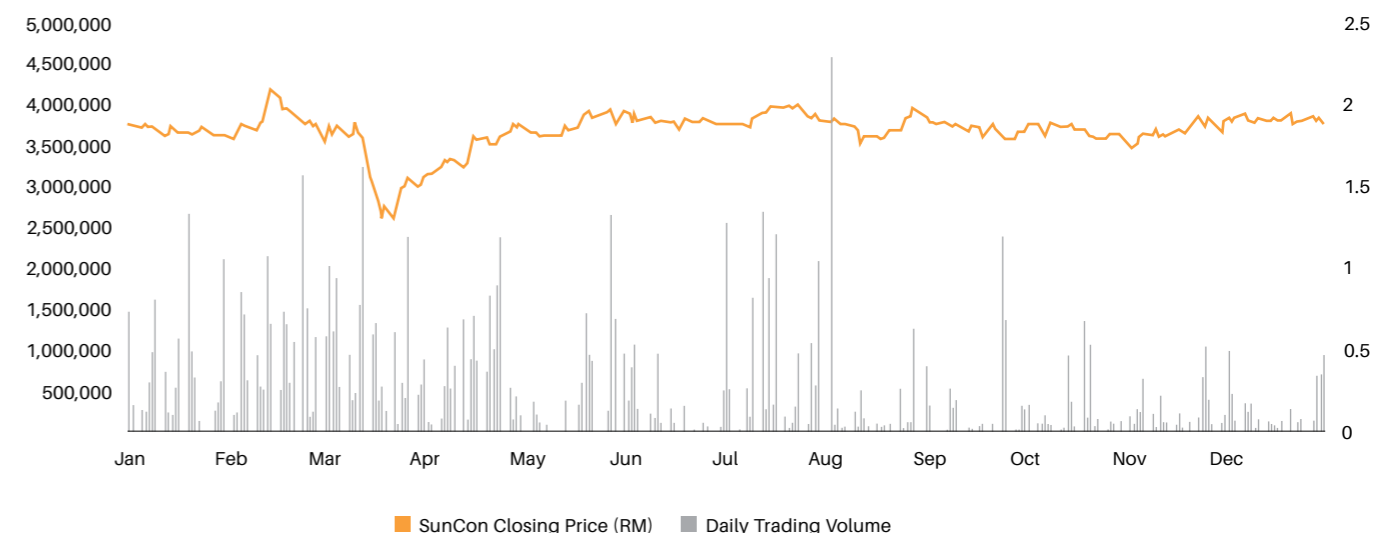
REVIEW OF SHARE PERFORMANCE

Sunway Construction Group Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad.



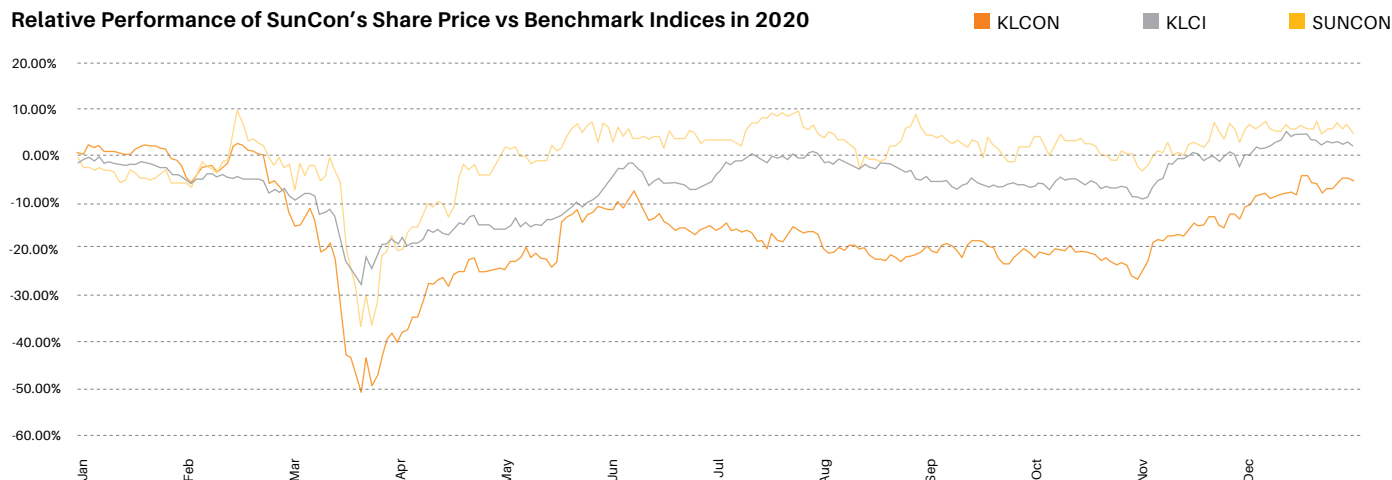
	Year Ended				
	2020	2019	2018	2017	2016
Market Capitalisation (RM'000)	2,423,995	2,462,676	1,718,687	3,244,308	2,197,930
Year End Closing Price (RM)	1.88	1.91	1.33	2.51	1.70
Dividend Per Share (RM'sen)	4	7	7	7	5
Basic EPS (RM'sen)	5.64	10.02	11.18	10.24	9.55

