



On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report and Audited Accounts of Sunway Holdings Incorporated Berhad (formerly known as Sungei Way Holdings Berhad) for the financial year ended 31 December 1999.

I am delighted to report that the Group has turned around in 1999 after experiencing a difficult year in 1998, underpinned by recovery in the country's GDP growth and construction industry.

GROUP PERFORMANCE

The Group registered a slight increase in turnover to RM799.9 million, as compared to RM761.5 million in the previous year. Nevertheless, we managed to bring in profit after tax and minority interest of RM155.2 million against a loss after tax and minority interest of RM138.9 million in 1998. All principal operating subsidiaries also showed marked improvement in performance compared to the previous year.

In addition to the improved operating performance, the Group also benefitted from the successful restructuring exercise involving the buy-back and cancellation of Eurobonds and the strategic tie-up with Pioneer International Holdings Pty Ltd ("Pioneer") in the quarry and premix businesses. This has resulted in lower interest expenses following the Group's substantial reduction in gearing.

OPERATIONS OVERVIEW

Construction

Activity in the construction sector remained sluggish in 1999 largely due to the overhang from excess space of commercial buildings and high end condominiums. Nevertheless, increased activities in infrastructure and strong campaigns by the Government and Banks to promote sale of houses has helped cushion the contraction in the construction sector.

For 1999, the construction division contributed 49.93% to total Group turnover, making it the biggest contributor. During the year, the Group, under Sunway Construction Berhad (formerly known as Sungei Way Construction Berhad) secured projects worth approximately RM613.0 million. The new projects are expected to contribute significantly to the Group's turnover in the next



2 years. The Kajang Traffic Dispersal Ring Road project which was shelved in 1997 due to tight liquidity situation in Malaysia then was also reinitiated in 1999.

Projects for residential and commercial units in Rawang and Taman Sri Andalas in Klang were launched during the year. In year 2000, the company plans to launch residential units in Kerling and commercial units in Bangi.

Property Development/Investment

During the year, the Group acquired the balance 30.0% equity interest in Sunway Masalam Sdn Bhd (formerly known as Sungei Way Masalam Sdn Bhd), making the latter its wholly-owned subsidiary. The property development/investment division made a 16.86% contribution to the Group's total turnover in 1999, compared to 17.12% in the previous year.





Quarrying and Premix Manufacturing

On 26 March 1999, the Group completed the proposed joint-venture with Pioneer in the quarrying and premix businesses. The Group's quarry and asphalt businesses were transferred to a joint-venture company, Sunway-Pioneer Quarry Sdn Bhd ("SPQ") in which the Group and Pioneer each owns 50%.

As a result of the joint-venture, SPQ is now the leading quarry operator and asphalt supplier in Malaysia. Sales of SPQ's quarry products are expected to improve due to the wider network of distribution channels. With Pioneer as its strategic partner, SPQ is expected to achieve better operational efficiency and lower overall production cost.

Proceeds raised from the merger was used towards repayment of the Group's bank borrowings; hence reducing its gearing substantially.

Associated Companies

In 1999, Sunway Building Technology Berhad ("Suntech") suffered a loss before tax of RM98.36 million as a result of slow demand for building materials in the construction industry. The Group's share of loss in Suntech amounts to RM49.18 million.

During the year, Suntech completed the merger of its ready-mixed concrete business with Pioneer, under a 50:50 joint-venture company, Pioneer

Sun-Mix Concrete Sdn Bhd (“PSMC”). The merger is expected to provide an avenue for Suntech and Pioneer to combine their different experience and technical expertise in the ready-mixed concrete business. PSMC is currently the largest ready-mixed concrete producer in Malaysia.

ECONOMIC OUTLOOK

Malaysia’s economic recovery is expected to gather further momentum in 2000. Despite an oversupply in high-rise buildings, retail outlets and high end condominiums, the construction sector is expected to recover by 5% in 2000. Underpinning this recovery is the acceleration in civil engineering works, following higher budgetary allocation for infrastructure, public, low and medium cost housing projects.

Barring any major downside risks that could derail the favourable world economic outlook, the year 2000 should see a stronger and more broad based recovery of the Malaysian economy. On a similar note, the Directors are confident that the results for the Group in the coming year will improve further.

APPRECIATION

My fellow Board members and I would like to take this opportunity to thank all our valued customers, bankers, business associates and shareholders for their continued support and confidence with the Group.

Last but not least, the Board and I would like to extend our heartiest thanks to management and staff for their hard work, contribution and dedication to the Group.



Tan Sri Dato’ Seri (Dr) Cheah Fook Ling
Chairman

23 May 2000