

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors are pleased to submit their report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiary companies of the Group are stated in Note 14 to the financial statements.

There was no significant change in the principal activities of the Group and Company during the financial year other than the acquisition of certain subsidiary companies and business and disposal of a subsidiary company as stated in Note 33 and Note 34 respectively.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit after tax	96,906	21,329
Minority interest	(18,424)	0
Net profit for the financial year	<u>78,482</u>	<u>21,329</u>

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2003 were as follows:

	RM'000
In respect of the financial year ended 31 December 2004, interim gross dividend of 3 sen per share on 539,013,879 ordinary shares, less income tax of 28%, paid on 13 January 2005	<u>11,643</u>

The Directors now recommend the payment of a final gross dividend of 2 sen per share, less income tax of 28%, in respect of the financial year ended 31 December 2004, for shareholders' approval at the forthcoming Annual General Meeting of the Company. The financial statements for the financial year ended 31 December 2004 do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2005.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

DIRECTORS' REPORT (CONTINUED)

ISSUE OF SHARES

(a) Employees' Share Option Scheme

During the financial year, 5,998,000 and 3,000 new ordinary shares of RM1.00 each were issued by the Company for cash by virtue of the exercise of options over ordinary shares pursuant to the Company's Employees' Share Option Scheme ("ESOS") at exercise prices of RM1.00 per share and RM1.21 per share respectively.

(b) Private Placement

During the financial year, the Company allotted and issued 41,229,000 new ordinary shares of RM1.00 each for cash by virtue of a private placement at an issue price of RM1.60 per share.

(c) Acquisition of Additional Shares In A Subsidiary Company

During the financial year, the Company allotted and issued 80,987,000 new ordinary shares of RM1.00 each at an issue price of RM1.63 per ordinary share as partial discharge of purchase consideration for the acquisition of the remaining ordinary shares of RM1.00 each in Sunway Construction Sdn Bhd ("SunCon"), which were not already held by the Company, pursuant to a Conditional Voluntary General Offer ("CVGO") exercise undertaken by the Company.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

ISSUE OF WARRANTS

During the financial year, the Company issued 196,988,643 new warrants, for cash, at an issue price of RM0.05 per warrant. Details of the warrants are set out in Note 29 to the financial statements.

EMPLOYEES' SHARE OPTION SCHEME

On 7 November 2002, the Company implemented an ESOS to the eligible employees (including Executive Directors) of the Company and its subsidiary companies. The ESOS is governed by the bylaws which were approved by the shareholders on 3 October 2002.

Details of the ESOS are set out in Note 28(ii) to the financial statements.

DIRECTORS' REPORT *(CONTINUED)*

EMPLOYEES' SHARE OPTION SCHEME *(Continued)*

The Company has been granted exemption by the Companies Commission of Malaysia pursuant to Section 169 (11) of the Companies Act 1965 from having to disclose the names of Directors and persons to whom options over ordinary shares have been granted during the financial year and details of their holdings except for those Directors and persons who have options over ordinary shares of 600,000 and above, which are as follows:

Name of employees	Exercise price/share RM	Options over ordinary shares of RM1.00 each					As at 31.12.2004
		As at 1.1.2004	Granted	Terminated	Exercised		
Yap Chin Leong	1.00	700,000	0	0	0	700,000	
Wong Fook Chai	1.00	680,000	0	0	(20,000)	660,000	
Lee Yu Ban	1.00	700,000	0	0	(30,000)	670,000	
Ng Boon Liang	1.00	600,000	0	0	0	600,000	
Phang Koon Tuck	1.58	0	600,000	0	0	600,000	
Mok Sew Wah	1.58	0	600,000	0	0	600,000	

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Tan Sri Dato' Seri (Dr) Cheah Fook Ling
 Dato' Chew Chee Kin
 Yau Kok Seng
 Mark Victor Rozario
 Dato' Tan Kia Loke
 Kwan Foh Kwai
 Tan Ler Chin
 Wong Chin Mun
 Tan Sri Dato' Seri Dr Md Noordin Bin Md Sopiee
 Datuk Low Seng Kuan

In accordance with Article 114 of the Company's Articles of Association, Tan Sri Dato' Seri (Dr) Cheah Fook Ling, Dato' Tan Kia Loke and Yau Kok Seng retire by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except for options over ordinary shares granted to certain Directors of the Company pursuant to the Company's ESOS as disclosed in Note 7 to the financial statements.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration disclosed in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any deemed benefits that may accrue to a Director by virtue of transactions negotiated between the Group and companies in which the Director has significant equity interests as disclosed in Note 38 to the financial statements.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES, OPTIONS OVER ORDINARY SHARES AND WARRANTS

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares, options over ordinary shares and warrants in the Company are as follows:

	Number of ordinary shares of RM1.00 each				At 31.12.2004
	At 1.1.2004	Allotted ⁵	Bought	Sold	
Direct interest					
Tan Sri Dato' Seri (Dr)					
Cheah Fook Ling	4,692,094	10,000	1,000,000	0	5,702,094
Dato' Chew Chee Kin	720,000	10,000	0	0	730,000
Yau Kok Seng	500,000	10,000	0	0	510,000
Mark Victor Rozario	20,000	0	0	0	20,000
Dato' Tan Kia Loke	265,000	10,000	0	0	275,000
Datuk Low Seng Kuan	270,000	0	0	(270,000)	0
Kwan Foh Kwai	0	660,000	0	0	660,000
Wong Chin Mun	0	10,000	0	0	10,000
Tan Sri Dato' Seri Dr Md Noordin bin Md Sopicce	0	0	1,000	0	1,000
Deemed interest					
Tan Sri Dato' Seri (Dr)					
Cheah Fook Ling ¹	187,937,577	71,000	13,629,200	(1,000,000)	200,637,777
Dato' Chew Chee Kin ⁶	0	0	450,000	0	450,000
Options over ordinary shares of RM1.00 each					
	At 1.1.2004	Granted	Exercised	At 31.12.2004	
Tan Sri Dato' Seri (Dr)					
Cheah Fook Ling	2,500,000	0	0	0	2,500,000
Dato' Chew Chee Kin	1,000,000	0	0	0	1,000,000
Dato' Tan Kia Loke	1,000,000	0	0	0	1,000,000
Yau Kok Seng	1,000,000	0	0	0	1,000,000
Mark Victor Rozario	700,000	0	0	0	700,000

DIRECTORS' REPORT *(CONTINUED)*

DIRECTORS' INTERESTS IN SHARES, OPTIONS OVER ORDINARY SHARES AND WARRANTS (Continued)

	Warrants 1994/2004			
	At 1.1.2004	Bought	Expired	At 31.12.2004
Direct interest				
Tan Sri Dato' Seri (Dr) Cheah Fook Ling	314,274	0	(314,274)	0
Deemed interest				
Tan Sri Dato' Seri (Dr) Cheah Fook Ling ²	26,256,782	0	(26,256,782)	0

	Warrants 2004/2008			
	At 1.1.2004	Bought	Sold	At 31.12.2004
Direct interest				
Tan Sri Dato' Seri (Dr) Cheah Fook Ling	0	2,870,732	0	2,870,732
Dato' Chew Chee Kin	0	350,000	(350,000)	0
Yau Kok Seng	0	528,500	(300,000)	228,500
Mark Victor Rozario	0	252,000	(150,000)	102,000
Dato' Tan Kia Loke	0	446,455	0	446,455
Kwan Foh Kwai	0	231,000	(21,000)	210,000
Wong Chin Mun	0	3,500	0	3,500
Tan Sri Dato' Seri Dr Md Noordin bin Md Soviee	0	368	0	368
Datuk Low Seng Kuan	0	59,500	0	59,500
Deemed interest				
Tan Sri Dato' Seri (Dr) Cheah Fook Ling ³	0	77,000,607	0	77,000,607

DIRECTORS' REPORT *(CONTINUED)*

DIRECTORS' INTERESTS IN SHARES, OPTIONS OVER ORDINARY SHARES AND WARRANTS (Continued)

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares of a subsidiary company are as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2004	Bought	Cancelled	At 31.12.2004
Sunway Construction Sdn Bhd				
Direct interest				
Tan Sri Dato' Seri (Dr)				
Cheah Fook Ling	10,000	0	(10,000) ⁵	0
Dato' Chew Chee Kin	10,000	0	(10,000) ⁵	0
Dato' Tan Kia Loke	10,000	0	(10,000) ⁵	0
Wong Chin Mun	10,000	0	(10,000) ⁵	0
Yau Kok Seng	10,000	0	(10,000) ⁵	0
Kwan Foh Kwai	60,000	600,000	(660,000) ⁵	0
Deemed interest				
Tan Sri Dato' Seri (Dr)				
Cheah Fook Ling ⁴	112,967,000	80,987,000 ⁷	0	193,954,000

Footnote

- ¹ Deemed interest by virtue of his substantial shareholdings in Active Equity Sdn Bhd, Timah Dunia Dredging Sdn Bhd and Sungei Way Corporation Sdn Bhd pursuant to Section 6A of the Companies Act 1965 and him being associated to his spouse and children.
- ² Deemed interest by virtue of his substantial shareholdings in Active Equity Sdn Bhd, Timah Dunia Dredging Sdn Bhd and Sungei Way Corporation Sdn Bhd pursuant to Section 6A of the Companies Act 1965 and him being associated to his spouse.
- ³ Deemed interest by virtue of his substantial shareholdings in Active Equity Sdn Bhd, Timah Dunia Dredging Sdn Bhd and Sungei Way Corporation Sdn Bhd pursuant to Section 6A of the Companies Act 1965 and him being associated to his children.
- ⁴ Deemed interest by virtue of his substantial shareholdings in Active Equity Sdn Bhd, Timah Dunia Dredging Sdn Bhd, Sungei Way Corporation Sdn Bhd and Sunway Holdings Incorporated Berhad ("SunInc") pursuant to Section 6A of the Companies Act 1965.
- ⁵ Pursuant to the acceptance of the Company's CVGO.
- ⁶ Deemed interest by virtue of him being associated to his spouse.
- ⁷ Inclusive of 77,353,667 ordinary shares of RM1.00 each pursuant to the Company's CVGO and 3,633,333 ordinary shares of RM1.00 each through the compulsory acquisition of the remaining shares in SunCon.

