

CHAIRMAN'S STATEMENT

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Dear Shareholders,

FY2022 was a milestone year for Sunway Construction Group Berhad (SunCon or the Group). Despite the lingering effects of the COVID-19 pandemic on the global and domestic economy as well as supply chain disruptions, labour shortages and increasing material prices that were prevalent in FY2022, SunCon recorded a stellar performance with profit before tax (PBT) of RM184 million, the Group's highest since its listing in 2015. Our performance is a testament to our commitment to deliver on our financial and strategic priorities and to create stakeholder value.



DATO' IR GOH CHYE KOON

Chairman

FY2022

• Revenue

RM2,155 million

• PBT

RM184 million

In Malaysia, the construction sector posted an 8.8% rebound after a two-year declining trend. However, operating conditions were still far off pre-pandemic levels. This was particularly evident in the civil engineering and residential building sub-sectors which posted only marginal positive growth of 2.7% and 3.4% respectively¹. Total value of work done in FY2022 stood at RM121.9 billion, 16.7% lower than FY2019's pre-pandemic period of RM146.4 billion.

In FY2022, the private sector was the main impetus for construction growth as public sector contract awards continued to be subdued for the most part of the financial year.

The full details of the operating environment faced by construction players including SunCon, and its ensuing impacts is provided in the External Trends and Developments Section from pages 49 to 53.

¹ Source: Department of Statistics, Malaysia (DOSM)

and also through strategic collaborations with joint venture (JV) partners. Whilst SunCon is a pure play construction company, we have also looked to expand our income streams by being open to any Private Finance Initiative (PFI) as well as suitable asset ownership and management opportunities.

Our strategic efforts in FY2022 have yielded positive results, which are reflected in the various business and operational highlights achieved by our business divisions throughout the year under review.

HIGHLIGHTS AND ACHIEVEMENTS

With the transition to the endemic phase and gradual relaxation of restrictions, our focus was to expedite construction activities on our backlog of projects, and to actively tender for projects in Malaysia and abroad.

All efforts were made to ramp up the pace of works at all operational sites, while continuing to uphold high quality standards. As we expedited works, we continued to ensure that there was no compromise on occupational safety and health measures at all sites. We also focused on ensuring that the quickened pace of works would not have additional impact on community stakeholders located adjacent to, and / or within close proximity to our sites.

During the year, we achieved a new operational milestone with the completion of six building projects. This noteworthy achievement attests to our capabilities and track record as one of Malaysia's, and the region's leading construction companies. The completed projects were located nationwide across Peninsular Malaysia as shown on the right.

Our order book stands at **RM5.31 billion** on the back of RM2.58 billion in new orders secured

EXEMPLIFYING RESILIENCE AND STRENGTH

SunCon, in FY2022 continued to pursue its business strategies – adapting and evolving in tandem with the dynamic operating environment. This included continued pursuit of business and operational diversification and increased technological adoption, in particular digital capabilities.

As we improved our internal capabilities, the Group also actively sought to build its order book. In particular, we looked to venture further into emerging niche segments such as sustainable energy projects, data centres and power plants. This, we embarked on our own

Peninsular Malaysia

Central Region

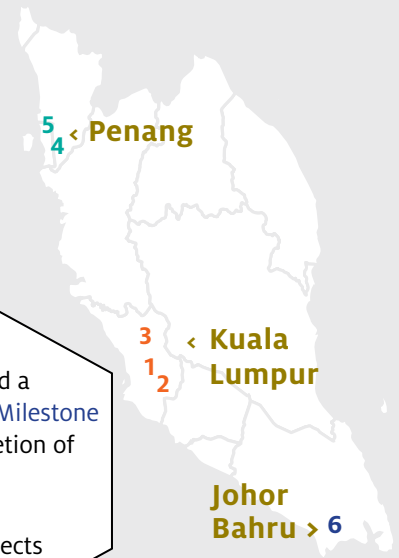
- 1 TNB HQ Campus Phase 2, Kuala Lumpur
- 2 Sunway Serene, Petaling Jaya
- 3 Sunway International School, Sunway City Kuala Lumpur