SunCon Share Price & Volume Performance in 2020





Relative Performance of SunCon's Share Price vs Benchmark Indices in 2020



<b>OPENING PRICE</b>	SunCon <b>1.91</b>	KLCI <b>1,588.76</b>	KLCON <b>209.20</b>
<b>CLOSING PRICE</b>	SunCon <b>1.88</b> ▼ <b>1.6%</b>	KLCI <b>1,627.21</b> ▲ <b>2.4%</b>	KLCON <b>186.67</b> ▼ <b>10.8%</b>

1Q CLOSE 31-MAR		2Q CLOSE 30-JUN		3Q CLOSE 30-SEP		4Q CLOSE 31-DEC	
SunCon	<b>1.51</b>	SunCon	<b>1.88</b>	SunCon	<b>1.84</b>	SunCon	<b>1.88</b>
KLCI	<b>1,350.89</b>	KLCI	<b>1,500.97</b>	KLCI	<b>1,504.82</b>	KLCI	<b>1,627.21</b>
KLCON	<b>137.87</b>	KLCON	<b>170.75</b>	KLCON	<b>161.83</b>	KLCON	<b>186.67</b>

SunCon opened FY2020 at RM1.91 and the share price climbed steadily to a high of RM2.10 on 14 February 2020. It was hovering steadily around RM1.80 and RM1.90 before the announcement of Movement Control Order (MCO) by the Prime Minister.

Due to the COVID-19 pandemic, the Malaysian Construction sector came to grinding halt with the nationwide Movement Control Order (MCO) starting from 18 March 2020 for a period of 2 weeks. SunCon's share price declined steeply by 20% on the day of MCO announcement by the Prime Minister. It eventually hit the lowest at RM1.29 on the second day of MCO. There was a panic selling of construction stocks as MCO is deemed to have a direct impact on the construction sector's earnings since there will be no progress at site.

SunCon's share price recovered steadily during the MCO and closed at RM1.51 on the last trading day of 1Q2020 which was a drop of 21% as compared to the opening share price for the year along with the Bursa Malaysia KL Construction Index's (KLCON) and FTSE BM KLCI Index's decrease of 34% and 15% respectively.

During 2Q2020, the MCO was being extended to the second and third phase of biweekly each. In the third phase of MCO, the Prime Minister

had relaxed the restrictions by allowing some construction works to resume operations albeit with strict guidelines to protect the general health and wellbeing of workers. SunCon's share price climbed up to RM1.88 at the end of 2Q2020 due to the news of resumption of work.

All in all, the share price was very volatile in the first two quarters of 2020 due to the unexpected circumstances caused by the unprecedented pandemic.

The first month of 3Q2020 saw 100% recovery of work which enabled SunCon's share price to slowly climb back to a high of RM2.00. Moreover, SunCon had also secured two new projects from indirect subsidiaries boosting its new order book secured for the year to RM2 billion. Subsequently, SunCon closed 3Q2020 at RM1.84.

Although the government had announced the second stage of Recovery Movement Control Order (RMCO) extension until 31<sup>st</sup> December 2020, but construction was allowed to operate, hence it did not affect our site work progress. SunCon closed FY2020 at RM1.88 outperforming Bursa Malaysia KL Construction Index by about 10% and lower than the FTSE BM KLCI Index marginally.