DIRECTORS' REPORT *(CONTINUED)*

DIRECTORS' INTERESTS IN SHARES, OPTIONS OVER ORDINARY SHARES AND WARRANTS (Continued)

By virtue of Tan Sri Dato' Seri (Dr) Cheah Fook Ling's interest in the Company as shown above, he is deemed to have interest in the shares of the subsidiary companies and associated companies to the extent that those shares are held by the Company.

Other than disclosed above, according to the register of Directors' shareholdings, the other Directors in office at the end of the financial year did not hold any interest in shares, options over ordinary shares and warrants of the Company or shares of its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT *(CONTINUED)*

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS *(Continued)*

In the opinion of the Directors:

- (a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except for the acquisition of subsidiary companies and business (see Note 33) and the disposal of a subsidiary company (see Note 34); and
- (b) except as disclosed in Note 40 to the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Private Placement

During the financial year, the Company allotted and issued 41,229,000 new ordinary shares of RM1.00 each for cash by virtue of a private placement at an issue price of RM1.60 per share.

(b) Asset-Backed Securitisation Exercise

On 2 April 2004, the Group completed an asset-backed securitisation exercise ("ABS exercise") involving the disposals of the entire equity interest in Coral-White Sdn Bhd, a wholly owned indirect subsidiary company of SunInc and a portfolio of commercial and residential properties to ABS Land & Properties Berhad ("ALP") for a total sale consideration of RM230.252 million which was satisfied by RM93.651 million cash and the issuance of RM136.601 million nominal value of subordinated class asset-backed securitisation notes ("Subordinated Notes").

Pursuant to the ABS exercise, ALP had also issued senior asset-backed securitisation notes ("Senior Notes") to investors in the domestic debt capital markets to finance the cash settlement of the abovementioned acquisitions.

On 4 October 2004, the Company announced that the sale of certain office lots located within Plaza Pantai ("Plaza Pantai"); and certain office units within Subang Square Corporate Tower, Subang Business Park and Subang Square Shopping Gallery ("Subang Offices") had not been completed. Accordingly, the amount of RM10.450 million Senior Notes issued by ALP for the ABS exercise had been repaid to the respective holders of the Senior Notes. The amount of RM15.330 million Subordinated Notes issued by ALP to part finance the acquisition of Plaza Pantai and Subang Offices had also been cancelled.

(c) Conditional Voluntary General Offer ("CVGO")

The Company had implemented a CVGO for the remaining ordinary shares of RM1.00 each in SunCon and such number of shares that might be issued pursuant to the exercise of any outstanding options under SunCon's ESOS which were not already held by the Company. The offer price for each SunCon share was RM2.73 per SunCon share, which was satisfied via RM1.10 cash and one SunInc share issued at RM1.63 per share credited as fully paid-up. Pursuant to the abovementioned CVGO, 77,353,667 new ordinary shares of RM1.00 each were issued by the Company on 14 July 2004.

On 20 September 2004, the Company further issued 3,633,333 new ordinary shares in consideration for SunCon shares which had been compulsorily acquired from the dissenting shareholders of SunCon.

DIRECTORS' REPORT *(CONTINUED)*

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR *(Continued)*

(d) Rights and Restricted Issue of Warrants

During the financial year, the Company completed an issuance of 196,988,643 new warrants at an issue price of RM0.05 per warrant, which were exercisable upon issue and up to 4 years from 18 October 2004, being the issue date, at an exercise price of RM1.30 per SunInc share. The warrants were listed on Bursa Malaysia Securities Berhad ("Bursa Securities") on 22 October 2004.

(e) Repayment of Bonds

On 21 December 2004, the Company had fully redeemed and settled all outstanding Bonds amounting to RM127,769,000. The repayment was financed by a term loan facility of RM70.0 million from HSBC Bank Malaysia Berhad and RM64.5 million bridging loan facility from OCBC Bank (Malaysia) Berhad.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 20 April 2005.



YAU KOK SENG
MANAGING DIRECTOR



MARK VICTOR ROZARIO
FINANCE DIRECTOR

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Note	Group		Company	
		2004	2003	2004	2003
		RM'000	RM'000	RM'000	RM'000
Revenue	3	1,503,094	1,390,321	29,843	12,915
Cost of sales	4	(1,226,541)	(1,144,569)	0	0
Gross profit		276,553	245,752	29,843	12,915
Other operating income		54,642	80,727	8,514	36,871
Distribution costs		(23,582)	(17,499)	0	0
Administrative expenses		(149,106)	(131,782)	(11,821)	(8,409)
Other operating expenses		(24,508)	(11,892)	(1)	(38,099)
Impairment losses	5	(2,020)	(383)	403	0
Profit from operations	6	131,979	164,923	26,938	3,278
Finance cost	8	(21,199)	(30,448)	(21,247)	(21,033)
Share of results of associated companies		(15,974)	(2,978)	0	0
Impairment losses of investments in associated companies	15	0	(8,000)	0	0
Profit/(loss) from ordinary activities before tax		94,806	123,497	5,691	(17,755)
Tax expense:					
- Company and subsidiary companies		2,695	(26,512)	15,638	(8)
- Associated companies		(595)	(1,125)	0	0
	9	2,100	(27,637)	15,638	(8)
Profit/(loss) after tax		96,906	95,860	21,329	(17,763)
Minority interest		(18,424)	(22,321)	0	0
Net profit/(loss) for the financial year		78,482	73,539	21,329	(17,763)
Earnings per share (sen):					
- basic	10(a)	16.15	18.11		
- diluted	10(b)	15.82	18.11		
Dividend per ordinary share in respect of the financial year (sen)	11	3	0	3	0

The notes set out on pages 94 to 180 form an integral part of these financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2004

	Note	Group		Company	
		2004	2003	2004	2003
		RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	218,755	226,410	269	275
Investment properties	13	0	0	0	0
Investments in subsidiary companies	14	0	0	527,023	305,929
Investments in associated companies	15	108,567	117,774	82,022	76,061
ABS Notes and other investments	16	131,661	11,762	3,664	714
Long term debtors	17	38,473	76,708	1,356	3,969
Land held for property development	18(a)	70,943	84,572	0	0
Intangible asset	19	77,104	0	0	0
Deferred tax assets	27	11,010	6,387	0	0
		656,513	523,613	614,334	386,948
CURRENT ASSETS					
Investments in subsidiary companies	14	0	0	0	0
Property development costs	18(b)	59,614	81,834	0	0
Assets held for resale	20	21,537	42,427	0	0
Inventories and completed development properties	21	108,205	207,488	0	0
Tax recoverable		13,759	9,359	8,457	9,037
Debtors	22	776,094	615,254	165,868	142,313
Deposits, bank and cash balances	23	113,340	119,032	4,062	1,053
		1,092,549	1,075,394	178,387	152,403

BALANCE SHEETS

AS AT 31 DECEMBER 2004 (CONTINUED)

	Note	Group		Company	
		2004	2003	2004	2003
		RM'000	RM'000	RM'000	RM'000
CURRENT LIABILITIES					
Creditors	24	630,830	604,361	149,168	117,178
Borrowings:					
- bank overdrafts	25	22,154	28,898	0	0
- others	25	422,142	324,357	205,460	75,783
Bonds	26	0	63,885	0	63,885
Current tax liabilities		11,458	4,618	0	0
		1,086,584	1,026,119	354,628	256,846
NET CURRENT ASSETS/ (LIABILITIES)					
		5,965	49,275	(176,241)	(104,443)
NON-CURRENT LIABILITIES					
Borrowings	25	49,009	51,538	0	0
Bonds	26	0	63,884	0	63,884
Deferred tax liabilities	27	15,074	18,622	0	0
		64,083	134,044	0	63,884
		598,395	438,844	438,093	218,621
CAPITAL AND RESERVES					
Share capital	28	539,029	410,812	539,029	410,812
Warrants	29	8,791	0	8,791	0
Share premium		195,111	171,948	195,111	171,948
Capital reserves		34,137	34,137	0	0
Other reserves		0	0	0	0
Merger relief reserve		49,615	0	49,615	0
Foreign currency reserve		(8,521)	(9,088)	0	0
Revaluation reserves		0	12,612	0	129
Accumulated losses		(236,779)	(316,230)	(354,453)	(364,268)
Shareholders' equity		581,383	304,191	438,093	218,621
Minority interest		17,012	134,653	0	0
		598,395	438,844	438,093	218,621

The notes set out on pages 94 to 180 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

Note	Issued and fully paid ordinary shares of RM1.00 each		Non-distributable								
	Number of shares	Nominal value	Warrants	Share premium	* Capital reserves	Other reserves	** Merger relief reserve	Foreign currency reserve	*** Revaluation reserves	Accumulated losses	Total
	'000	RM'000									
At 1 January 2003	404,985	404,985	0	171,948	38,253	102	0	(8,856)	12,612	(393,987)	225,057
Currency translation differences	0	0	0	0	0	0	0	(232)	0	0	(232)
Disposal of subsidiary companies	0	0	0	0	(4,116)	(102)	0	0	0	4,218	0
Net gain/(loss) not recognised in income statement	0	0	0	0	(4,116)	(102)	0	(232)	0	4,218	(232)
Issue of shares:											
- exercise of options over ordinary shares	28	5,827	5,827	0	0	0	0	0	0	0	5,827
Net profit for the financial year		0	0	0	0	0	0	0	0	73,539	73,539
At 31 December 2003	410,812	410,812	0	171,948	34,137	0	0	(9,088)	12,612	(316,230)	304,191