Northern Region

- 4 Sunway Medical Centre, Seberang Jaya, Penang
- 5 Sunway Carnival Mall Extension, Seberang Jaya, Penang

Southern Region

- 6 Sunway Big Box Office, Sunway City Iskandar Puteri



We achieved a **New Operational Milestone** with the completion of **six** building projects

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The Civil and Infrastructure division substantially completed Package GS07&08 for the Light Rail Transit 3 (LRT3) project from Bandar Utama to Johan Setia, and is currently undertaking the balance of works for Package GS06 which entails construction of a 3.9 km viaduct and related station works.

Our Mechanical, Engineering and Plumbing division (MEP) successfully completed works for the MRT Line 2 Underground Stations at Chan Sow Lin and Sentul West. The division also completed the Air Conditioning and Mechanical Ventilation system at the IOI City Mall Phase 2 project, which includes a Thermal Energy Storage (TES) tank.

Our Geotechnical division experienced slower growth during the year as it was affected by the slowdown in the construction market. However, completion of the substructure works at South Quay Square, Sunway City Kuala Lumpur was successfully achieved as per schedule.

The Sustainable Energy division commenced construction of the RM40 million District Cooling System (DCS) at the mixed development in South Quay Square, in collaboration with ENGIE Southeast Asia. The project is on track for completion in FY2024 and marks SunCon's maiden foray in jointly operating a DCS system. SunCon, in the past, completed three DCS projects in Putrajaya.

The DCS will provide an energy efficient cooling solution to reduce carbon footprint and it bolsters SunCon's credentials as a sustainable energy and infrastructure solutions provider in Malaysia and the region.

On a related note, we commenced construction on both of our Large Scale Solar 4 (LSS4) projects in Kampar, Perak and Klang, Selangor. We look forward to completing both solar photovoltaic installations by December 2023. Another highlight is the completion of the solar photovoltaic panel installation at Universiti Sains Malaysia (USM) campus in Nibong Tebal, Penang. The panels are capable of producing 4,325

kWp of clean energy, sufficient to meet the building's energy requirements. The project achieved its commercial operation date (COD) on 1 January 2023 with a Power Purchase Agreement (PPA) of 20 years.


In December 2022, SunCon's precast division, completed and commissioned the Integrated Construction and Prefabrication Hub (ICPH) in Pulau Punggol Barat, Singapore. The new plant, with an annual capacity of 73,500 m³ of precast components, is able to cater to a wider range of product mix. This includes large panel slabs and various 3D components. With this added capacity, the division is actively working towards building up its order book.

On the international front, our two on-going highway projects in India, (Meensurutti-Chidambaram Highway and Thorapalli Agraharam – Jittandahalli Highway) which are being implemented using the Hybrid Annuity Model (HAM), are progressing with target completion by end of 2023 and mid of 2024 respectively. We are currently carrying out

the earthworks, pavement works and bridge works for both highways.

Our technological capabilities such as Virtual Design and Construction (VDC) continued to lend us a competitive edge while enabling a wide range of operational efficiencies.

VDC in particular, has further strengthened our 3D, 4D and 5D field implementation capabilities. The technology provides a connected common data environment that facilitates a collaborative working environment between all project stakeholders. This translates into reduced conflicts in design, faster decision-making and more importantly, reduced errors and accelerated project lifecycle which eventually translate into cost optimisation.

 Full project details are provided on pages 32 to 47 in the Management Discussion and Analysis section of this IAR2022.



TNB HQ Campus Phase 2, Kuala Lumpur

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FINANCIAL AND BUSINESS PERFORMANCE

On the back of continued robust operational performance, SunCon has seen improvements in both revenue recognition and earnings. For FY2022, the Group registered higher revenues of RM2,155 million and PBT of RM184 million.