The notes set out on pages 94 to 180 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004 (CONTINUED)

Note	Issued and fully paid ordinary shares of RM1.00 each		Non-distributable									
	Number of shares	Nominal value	Warrants	Share premium	* Capital reserves	Other reserves	** Merger relief reserve	Foreign currency reserve	*** Revaluation reserves	Accumulated losses	Total	
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2004	410,812	410,812	0	171,948	34,137	0	0	(9,088)	12,612	(316,230)	304,191	
Currency translation differences	0	0	0	0	0	0	0	567	0	0	567	
Revaluation reserves written off	0	0	0	0	0	0	0	0	(12,612)	12,612	0	
Net gain/(loss) not recognised in income statement	0	0	0	0	0	0	0	567	(12,612)	12,612	567	
Issue of shares:												
- exercise of options over ordinary shares	28	6,001	6,001	0	1	0	0	0	0	0	6,002	
- private placement	28	41,229	41,229	0	24,738	0	0	0	0	0	65,967	
- acquisition of a subsidiary company	28	80,987	80,987	0	0	0	0	51,022	0	0	132,009	
- share issue cost		0	0	0	(1,576)	0	0	(1,407)	0	0	(2,983)	
Issue of warrants:												
- renounceable rights issue		0	0	9,354	0	0	0	0	0	0	9,354	
- restricted issue		0	0	495	0	0	0	0	0	0	495	
- warrants issue cost		0	0	(1,058)	0	0	0	0	0	0	(1,058)	
Net profit for the financial year		0	0	0	0	0	0	0	0	78,482	78,482	
Dividends for the financial year ended 31 December 2004 (payable)	11	0	0	0	0	0	0	0	0	(11,643)	(11,643)	
At 31 December 2004		539,029	539,029	8,791	195,111	34,137	0	49,615	(8,521)	0	(236,779)	581,383

* Capital reserves represents Group's share of post acquisition capital reserves in associated companies and accretion in the value of investments in subsidiary company arising from internal restructuring.

** Merger relief reserve represents premium on the issue of shares for the acquisition of the remaining shares in Sunway Construction Sdn Bhd ("SunCon") in accordance with Section 60(4) of Companies Act 1965.

*** Revaluation reserves represents fair value adjustment arising from acquisition of a subsidiary company.

The notes set out on pages 94 to 180 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004 (CONTINUED)

Note	Issued and fully paid ordinary shares of RM1.00 each		Non-distributable					Accumulated losses	Total
	Number of shares	Nominal value	Warrants	Share premium	*Merger relief reserve	**Revaluation reserves			
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2003	404,985	404,985	0	171,948	0	129	(346,505)	230,557	
Issue of shares: - exercise of options over ordinary shares	28 5,827	5,827	0	0	0	0	0	5,827	
Net loss for the financial year	0	0	0	0	0	0	(17,763)	(17,763)	
At 31 December 2003	410,812	410,812	0	171,948	0	129	(364,268)	218,621	

The notes set out on pages 94 to 180 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGE IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004 (CONTINUED)

Note	Issued and fully paid ordinary shares of RM1.00 each		Non-distributable					Total	
	Number of shares	Nominal value	Warrants	Share premium	* Merger relief reserve	** Revaluation reserves	Accumulated losses		
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
At 1 January 2004	410,812	410,812	0	171,948	0	129	(364,268)	218,621	
Revaluation reserves written off	0	0	0	0	0	(129)	129	0	
Net gain/(loss) not recognised in income statement	0	0	0	0	0	(129)	129	0	
Issue of shares:									
- exercise of options over ordinary shares	28	6,001	6,001	0	1	0	0	6,002	
- private placement	28	41,229	41,229	0	24,738	0	0	65,967	
- acquisition of a subsidiary company	28	80,987	80,987	0	0	51,022	0	132,009	
- share issue cost		0	0	(1,576)	(1,407)	0	0	(2,983)	
Issue of warrants:									
- renounceable rights issue		0	0	9,354	0	0	0	9,354	
- restricted issue		0	0	495	0	0	0	495	
- warrants issue cost		0	0	(1,058)	0	0	0	(1,058)	
Net profit for the financial year		0	0	0	0	0	21,329	21,329	
Dividends for the financial year ended 31 December 2004 (payable)	11	0	0	0	0	0	(11,643)	(11,643)	
At 31 December 2004		539,029	539,029	8,791	195,111	49,615	0	(354,453)	438,093

* Merger relief reserve represents premium on the issue of shares for the acquisition of the remaining shares in Sunway Construction Sdn Bhd ("SunCon") in accordance with Section 60(4) of Companies Act 1965.

** Revaluation reserves represents fair value adjustment arising from acquisition of a subsidiary company.

The notes set out on pages 94 to 180 form an integral part of these financial statements.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Note	Group		Company	
		2004	2003	2004	2003
		RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		1,468,110	1,214,592	4,728	2,906
Cash paid to suppliers and employees		(1,440,447)	(1,061,072)	(15,342)	(8,398)
Cash from operations		27,663	153,520	(10,614)	(5,492)
Tax paid		(24,145)	(21,733)	(535)	(1,274)
Tax refund		22,373	0	22,373	0
Interest received		4,354	5,209	0	0
Dividends received from other investments		1,493	658	2,717	443
Dividends received from subsidiary companies		0	0	3,803	7,320
Net cash flow from operating activities		31,738	137,654	17,744	997
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of subsidiary companies	34	36,909	47,960	0	47,467
Proceeds from disposal of assets held for resale		9,493	0	0	0
Proceeds from disposal of other investments		7,209	918	4,990	587
Proceeds from disposal of property, plant and equipment		2,006	1,076	0	0
Purchase of property, plant and equipment		(32,503)	(15,431)	0	0
Purchase of additional shares in subsidiary companies		(89,086)	(768)	(89,086)	0
Purchase of subsidiary companies		(6,987)	0	0	0
Purchase of additional shares in associated companies		(6,736)	(15,878)	(6,144)	(15,878)
Purchase of other investments		(7,734)	(155)	(7,734)	0
Net cash flow from investing activities		(87,429)	17,722	(97,974)	32,176

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004 (CONTINUED)

Note	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of hire purchase and lease	(1,686)	(1,042)	0	0
Share issue cost	(2,983)	0	(2,983)	0
Warrants issue cost	(1,058)	0	(1,058)	0
Proceeds from issue of shares:				
- exercise of options over ordinary shares	17,956	12,847	6,002	5,827
- private placement	65,967	0	65,967	0
- to minority interest	0	967	0	0
Proceeds from issue of warrants:				
- renounceable rights issue	9,354	0	9,354	0
- restricted issue	495	0	495	0
Dividends paid to minority shareholders	0	(3,065)	0	0
Bank borrowings drawdown	252,967	49,258	185,760	28,400
Repayment of bank borrowings	(132,766)	(76,231)	(56,083)	(34,917)
Repayment of Bonds	(127,769)	(34,072)	(127,769)	(34,072)
Purchase of Bonds	0	(28,812)	0	0
Advances from subsidiary companies	0	0	55,595	26,162
Repayment of advances from subsidiary companies	0	0	18,057	24,315
Advances to subsidiary companies	0	0	(36,303)	(12,217)
Repayment of advances to subsidiary companies	0	0	(16,924)	(18,111)
Repayment from an associated company	0	0	0	600
Interest received	1,260	2,103	1,420	614
Interest paid	(24,092)	(37,082)	(18,291)	(19,349)
Net cash flow from financing activities	57,645	(115,129)	83,239	(32,748)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,954	40,247	3,009	425
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	90,134	49,489	1,053	628
FOREIGN CURRENCY RESERVE	(902)	398	0	0
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR 23	91,186	90,134	4,062	1,053

The notes set out on pages 94 to 180 form an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A BASIS OF PREPARATION

The financial statements of the Group and Company have been prepared under the historical cost convention.

The financial statements comply with the MASB approved accounting standards in Malaysia and the provisions of the Companies Act 1965. The new accounting standard adopted in these financial statements is MASB 32 “Property Development Activities”.

The change in accounting policy did not affect net profit or shareholders’ equity as the Group was already following the recognition and measurement principles in those standards.

In addition, the Group changed its accounting policy for goodwill. In prior financial years, it had been the Group’s policy to capitalise goodwill and amortise using the straight-line method over its estimated useful life or 20 years, whichever is shorter, to the income statement and goodwill was assessed for any indication of impairment at each balance sheet date.

With effect from 1 January 2004, the Group ceased amortisation of goodwill. Goodwill is then disclosed in the financial statements at cost less any accumulated impairment losses. The carrying value of goodwill is tested annually for impairment, as well as when there are indications of impairment. See accounting policy Note E on goodwill.

The Directors are of the opinion that the change in accounting policy for goodwill will result in a more appropriate presentation of goodwill in the Group’s financial statements and that this is in line with international best practice.

The preparation of financial statements in conformity with the provisions of the Companies Act 1965 and the MASB approved accounting standards in Malaysia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on the Directors’ best knowledge of current events and actions, actual results may differ from those estimates.

B BASIS OF CONSOLIDATION

(i) Subsidiary companies

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. Subsidiary companies are those corporations in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiary companies are consolidated using the acquisition method of accounting.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

B BASIS OF CONSOLIDATION (CONTINUED)

(i) Subsidiary companies (Continued)

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of are included from the date of acquisition up to the date of disposal. The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of the acquisition (other than costs of issuing shares and other capital instruments – see accounting policy Notes R (ii) and T (i)). At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the cost of acquisition over the Group's share of the fair value of the subsidiary companies' identifiable net assets is reflected as goodwill or negative goodwill. See accounting policy Note E on goodwill.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

All intragroup transactions, balances and unrealised profits on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiary companies to ensure consistency of accounting policies with those adopted by the Group.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement. Goodwill or negative goodwill which has been charged in full to retained earnings in prior financial years is also deducted when determining the gain or loss on disposal of a subsidiary company.

(ii) Associated companies

Associated companies are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not the power to exercise control over those policies. Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting involves recognising the Group's share of the post acquisition results of associated companies in the income statement and its share of post acquisition movements within reserves in reserves. The cumulative post acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated amortisation). Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those adopted by the Group.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

C PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Freehold land is not depreciated as it has an infinite life. The lease period for short term leasehold land is less than 50 years. The lease periods for long term leasehold land range from 50-99 years. Leasehold land is amortised on a straight-line basis over the periods of the respective leases.

All other property, plant and equipment are depreciated on the straight-line basis to write off the cost of the assets, to their residual values over their estimated useful lives, summarised as follows:

Buildings	2% to 33%
Plant and machinery	6.25% to 20%
Motor vehicles	20%
Furniture, fittings and office equipment	5% to 20%

Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note Q on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/loss from operations.

Repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

D INVESTMENTS

Investments in subsidiary companies and associated companies are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note Q on impairment of assets.

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged/credited to the income statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

E GOODWILL

Goodwill represents the excess of the cost of acquisition of subsidiary companies and associated companies over the Group's share of the fair value of their identifiable net assets at the date of acquisition.

Goodwill is recognised at cost less any accumulated impairment losses. The carrying value of goodwill is subject to annual impairment review and whenever events or changes in circumstances indicate that it may not be recoverable. An impairment charge will be recognised in the income statement when the results of such impairment review indicate that the carrying value of goodwill is impaired. See accounting policy Note Q on impairment of assets.

Negative goodwill represents the excess of the Group's interest in the net fair value of identifiable net assets and liabilities over cost of acquisition, and is recognised directly in the income statement at the date of acquisition.

Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity disposed of.

F INVESTMENT PROPERTIES

Investment properties are stated at cost and are not subject to depreciation. On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged/credited to the income statement.

G INVENTORIES, COMPLETED DEVELOPMENT PROPERTIES AND ASSETS HELD FOR RESALE

Inventories consist of raw materials, work in progress, finished goods, trading goods, consumable stocks, spare parts, assets held for resale and completed development properties.

(i) Inventories

Inventories consist of raw materials, work in progress, finished goods, trading goods, consumable stocks and spare parts. Inventories are stated at the lower of cost and net realisable value. Cost includes, where relevant, appropriate proportions of overheads and is determined on the weighted average method. Net realisable value of finished goods, trading goods, consumable stocks and spare parts is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(ii) Completed development properties

The cost of completed development properties comprises cost associated with the acquisition of land, direct costs and an appropriate proportion of allocated costs attributable to property development activities. The net realisable value of completed development properties is based on the estimated selling price in the ordinary course of business, less selling expenses.

(iii) Assets held for resale

Cost for assets held for resale is determined on a specific identification basis. The net realisable value of assets held for resale is based on Directors' appraisal at open market value based on appropriate information and indices that are available.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

H CONSTRUCTION CONTRACTS

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by using the stage of completion method. The stage of completion is measured by reference to the proportion of the value of work performed to date as certified by the architects over total contract revenue.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable; contract costs are recognised when incurred.

Irrespective whether the outcome of a construction contract can be estimated reliably, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the financial year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amounts due from customers on construction contracts under debtors (within current assets). Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amounts due to customers on construction contracts under creditors (within current liabilities).

I PROPERTY DEVELOPMENT ACTIVITIES

(i) Land held for property development

Land held for property development consists of land held for future development and where no significant development has been undertaken and where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Costs associated with the acquisition of land includes the purchase price of the land, incidental costs of acquisition, development expenditure and interest costs to put the land in a condition ready for development. Where an indication of impairment exists, the carrying amount of the assets is assessed and written down immediately to its recoverable amount. See accounting policy Note Q on impairment of assets.

Land held for property development is transferred to property development costs (under current assets) when significant development activities has been undertaken and are expected to be completed within the normal operating cycle.

(ii) Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs directly attributable to development activities or that can be allocated on a reasonable basis to these activities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

I PROPERTY DEVELOPMENT ACTIVITIES (CONTINUED)

(ii) Property development costs (Continued)

When the outcome of the development activity can be estimated reliably, property development revenue and expenses are recognised by using the stage of completion method based on architect certification to end purchasers.

When the outcome of the development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable; property development costs on the development units sold are recognised when incurred.

Irrespective of whether the outcome of a property development activity can be estimated reliably, when it is probable that total property development costs (including expected defect liability expenditure) will exceed total property development revenue, the expected loss is recognised as an expense immediately.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

When revenue recognised in the income statement exceed billings to purchasers, the balance is shown as accrued billings under debtors (under current assets). Where billings to purchasers exceed revenue recognised in the income statement, the balance is shown as progress billings under creditors (under current liabilities).

J DEBTORS

Debtors are carried at anticipated realisable value. Bad debts are written off in the financial year in which they are identified. An estimate is made for doubtful debtors based on a review of all outstanding amounts at the financial year end.

K LEASES

(i) Accounting by lessee

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period.

Property, plant and equipment acquired under finance leases is depreciated over the useful life of the asset. If there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the estimated useful life and the lease term.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

K LEASES (CONTINUED)

- (i) Accounting by lessee (Continued)

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease period.

- (ii) Accounting by lessor

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a debtor. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of interest on the outstanding balance.

L CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, bank balances, demand deposits, bank overdrafts and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

M FOREIGN CURRENCIES

- (i) Foreign entities

The Group's foreign entities are those operations that are not an integral part of the operations of the Company. Income statements of foreign entities are translated into Ringgit Malaysia at average exchange rates for the financial year and the balance sheets are translated at exchange rates ruling at the balance sheet date. Exchange differences arising from the retranslation of the net investment in foreign entities and of borrowings that hedge such investments are taken to 'Foreign currency reserve' in shareholders' equity. On disposal of the foreign entity, such translation differences are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and are translated accordingly at the exchange rate ruling at the date of the transaction.

- (ii) Foreign currency transactions and balances

Foreign currency transactions in Group companies are accounted for at exchange rates prevailing at the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

M FOREIGN CURRENCIES (CONTINUED)

(iii) Closing rates

The principal closing rates used in translation of foreign currency amounts are as follows:

Foreign currency	2004 RM	2003 RM
1 US Dollar	3.8000	3.8000
1 Euro	5.2551	4.7876
1 Renminbi	0.4591	0.4595
1 Hong Kong Dollar	0.4940	0.4925
1 Thai Baht	0.1013	0.0987
1 Singapore Dollar	2.3566	2.2476
1 Sterling Pound	7.3901	6.7779
100 Indian Rupee	8.9430	8.3914
1000 Vietnam Dong	0.2518	0.2542
1000 Indonesian Rupiah	0.4240	0.4872

N REVENUE RECOGNITION

- (i) Revenue on construction contracts is recognised based on stage of completion. The stage of completion is measured by reference to the proportion of the value of work performed to date as certified by the architects over total contract revenue. Any foreseeable loss on a construction contract is provided in full.
- (ii) Sales of goods are recognised upon delivery of goods and customer acceptance, net of sales taxes and discounts.
- (iii) Revenue from development properties is recognised on the percentage of completion method based on architects' certification to end purchasers. Any foreseeable loss on a development project is provided in full.
- (iv) Interest on lease and hire purchase are recognised as income on the 'Rule of 78' basis.
- (v) Dividend income from investments is recognised when the shareholders' right to receive payment is established.
- (vi) Management fees and rental income from investment property is recognised on an accrual basis.

O BLOCK DISCOUNTING CHARGES

Block discounting charges are dealt with through the income statement on the 'Rule of 78' basis.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

P FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Financial instruments recognised on the balance sheet

The recognition method adopted for financial instruments recognised on balance sheet is disclosed in the individual policy statements associated with each item.

Fair value estimation for disclosure purposes

In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The fair value of quoted investments is based on quoted market prices at the balance sheet date and the fair value of other unquoted investments is based on a combination of projected future cash flow and realisable net assets value.

The fair values of financial assets and liabilities are estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The face values of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

Q IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Property, plant and equipment and other non-current assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

Impairment losses are charged to the income statement.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised to the income statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

R SHARE CAPITAL

(i) Classification

Ordinary shares are classified as equity.

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(ii) Share issue costs

External costs directly attributable to the issue of new shares are shown as a deduction from the proceeds.

(iii) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as liabilities when declared.

S WARRANTS

Warrants are classified as equity.

The issue of ordinary shares upon exercise of the warrants are treated as new subscriptions of ordinary shares for the consideration equivalent to the warrants exercise price.

T BORROWINGS

(i) Classification

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the income statement.

(ii) Capitalisation of borrowing cost

Borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs incurred to finance property development activities and construction contracts are accounted for in a similar manner. All other borrowing costs are expensed.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

U INCOME TAXES

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits, including withholding taxes payable by a foreign subsidiary company or associated company on distributions of retained earnings to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiary companies and associated companies except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

V EMPLOYEE BENEFITS

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees (including Executive Directors) of the Group.

(ii) Post-employment benefits

The Group has various post-employment benefit schemes in accordance with local conditions and practices in the countries in which it operates. Companies incorporated in Malaysia contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. The Group's contributions to the EPF are charged to the income statement in the financial period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Equity compensation benefits

Details of the Group's Employees' Share Option Scheme are set out in Note 28 to the financial statements. The Group does not make a charge to the income statement in connection with options over ordinary shares granted. When the options over ordinary shares are exercised, the proceeds received, net of any transaction costs, are credited to share capital and share premium.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

W SEGMENT REPORTING

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

X CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

1 GENERAL INFORMATION

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiary companies of the Group are stated in Note 14 to the financial statements.

The number of employees of the Group and Company at the end of the financial year was 2,243 (2003: 2,058) and 35 (2003: 25) persons respectively.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad.