As at 31 December 2022, our order book stands at RM5.31 billion on the back of RM2.58 billion in new orders secured. This surpasses management's internal order book replenishment target of RM2.00 billion. The outstanding order book, as at 31 December 2022 will provide SunCon with revenue and earnings visibility for the next two years.

Among the notable contracts secured are the RM1.7 billion hyperscale data centre project in Sedenak, Johor, and the RM278 million Sunway Flora Residence in Bukit Jalil.

COMMITMENT TO SHAREHOLDERS RETURNS

Supported by robust performance in FY2022 and a healthy balance sheet, the Board has declared dividends of 5.5 sen per share in respect of FY2022.

This is equivalent to a dividend payout of RM70.9 million and translates to a payout ratio equivalent to 53% of net profit for the year. This exceeds the Group's dividend policy to return at least 35% of net profit for the year to shareholders.

DIVIDENDS



DIVIDEND POLICY

	2022	2021	2020	2019	2018
Dividend per share (RM'sen)	5.50	5.25	4.00	7.00	7.00
Dividend payout (RM'000)	70,915	67,691	51,574	90,256	90,457
Profit After Tax and MI (RM'000)	135,181	112,586	72,786	129,324	144,426
Dividend Payout Ratio	53%	60%	71%	70%	63%
Share price opening 1 Jan	1.56	1.88	1.91	1.33	2.51
Dividend Yield	3.5%	2.8%	2.1%	5.3%	2.8%

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NOTABLE AWARDS & ACCOLADES

In FY2022, SunCon continued to garner a wide range of industry and other awards and accolades – a clear recognition of the Group's financial and operational excellence.

1	2	3	4	5
The Edge Billion Ringgit Club Award 2022	National Annual Corporate Report Award 2022	Australasian Reporting (ARA) Awards 2022	Annual Report Competition (ARC) Awards 2022	Talentbank Graduates' Choice Awards 2023
– Highest Return on Equity Over Three Years (Construction Sector)	– Excellence Awards for Companies with RM2b-10b in market capitalisation - Gold	– Silver Award	– PDF version of Annual Report – Integrated AR & CSR – Asia / Pacific: Traditional Format – Bronze	– Champion in the Construction Sector

CREATING NON-FINANCIAL VALUES

The pursuit of sustainability and non-financial values is necessary and underpins our ability to sustain and grow financial values. Increasingly, an organisation's ability to remain relevant, competitive and resilient against inherent and emerging risks hinges on excellent management of material environmental, social and governance (ESG) matters.

SunCon's approach to ESG is clearly defined by the Sunway Sustainability Framework comprising 14 focus areas and 24 commitments. The framework, focus areas and commitments are consistent with the ultimate goal of the Sunway Group, which is Net Zero Carbon Emissions by 2050.

We have strategised our sustainability efforts in accordance to three macro goals:

GOAL

- 1
Enabling sustainable construction
- 2
Investing in a fair, safe and inclusive workplace
- 3
Ensuring compliance and embracing transparency

Within each goal, specific material matters have been identified and each of these shall continue to receive the Board of Directors' and Senior Management's focus. Among these include governance and ethical business, risk and regulatory compliance, climate action, employee management, safety and health, product quality and responsibility, and responsible supply chain.

I am happy to say that we have continued to progress on our ESG agenda. Notably, SunCon has been upgraded to 'AA' rating in FY2022 by the MSCI Index which benchmarks our ESG practices with both local and international peers. We are honoured to have achieved such a positive rating, where we deem this as a recognition of the effectiveness of our ESG strategies in managing environmental and social impact, and we will continue to strive for excellence in driving our sustainability agenda.



The full details of our efforts and outcomes in pursuing sustainability is provided on pages 79 to 119 in the Sustainability Statement of this IAR2022.

TALENT MANAGEMENT AND DEVELOPMENT

The availability of competent, professional talent remains one of the major issues faced by construction players in the region. A continued lack of qualified, experienced professionals is a serious factor as this dampens industry growth. In addition, the prevailing scarcity of talent has contributed to higher recruitment and retention costs as well as higher talent attrition.