The address of the principal place of business and registered office of the Company is as follows:

Level 16, Menara Sunway
Jalan Lagoon Timur
Bandar Sunway
46150 Petaling Jaya
Selangor Darul Ehsan

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including:

- foreign currency exchange risk - risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates
- interest rate risk - risk that the value of a financial instrument will fluctuate due to changes in market interest rates
- credit risk - risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss
- cash flow risk - risk that future cash flows associated with a financial instrument will fluctuate. In the case of a floating rate debt instrument, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value
- liquidity risk (funding risk) - risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments

The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. Financial risk management is carried out through risk reviews, internal control systems and adherence to Group financial management policies. The Board of Directors regularly reviews these risks and approves the treasury policies, which covers the management of these risks.

Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk as a result of foreign currency transactions entered into in currencies other than its functional currency. The Group limits its exposure on foreign currency debtors and creditors by entering into forward exchange rate contracts. The Group has a natural hedge to the extent that payments for foreign currency payables is matched against receivables denominated in the same foreign currency or whenever possible, by intragroup arrangements and settlements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

The Group and Company's income and operating cash flows are substantially independent of changes in the market interest rates. Interest rate exposure arises from the Group's borrowings and deposits and is managed through the use of fixed and floating rate debt financial instruments. Short term debt instruments are used, where appropriate, to generate a desired interest rate profile.

Credit risk

The Group manages its credit risk through adherence to the Group's established policies on credit control which involve a comprehensive credit evaluation, setting up appropriate credit limits, obtaining adequate security in support of the credit exposure, ensuring that sales are made to customers with good credit history and regular review of customers' outstanding balances and payment trends. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

The Group generally has no significant concentrations of credit risk and the Group's historical experience in collection of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts allowed for collection losses is inherent in the Group's trade receivables.

The Company has given guarantees to certain subsidiary companies and related companies for banking facilities. The Directors are of the view that such credit risk is minimal in view of the stability of the subsidiary companies' financial position.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

3 REVENUE

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Construction contracts	1,055,317	1,064,887	0	0
Sale of goods	282,281	232,870	0	0
Property development	149,949	72,007	0	0
Lease and hire purchase	5,044	5,638	0	0
Dividend income (gross) from:				
- subsidiary companies	0	0	26,953	9,690
- other investments	1,493	1,147	0	443
Management fees and rental income	9,010	13,772	2,890	2,782
	1,503,094	1,390,321	29,843	12,915

4 COST OF SALES

Construction contracts	885,558	891,730	0	0
Cost of goods sold	231,229	186,496	0	0
Property development cost	103,931	55,241	0	0
Lease and hire purchase	1,576	2,074	0	0
Cost of services rendered	4,247	9,028	0	0
	1,226,541	1,144,569	0	0

5 IMPAIRMENT LOSSES

Impairment losses/(reversal of impairment losses) of investments in:				
- ABS Notes (Note 16)	2,127	0	0	0
- Quoted shares (Note 16)	296	0	0	0
- Unquoted investments (Note 16)	(403)	51	(403)	0
- Assets held for resale	0	332	0	0
	2,020	383	(403)	0

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

6 PROFIT FROM OPERATIONS

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Profit from operations is arrived at:				
After charging:				
Auditors' remuneration:				
- fees for statutory audits				
- Company's auditors	494	483	67	64
- other auditors	101	99	0	0
- fees for other services				
- Company's auditors	46	82	6	4
- other auditors	15	61	0	0
Allowance for doubtful debts:				
- trade	3,729	15,329	0	0
- amounts due from subsidiary companies	0	0	0	37,864
Allowance for inventory obsolescence	1,292	201	0	0
Bad debts written off:				
- trade	80	422	0	0
- amount due from an associated company	5	21,205	0	0
Directors' fees (Note 7)	77	72	63	54
Exchange losses:				
- unrealised	409	1,566	0	0
- realised	895	38	0	0
Hire of plant and machinery	3,593	1,819	94	169
Inventories written off	83	2	0	0
Loss on disposal of assets held for resale	6,264	0	0	0
Loss on disposal of a subsidiary company	0	0	0	215
Loss on disposal of investment properties	18	0	0	0
Property, plant and equipment:				
- depreciation (Note 12)	27,787	30,623	6	6
- written off (Note 12)	45	8,658	0	0
- loss on disposal	70	3,097	0	0
Rental of land and buildings:				
- subsidiary companies	0	0	0	209
- others	3,312	1,554	262	149
Staff costs (including Directors' Remuneration (Note 7)):				
- wages, salaries and bonuses	92,489	89,422	4,307	3,500
- national defined contribution plan	7,969	6,920	390	427
- social security fund	724	745	6	4
- other employee benefits	6,770	5,158	257	245

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

6 PROFIT FROM OPERATIONS (CONTINUED)

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
And crediting:				
Bad debts recovered	337	1,851	0	0
Exchange gain:				
- unrealised	43	7	0	0
- realised	263	305	0	0
Gain on disposal of assets held for resale	0	102	0	0
Gain on disposal of a subsidiary company (Note 34)	18,644	9,446	0	10,762
Gain on disposal of other investments	124	564	124	468
Gain on disposal of property, plant and equipment	2,598	1,711	0	0
Gain on prior year's disposal of a subsidiary company *	2,284	0	2,284	0
Gain arising from deemed disposal of an associated company (Note 15)	0	10,412	0	0
Interest income from:				
- advances to subsidiary companies	0	0	5,723	10,368
- others	13,051	15,334	356	300
Negative goodwill arising from acquisition of a subsidiary company (Note 33)	782	0	0	0
Rental income from land and buildings	4,570	6,186	0	0
Write back of allowance for doubtful debts:				
- trade	1,155	1,800	0	0
Write back of inventory obsolescence	0	25	0	0

*The additional gain represents subsequent recovery of debts outstanding at the date of disposal of Sunway-Pioneer Quarry Sdn Bhd to Hanson Quarry Products (Holdings) Sdn Bhd.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

7 DIRECTORS' REMUNERATION

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
The aggregate amount of emoluments received/receivable by Directors of the Company during the financial year were as follows:				
Non-executive Directors*:				
- salaries and bonuses	1,196	560	0	0
- estimated money value of benefits-in-kind	30	5	0	0
- national defined contribution plan	158	75	0	0
- other benefits	125	68	0	0
Non-executive Directors:				
- fees	77	72	63	54
- other emoluments	34	125	29	116
Executive Directors:				
- salaries and bonuses	2,422	2,499	2,422	2,499
- estimated money value of benefits-in-kind	274	162	274	162
- national defined contribution plan	324	314	324	314
- other benefits	278	116	278	116
	4,918	3,996	3,390	3,261

*Directors' remuneration in respect of certain Non-executive Directors who are Executive Directors of a subsidiary company of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

7 DIRECTORS' REMUNERATION (CONTINUED)

Executive Directors of the Company have been granted options over ordinary shares under the Employees' Share Option Scheme ("ESOS") on the same terms and conditions of those offered to other employees of the Group (see Note 28(ii)) as follows:

Grant date	Expiry date	Exercise price	Number of options over ordinary shares			
			At start of financial year	Granted	Exercised	At end of financial year
			RM/share			'000
2004						
7.11.2002	6.11.2012	1.00	6,200	0	0	6,200
2003						
7.11.2002	6.11.2012	1.00	6,200	0	0	6,200
					2004	2003
					'000	'000
Number of options over ordinary shares vested at balance sheet date					6,200	6,200

8 FINANCE COST

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
- Bank borrowings	13,934	18,925	4,228	4,570
- Bonds	6,479	9,381	6,479	9,381
- Advances from subsidiary companies	0	0	9,666	6,750
- Advances from related companies	0	0	616	331
- Others	3,752	4,378	258	1
	24,165	32,684	21,247	21,033
Less:				
Interest capitalised into property development costs (Note 18(b))	(2,966)	(2,236)	0	0
	21,199	30,448	21,247	21,033

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

9 TAX EXPENSE

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Current tax:				
- Malaysian tax	5,040	22,118	(15,638)	8
- Foreign tax	1,031	681	0	0
Deferred tax (Note 27)	(8,171)	4,838	0	0
	(2,100)	27,637	(15,638)	8
Current tax:				
- Current financial year	24,780	27,549	516	8
- Benefit from previously unrecognised tax loss	(1,156)	(4,723)	0	0
- Over accrual in prior financial years (net)	(17,553)	(27)	(16,154)	0
Deferred tax:				
- Origination and reversal of temporary differences	(8,171)	4,849	0	0
- Benefit from previously unrecognised tax losses	0	(11)	0	0
	(2,100)	27,637	(15,638)	8

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

9 TAX EXPENSE (CONTINUED)

The explanation of the relationship between tax expense and profit/(loss) from ordinary activities before tax is as follows:

	Group		Company	
	2004	2003	2004	2003
	%	%	%	%
Numerical reconciliation between the average effective tax rate and the Malaysian tax rate				
Malaysian tax rate	28	28	28	(28)
Tax effects of:				
- small and medium enterprises tax rate of 20%	(1)	0	0	0
- expenses not deductible for tax purposes	7	8	27	4
- income not subject to tax	(12)	(11)	(46)	(26)
- current year's tax loss not recognised	6	7	0	4
- temporary differences not recognised	2	(6)	0	46
- previously unrecognised tax losses	(9)	(4)	0	0
- previously unrecognised temporary differences	(5)	0	0	0
- over accrual in prior financial years (net)	(18)	0	(284)	0
Average effective tax rate	(2)	22	(275)	0

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Tax losses				
Tax savings from the utilisation of tax losses brought forward from previous years for which the related credit is recognised during the financial year				
	1,156	4,734	0	0

During the financial year, the Company received RM22.4 million, being the total tax refund covering the years of assessment from 1995 to 2002 from the Inland Revenue Board. The tax refund consists of tax credits arising from Section 110 of the Income Tax Act, 1967 on dividend income received from subsidiary companies and/or overpayment of tax liabilities for the said years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

10 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2004	2003
Net profit for the financial year (RM'000)	78,482	73,539
Weighted average number of ordinary shares in issue ('000)	486,020	405,970
Basic earnings per share (sen)	16.15	18.11

(b) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two categories of dilutive potential ordinary shares: options over ordinary shares granted to employees and warrants. The terms of the options over ordinary shares and unexercised warrants are set out in Note 28 and 29 to the financial statements respectively.

The warrants 1994/2004 which have expired on 29 June 2004, were deemed non-dilutive since the exercise price was above the fair value of the Company's shares in the previous financial year. On 18 October 2004, the Company issued new warrants 2004/2008 which have dilutive effect on the diluted earnings per share of the Group for the current financial year.

In respect of options over ordinary shares granted to employees, a calculation is done to determine the number of shares that could have been issued at market price (determined as the average share price of the Company's shares) based on the consideration that would have been received on the exercise of the dilutive options over ordinary shares. The difference between the number of shares assumed to be issued on exercise of the dilutive options over ordinary shares and the number of shares that would have been issued at fair value are treated as an issue of ordinary shares for no consideration. The shares issued for no consideration are added to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit for the financial year for options over ordinary shares calculation.

	Group	
	2004	2003
Net profit for the financial year (RM'000)	78,482	73,539
Weighted average number of ordinary shares in issue ('000)	486,020	405,970
Adjustment for:		
- options over ordinary shares ('000)	9,082	103
- warrants ('000)	841	0
Weighted average number of ordinary shares for diluted earnings per share ('000)	495,943	406,073
Diluted earnings per share (sen)	15.82	18.11

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

11 DIVIDENDS

Dividends declared in respect of ordinary shares for the financial year is as follows:

	Group and Company			
	2004		2003	
	Gross per share	Amount of dividend, net of 28% tax	Gross per share	Amount of dividend, net of 28% tax
	Sen	RM'000	Sen	RM'000
Interim dividend	3	11,643	0	0

At the forthcoming Annual General Meeting of the Company, a final gross dividend of 2 sen per share, less income tax of 28%, in respect of the financial year ended 31 December 2004 will be proposed for shareholders' approval. The financial statements for the financial year ended 31 December 2004 do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2005.

12 PROPERTY, PLANT AND EQUIPMENT

	At 1.1.2004	Foreign currency reserve	Written off	Additions	Disposals	Reclassifications	At 31.12.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Cost							
Purchased assets							
Freehold land	30,230	0	0	0	0	0	30,230
Long term leasehold land	3,208	(71)	0	7,885	(479)	0	10,543
Short term leasehold land	4,674	(40)	0	1,325	0	0	5,959
Buildings	121,447	221	0	9,814	(24,574)	0	106,908
Total land and buildings	159,559	110	0	19,024	(25,053)	0	153,640
Plant and machinery	235,171	(185)	(4)	12,360	(1,580)	891	246,653
Motor vehicles	46,311	262	(62)	1,907	(2,182)	(834)	45,402
Furniture, fittings and office equipment	31,781	36	(156)	3,916	(105)	(21)	35,451
Capital work-in-progress	973	0	0	91	0	(36)	1,028
	473,795	223	(222)	37,298	(28,920)	0	482,174
Assets acquired under finance lease and hire purchase agreements							
Plant and machinery	7,439	(606)	0	0	0	0	6,833
Motor vehicles	2,648	(86)	0	487	(263)	0	2,786
Furniture, fittings and office equipment	0	0	0	5,138	0	0	5,138
	10,087	(692)	0	5,625	(263)	0	14,757
	483,882	(469)	(222)	42,923	(29,183)	0	496,931

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 1.1.2004	Foreign currency reserve	Written off	Charge for the financial year	Released on disposals	Reclassifications	At 31.12.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group (Continued)							
Accumulated depreciation							
Purchased assets							
Long term leasehold land	122	0	0	774	0	0	896
Short term leasehold land	1,353	(10)	0	667	0	0	2,010
Buildings	32,437	175	0	3,210	(3,229)	0	32,593
Total land and buildings	33,912	165	0	4,651	(3,229)	0	35,499
Plant and machinery	151,769	30	(1)	16,031	(1,335)	724	167,218
Motor vehicles	38,135	(39)	(62)	2,518	(1,961)	(721)	37,870
Furniture, fittings and office equipment	24,072	48	(114)	2,956	(82)	(3)	26,877
	247,888	204	(177)	26,156	(6,607)	0	267,464
Assets acquired under finance lease and hire purchase agreements							
Plant and machinery	6,597	(246)	0	0	0	0	6,351
Motor vehicles	1,386	(39)	0	376	(218)	0	1,505
Furniture, fittings and office equipment	0	0	0	1,255	0	0	1,255
	7,983	(285)	0	1,631	(218)	0	9,111
	255,871	(81)	(177)	27,787	(6,825)	0	276,575
Accumulated impairment losses							
Long term leasehold land	1,601	0	0	0	0	0	1,601

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 1.1.2003	Foreign currency reserve	Written off	Additions	Disposals	Reclassifications	At 31.12.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group (Continued)							
Cost							
Purchased assets							
Freehold land	30,492	0	0	0	0	(262)	30,230
Long term leasehold land	3,220	(12)	0	0	0	0	3,208
Short term leasehold land	4,719	176	0	0	0	(221)	4,674
Buildings	127,198	1,434	(4,981)	340	0	(2,544)	121,447
Total land and buildings	165,629	1,598	(4,981)	340	0	(3,027)	159,559
Plant and machinery	237,759	1,603	(10,425)	10,917	(16,360)	11,677	235,171
Motor vehicles	48,252	582	(315)	2,503	(4,635)	(76)	46,311
Furniture, fittings and office equipment	40,574	530	(4,873)	2,541	(5,218)	(1,773)	31,781
Capital work-in-progress	868	31	0	74	0	0	973
	493,082	4,344	(20,594)	16,375	(26,213)	6,801	473,795
Assets acquired under finance lease and hire purchase agreements							
Plant and machinery	16,281	129	0	0	(969)	(8,002)	7,439
Motor vehicles	2,136	63	0	581	0	(132)	2,648
Furniture, fittings and office equipment	1,581	0	0	0	(1,581)	0	0
	19,998	192	0	581	(2,550)	(8,134)	10,087
	513,080	4,536	(20,594)	16,956	(28,763)	(1,333)	483,882

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 1.1.2003	Foreign currency reserve	Charge for the financial year	Released on disposals	Reclassifications	At 31.12.2003
	RM'000	RM'000	Written off RM'000	RM'000	RM'000	RM'000
Group (Continued)						
Accumulated depreciation						
Purchased assets						
Long term leasehold land	103	0	0	19	0	122
Short term leasehold land	936	28	0	389	0	1,353
Buildings	28,531	338	(167)	3,778	0	32,437
Total land and buildings	29,570	366	(167)	4,186	0	33,912
Plant and machinery	145,162	760	(7,375)	19,694	(11,171)	151,769
Motor vehicles	39,766	278	(131)	2,676	(4,378)	38,135
Furniture, fittings and office equipment	30,628	156	(4,263)	3,403	(4,079)	24,072
	245,126	1,560	(11,936)	29,959	(19,628)	247,888
Assets acquired under finance lease and hire purchase agreements						
Plant and machinery	9,475	129	0	400	(606)	6,597
Motor vehicles	1,174	63	0	264	0	1,386
Furniture, fittings and office equipment	1,372	0	0	0	(1,372)	0
	12,021	192	0	664	(1,978)	7,983
	257,147	1,752	(11,936)	30,623	(21,606)	255,871
Accumulated impairment losses						
Long term leasehold land	1,601	0	0	0	0	1,601

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2004	2003
	RM'000	RM'000
Group (Continued)		
Net book value		
Purchased assets		
Freehold land	30,230	30,230
Long term leasehold land	8,046	1,485
Short term leasehold land	3,949	3,321
Buildings	74,315	89,010
Total land and buildings	116,540	124,046
Plant and machinery	79,435	83,402
Motor vehicles	7,532	8,176
Furniture, fittings and office equipment	8,574	7,709
Capital work-in-progress	1,028	973
	213,109	224,306
Assets acquired under finance lease and hire purchase agreements		
Plant and machinery	482	842
Motor vehicles	1,281	1,262
Furniture, fittings and office equipment	3,883	0
	218,755	226,410

Freehold land with net book value of RM30,597,000 at the end of the financial year (2003: RM22,282,000) are pledged as security for term loan facilities (Note 25).

Leasehold land with net book value of RM7,128,000 at the end of the financial year (2003: RM Nil) are pledged as security for term loan facilities (Note 25).

Buildings with net book value of RM33,103,000 at the end of the financial year (2003: RM21,015,000) are pledged as security for term loan facilities (Note 25).

Plant and machinery with net book value of RM17,570,000 at the end of the financial year (2003: RM19,944,000) are pledged as security for term loan facilities (Note 25).