We are cognisant of the talent issues faced and hence, redoubled efforts in FY2022 to focus on talent management initiatives. These are specific strategies to attract, develop and retain a highly skilled workforce. We are committed to providing our talent with opportunities to develop themselves professionally, as well as to drive positive engagement within the organisation.



The full details of our talent management efforts are provided on pages 104 to 111 in the Sustainability Statement of this IAR2022.

Our management approach is being increasingly cascaded to our supply chain towards ensuring that our vendors and subcontractors also embed a talent-focused approach within their business operations and strategies.

OUTLOOK AND PROSPECTS

Looking ahead, the construction sector in Malaysia is expected to maintain its momentum of recovery on the back of new and on-going mega infrastructure projects. These include the revival of rail and infrastructure projects.

Given our proven track record for a wide range of infrastructure projects including rail, buildings, bridges and more, the Group is well poised to bid for projects as they are announced. As at 31 December 2022, SunCon had submitted tenders with a cumulative value of RM23 billion.



LRT3 Package GS07&08

We expect to turn a new page by rebuilding our order book with non-conventional, higher value-added tech sector projects, such as data centres, power plants, semiconductor manufacturing facilities and others. We continue to actively seek out opportunities to expand our order book through strategic collaborations with reputable JV partners. This enables us to pool our complementary capabilities and expertise to take on more challenging projects and broaden our offerings to clients, at the same time reducing our risks.

SunCon maintains a healthy order book of RM5.3 billion extending into FY2024 and we are actively working towards replenishing our order book. With a robust balance sheet, the Group has the necessary financial resources and flexibility to capitalise on future opportunities and navigate the challenges ahead.

In terms of regional expansion, we will continue to explore opportunities in ASEAN and India. We believe that our strong track record in delivering total solutions will be a competitive advantage when tendering for more projects abroad. Our recent foray into

Vietnam has seen SunCon enter into an EPC agreement for an approximately USD2.4 billion power plant project.

While we remain open to suitable conventional energy projects, our focus remains on the sustainable / renewable energy segment, which continues to offer ample growth opportunities.

Under the Corporate Green Power Programme (CGPP), a quota of 800 MW for clean energy has been made available (based on the Virtual Power Purchase Agreement mechanism).

This is a welcome move as it provides opportunities for business entities – both local and multi-national, to participate in the promotion and use of renewable energy in their business operations.

Leveraging our Build-Own-Operate-Transfer (BOOT) capabilities, the Group intends to also pursue opportunities for asset ownership and management. This approach was leveraged for the DCS project in South Quay Square, Sunway City Kuala Lumpur where the JV entity will continue to manage and operate the asset over the 25-year concession period.

Strengthening our competitive edge and to Sustain Value Creation for stakeholders

Our combined strategy of geographic market expansion, penetration and expansion into new and existing segments, including high-growth sectors and a focus on developing a diverse asset portfolio shall hold us in good stead going forward.

Our strategies are aimed at accelerating business growth, strengthening our competitive edge and to sustain value creation for stakeholders.

In addition, our approach will also address inherent industry risks such as cyclical risks while reducing dependence on a single operating market and further developing our internal capabilities to remain relevant and resilient amidst a rapidly evolving market environment.

On the whole, FY2022 was a challenging year, but one where SunCon has successfully sustained value creation for stakeholders. We continue to build a distinctive path towards future growth, while strengthening our fundamentals towards maintaining competitiveness and relevance amidst a dynamic market environment.

APPRECIATION AND ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I wish to take this opportunity to express our thanks to the many stakeholders who contributed in our journey of progress in FY2022.

The Board wishes to express its gratitude to our employees for their contributions throughout the course of FY2022. Similarly, I wish to convey my appreciation to our clients, business partners and investors for being part of our journey of growth in FY2022.

May we journey forth together towards continued success in the year ahead.

DATO' IR GOH CHYE KOON
Chairman