In the previous financial year, the Group reclassified the net book value of certain property, plant and machinery amounting to RM3,108,000 to assets held for resale (Note 20).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	At 1.1.2004/ 31.12.2004		
	RM'000		
Cost			
Building			280
Furniture, fittings and office equipment			3
			<u>283</u>
	At	Charge for	At
	1.1.2004	the financial	31.12.2004
	RM'000	year	RM'000
		RM'000	
Accumulated depreciation			
Building	6	6	12
Furniture, fittings and office equipment	2	0	2
	<u>8</u>	<u>6</u>	<u>14</u>
			At 1.1.2003/ 31.12.2003
			RM'000
Cost			
Building			280
Furniture, fittings and office equipment			3
			<u>283</u>
	At	Charge for	At
	1.1.2003	the financial	31.12.2003
	RM'000	year	RM'000
		RM'000	
Accumulated depreciation			
Building	0	6	6
Furniture, fittings and office equipment	2	0	2
	<u>2</u>	<u>6</u>	<u>8</u>
			2004
			2003
			RM'000
Net book value			
Building			268
Furniture, fittings and office equipment			1
			<u>269</u>
			<u>275</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

13 INVESTMENT PROPERTIES

	Group	
	2004	2003
	RM'000	RM'000
At cost:		
Long term leasehold land	0	3,245
Buildings	0	4,845
	<hr/>	<hr/>
	0	8,090
	<hr/>	<hr/>
At market value:		
Buildings	0	5,808
Less: Accumulated impairment losses	0	(569)
	<hr/>	<hr/>
	0	5,239
	<hr/>	<hr/>
	0	13,329
Reclassified to assets held for resale (Note 20)	0	(13,329)
	<hr/>	<hr/>
	0	0
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

14 INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2004	2003
	RM'000	RM'000
Non-current		
Unquoted shares, at cost		
At 1 January	251,598	228,598
Acquired during the financial year	9,918	23,000
Transferred from quoted shares	290,552	0
At 31 December	552,068	251,598
Less: Accumulated impairment losses	(25,045)	(25,045)
	527,023	226,553
Quoted shares, at cost		
At 1 January	79,376	79,376
Acquired during the financial year	211,176	0
Transferred to unquoted shares	(290,552)	0
At 31 December	0	79,376
Total	527,023	305,929
Quoted shares, at market value	0	306,141
Current		
Unquoted shares, at cost		
At 1 January	0	17,075
Disposed during the financial year	0	(17,075)
At 31 December	0	0
Quoted shares, at cost		
At 1 January	0	143,320
Disposed during the financial year	0	(143,320)
At 31 December	0	0
Total	0	0
Quoted shares, at market value	0	0

Unquoted shares of a subsidiary company with carrying value of RM221,131,000 at the end of the financial year (2003: RM Nil) are pledged as security for term loan facilities (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies are as follows:

Name	Country of incorporation	Group's effective interest		Principal activities
		2004	2003	
		%	%	
Sunway Construction Sdn Bhd	Malaysia	100.00	60.80	Construction of building and civil works
Sunwaymas Sdn Bhd	Malaysia	100.00	100.00	Property and housing development
Sunway Juarasama Sdn Bhd **	Malaysia	100.00	100.00	Construction of building and civil works
Sunway Keramo Sdn Bhd	Malaysia	100.00	100.00	Marketing, manufacturing and sale of vitrified clay pipes and other similar clay products
Sunway Marketing Sdn Bhd	Malaysia	100.00	100.00	Marketing, distribution and sale of construction related products
Sunway Builders Sdn Bhd	Malaysia	100.00	100.00	Construction of building and civil works
Sunway Marketing (S) Pte Ltd *	Singapore	100.00	100.00	Import, export and wholesale of building materials, heavy equipment and industrial hardware
Sunway Credit & Leasing Sdn Bhd	Malaysia	100.00	100.00	Lease and hire purchase financing
Sunway Risk Management Sdn Bhd	Malaysia	100.00	100.00	General insurance underwriting and consultancy services
Sunway Management Sdn Bhd	Malaysia	100.00	100.00	Share registration and secretarial services
Sunway Land Sdn Bhd	Malaysia	100.00	100.00	Investment holding
Sunway Holdings (Vietnam) Sdn Bhd **	Malaysia	100.00	100.00	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Name	Country of incorporation	Group's effective interest		Principal activities
		2004	2003	
		%	%	
Amalan Insaf (M) Sdn Bhd **	Malaysia	82.50	82.50	Investment holding
Reptolink Sdn Bhd	Malaysia	100.00	100.00	Investment holding
Ubundi Ltd *	Hong Kong	100.00	100.00	Investment holding
Shahawan (M) Sdn Bhd **	Malaysia	100.00	100.00	Property investment
Galaxy Avenue Sdn Bhd **	Malaysia	100.00	100.00	Investment holding
Sunway Orient Sdn Bhd **	Malaysia	100.00	100.00	Investment holding
Surplus Synergy Sdn Bhd **	Malaysia	100.00	100.00	Dormant
Sunway BPO Sdn Bhd (formerly known as Conticom Sdn Bhd) **	Malaysia	100.00	100.00	Dormant
Sunway Shared Services Centre Sdn Bhd **	Malaysia	100.00	100.00	Provision of financial and accounting services to its related companies
City Leader Sdn Bhd **	Malaysia	100.00	100.00	Investment holding
Myanmar Sungei Way Holdings Limited *^	Myanmar	99.90	99.90	Dormant
Splendid Era Sdn Bhd	Malaysia	50.00	50.00	Dormant
Subsidiary companies of Sunway Construction Sdn Bhd:				
Sunway Innopave Sdn Bhd (formerly known as SWC Resources Sdn Bhd)	Malaysia	100.00	60.80	Construction of civil and building works and provision of project management
Sunway M&E Sdn Bhd	Malaysia	100.00	60.80	Provision of mechanical and electrical works
SWC Machinery Sdn Bhd**	Malaysia	100.00	60.80	Renting of machinery and site equipment

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Name	Country of incorporation	Group's effective interest		Principal activities
		2004	2003	
		%	%	
Subsidiary companies of Sunway Construction Sdn Bhd: (continued)				
Binajelata (M) Sdn Bhd **	Malaysia	100.00	60.80	Management and renting of properties
Identiti Jelata (M) Sdn Bhd	Malaysia	100.00	60.80	Project management, technical advisory services and property management
Sunway Engineering Sdn Bhd	Malaysia	74.70	45.42	Provision of mechanical and engineering works
Sunspan Sdn Bhd	Malaysia	100.00	60.80	Prefabricated construction of building and civil works
Muhibbah Permai Sdn Bhd**	Malaysia	80.00	48.64	Property development
Target Beam (M) Sdn Bhd**	Malaysia	100.00	60.80	Project management, technical advisory services and property management
Baramatics Sdn Bhd	Malaysia	100.00	60.80	Project management and technical advisory services
Classvest Realty Sdn Bhd **	Malaysia	100.00	60.80	Dormant
Crosside Realty Sdn Bhd **	Malaysia	100.00	60.80	Dormant
Sunway Industrial Products Sdn Bhd **	Malaysia	100.00	60.80	Investment holding
Sunway Machineries Services Sdn Bhd**	Malaysia	100.00	60.80	Investment holding
Sunway Construction India Pte Ltd *	India	100.00	60.80	Construction of civil and building works
PT Sunway-Yasa PMI Pile	Indonesia	65.00	^^39.29	Design, manufacture, supply and installation of concrete based foundation and other concrete products

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Name	Country of incorporation	Group's effective interest		Principal activities
		2004	2003	
		%	%	
Subsidiary companies of Sunway Construction Sdn Bhd: (continued)				
Sunway Creative Stones Sdn Bhd (formerly known as Sunway Geotechnic Sdn Bhd)**	Malaysia	51.00	^^60.45	General contractors
Subsidiary company of Sunway Industrial Products Sdn Bhd:				
Sunway Concrete Products (S) Pte Ltd *	Singapore	100.00	60.80	Manufacturing and sale of precast concrete building components
Subsidiary companies of City Leader Sdn Bhd:				
Sunway Pipeplus Technology Sdn Bhd **	Malaysia	100.00	100.00	Production of concrete pipes
Sun-Block Sdn Bhd **	Malaysia	100.00	100.00	Manufacturing and sale of concrete blocks, pavers and compressed concrete tiles; manufacturing and sale of precast micro injection piles and reinforced concrete piles; undertaking of piling contracts; and hire of heavy machineries
Subsidiary companies of Sunway Machineries Services Sdn Bhd:				
Sunway PMI-Pile Construction Sdn Bhd **	Malaysia	99.42	60.45	Manufacturing and sale of precast micro injection piles and reinforced concrete piles; undertaking of piling contracts; and hire of heavy machineries

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Name	Country of incorporation	Group's effective interest		Principal activities
		2004	2003	
		%	%	
Subsidiary companies of Sunway Machineries Services Sdn Bhd: (continued)				
Sunway Precast Industries Sdn Bhd **	Malaysia	100.00	60.80	Manufacturing precast concrete building components, undertaking of precast concrete building contracts and renting of machineries
Sunway Top-Down Technology Sdn Bhd **	Malaysia	100.00	60.80	Dormant
Eternal Reserves Sdn Bhd **	Malaysia	100.00	60.80	Investment holding
Gold Kinetic Sdn Bhd **	Malaysia	100.00	60.80	Investment holding
Sunway Modular Construction Sdn Bhd **	Malaysia	100.00	60.80	Dormant
Sun-Block (Batang Kali) Sdn Bhd **	Malaysia	100.00	60.80	Dormant
Sunway Piling Sdn Bhd **	Malaysia	100.00	60.80	Manufacturing of concrete bricks and pavers; manufacturing and sales of precast micro injection piles and reinforced concrete piles; undertaking of piling contracts; and hire of heavy machineries
Sunway Building Technology (Vietnam) Sdn Bhd **	Malaysia	90.00	54.72	Dormant
Subsidiary company of Sunway Top-Down Technology Sdn Bhd:				
Sunway Form-Eze Sdn Bhd	Malaysia	100.00	60.80	Dormant

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Name	Country of incorporation	Group's effective interest		Principal activities
		2004	2003	
		%	%	
Subsidiary company of Eternal Reserves Sdn Bhd:				
Sunway Slag Cement Sdn Bhd **	Malaysia	100.00	60.80	Dormant
Subsidiary companies of Sunwaymas Sdn Bhd:				
Ikaz Engineering Sdn Bhd	Malaysia	94.00	94.00	Property development
Mujurmas Sdn Bhd	Malaysia	100.00	100.00	Property development
Coral-White Sdn Bhd +	Malaysia	0.00	100.00	Property investment and investment holding
Pembangunan Risjaya Sdn Bhd	Malaysia	100.00	100.00	Property development
Usaha Arahmanz Sdn Bhd	Malaysia	100.00	100.00	Property development
Zafarra Corporation Sdn Bhd	Malaysia	100.00	100.00	Property development
Eaglefield Sdn Bhd	Malaysia	100.00	100.00	Dormant
Reliance Outline (M) Sdn Bhd **	Malaysia	100.00	100.00	Dormant
Subsidiary companies of Sunway Marketing Sdn Bhd:				
Sunway Marketing (East Malaysia) Sdn Bhd	Malaysia	85.00	85.00	General trading
Sunway Hose Centre Sdn Bhd **	Malaysia	85.00	85.00	General trading
Sunway Architectural Products Sdn Bhd **	Malaysia	85.00	85.00	Dormant

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Name	Country of incorporation	Group's effective interest		Principal activities
		2004	2003	
		%	%	
Subsidiary companies of Sunway Marketing (S) Pte Ltd:				
PT Sunway Marketing Indonesia *	Indonesia	100.00	95.00	Trading of hydraulic hoses, fittings and industrial products
Sunway Marketing (Shanghai) Pte Ltd *	China	100.00	100.00	Manufacturing and trading of pipes, hoses and related components
PT Trek Masindo *	Indonesia	100.00	95.00	Sale of heavy equipment and related components
Subsidiary companies of Sunway Credit & Leasing Sdn Bhd:				
SWL Nominees (Tempatan) Sdn Bhd	Malaysia	100.00	100.00	Shares nominee services
Eternal Elite Sdn Bhd **	Malaysia	100.00	100.00	Property investment and management
SWL Factoring Sdn Bhd	Malaysia	100.00	100.00	Dormant
Subsidiary companies of Sunway Land Sdn Bhd:				
Sungei Way Resources Sdn Bhd **	Malaysia	100.00	100.00	Property investment
Fortuna Gembira Enterpris Sdn Bhd **	Malaysia	100.00	100.00	Property investment and investment holding
Subsidiary companies of Sunway Holdings (Vietnam) Sdn Bhd:				
Sunway Hatay Construction & Building Materials JV Co. Ltd *	Vietnam	86.00	86.00	Quarrying and manufacturing of ready-mixed concrete

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Name	Country of incorporation	Group's effective interest		Principal activities
		2004	2003	
		%	%	
Subsidiary companies of Sunway Holdings (Vietnam) Sdn Bhd: (continued)				
Hochimex Nominee Company Limited *	Hong Kong	100.00	100.00	Investment holding
Sungei Way Ocean Joint Venture Ltd *	Vietnam	70.00	70.00	Quarrying and production of building stones
Realty Investments (HB) Inc. **	Panama	100.00	100.00	Investment holding
Subsidiary company of Hochimex Nominee Company Limited:				
Sunway Hotel Hanoi Joint-Venture Company *	Vietnam	71.00	71.00	Hotel operations
Subsidiary company of Realty Investments (HB) Inc.:				
Hang Bai Office Complex JVC *	Vietnam	74.00	74.00	Property investment
Subsidiary company of Amalan Insaf (M) Sdn Bhd:				
Sunway Property Sdn Bhd **	Malaysia	82.50	82.50	Dormant
Subsidiary company of Sunway Keramo Sdn Bhd:				
Sunway Pipe Inspection and Repair Services Centre Sdn Bhd **	Malaysia	100.00	100.00	Dormant
Subsidiary companies of Sun-Block Sdn Bhd:				
Sun-Block (Senai) Sdn Bhd (formerly known as Lafarge Braas Tiles (Johor) Sdn Bhd)	Malaysia	100.00	0	Manufacture and sale of roofing tiles

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

14 INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Name	Country of incorporation	Group's effective interest		Principal activities
		2004	2003	
		%	%	
Subsidiary companies of Sun-Block Sdn Bhd: (continued)				
Sun-Block (Beranang) Sdn Bhd (formerly known as LAS Industries Sdn Bhd)	Malaysia	100.00	0	Property holding and rental of property

* Not audited by PricewaterhouseCoopers, Malaysia.

** The auditors' reports on the financial statements of these subsidiary companies have drawn attention to the notes in the respective subsidiary companies' financial statements concerned as the continuation of these subsidiary companies as a going concern is dependent on the continuing financial support of the Company.

^ Myanmar Sungei Way Holdings Limited ("MSHL") has been placed under members' voluntary liquidation on 28 June 2001 by a special resolution passed at the Extraordinary General Meeting of MSHL held in June 2001. MSHL was incorporated in Myanmar to carry out general trading but has remained dormant since its inception. The voluntary liquidation of MSHL is undertaken as there is no immediate and foreseeable investment plans in Myanmar in the future.

^^ Formerly subsidiary companies of Sunway PMI-Pile Construction Sdn Bhd.

+ Disposed during the financial year (Note 34).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

15 INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Quoted:				
Shares at cost	257,636	253,465	67,269	63,097
Warrants at cost	32,762	30,973	4,753	2,964
Share of post-acquisition losses	(20,066)	(13,468)	0	0
Share of non-distributable reserves	(829)	(829)	0	0
Elimination of unrealised profit on contract service rendered	(2,808)	(4,209)	0	0
Gain arising from deemed disposal of an associated company (Note 6)	0	10,412	0	0
	266,695	276,344	72,022	66,061
Less: Accumulated impairment losses				
- shares	(144,219)	(144,219)	0	0
- warrants	(26,530)	(26,530)	0	0
	95,946	105,595	72,022	66,061
Unquoted:				
Shares at cost	15,276	22,524	13,406	13,406
Share of post-acquisition profits/(losses)	1,186	(6,504)	0	0
	16,462	16,020	13,406	13,406
Less: Accumulated impairment losses	(3,841)	(3,841)	(3,406)	(3,406)
	12,621	12,179	10,000	10,000
	108,567	117,774	82,022	76,061

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

15 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Market value of quoted investments:				
- shares	61,851	123,703	42,960	103,252
- warrants	1,416	4,165	1,071	2,834
	63,267	127,868	44,031	106,086

	Group	
	2004	2003
	RM'000	RM'000
Represented by:		
Group's share of net assets other than goodwill of associated companies	106,864	117,852
Group's share of intangible assets	0	8
	106,864	117,860
Premium on acquisition	143,671	143,671
Reserve on acquisition	(140)	(140)
Less: Accumulated impairment losses		
- quoted	(144,219)	(144,219)
- unquoted	(3,841)	(3,841)
	102,335	113,331
Quoted investments:		
- warrants	32,762	30,973
Less: Accumulated impairment losses	(26,530)	(26,530)
	6,232	4,443
	108,567	117,774

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

15 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

Details of the associated companies are as follows:

Name	Country of incorporation	Group's effective interest		Principal activities
		2004	2003	
		%	%	
Sunway Infrastructure Berhad *	Malaysia	36.16	34.35	Investment holding
Sungei Way-Saigon-Pilecon Engineering Company *	Vietnam	42.30	42.30	Constructing, maintaining, contracting, transportation, irrigation and construction projects
Associated company of Fortuna Gembira Enterpris Sdn Bhd:				
Gopeng Berhad *	Malaysia	19.33	19.33	Produce and process natural rubber, cultivation of palm oil and investment holding
Associated company of Sunway Machineries Services Sdn Bhd:				
Suntech Industries Sdn Bhd	Malaysia	30.00	18.24	Dormant
Associated company of Sunway Marketing (S) Pte Ltd:				
Sunway Marketing (Thailand) Ltd *	Thailand	47.00	47.00	Import, export and wholesale of building materials, heavy equipment and industrial hardware

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

15 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

Name	Country of incorporation	Group's effective interest		Principal activities
		2004	2003	
		%	%	
Associated company of Sunway Juarasama Sdn Bhd:				
Sungei Way Construction (S) Pte Ltd *	Singapore	50.00	50.00	Dormant
Associated company of Sunwaymas Sdn Bhd:				
Varich Industries Sdn Bhd *	Malaysia	50.00	50.00	Dormant
Associated company of Sunway Marketing Sdn Bhd:				
Buildtrend B.S.G. (M) Sdn. Bhd *	Malaysia	30.00	30.00	Distribution of architectural building products

*Not audited by PricewaterhouseCoopers, Malaysia

The Group's share in results of associated companies have been recognised to the extent of the carrying amount of the investments. The cumulative and current year's unrecognised share of losses amounted to RM27,737,000 (2003: RM27,737,000) and RM Nil (2003: RM Nil) respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

16 ABS NOTES AND OTHER INVESTMENTS

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
At cost:				
ABS Notes (unquoted):				
- Senior Notes	3,003	0	3,003	0
- Subordinated Notes	121,271	0	0	0
	124,274	0	3,003	0
Less: Accumulated impairment losses (Note 5)	(2,127)	0	0	0
	122,147	0	3,003	0
Other investments:				
Unquoted investments	5,211	5,229	2,706	3,220
Quoted investments:				
- shares	7,359	9,754	0	0
- warrants	208	214	208	214
	12,778	15,197	2,914	3,434
Less: Accumulated impairment losses:				
- unquoted investments (Note 5)	(2,968)	(3,435)	(2,253)	(2,720)
- quoted investments (Note 5)	(296)	0	0	0
	9,514	11,762	661	714
	131,661	11,762	3,664	714
At market value:				
Quoted investments:				
- shares	7,771	9,013	0	0
- warrants	313	708	313	708
	8,084	9,721	313	708

Quoted warrants in Malaysia are in respect of warrants to subscribe for new ordinary shares in Dolomite Berhad.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

16 ABS NOTES AND OTHER INVESTMENTS (CONTINUED)

On 2 April 2004, the Group completed an asset-backed securitisation exercise (“ABS exercise”) involving the disposals of the entire equity interest in Coral-White Sdn Bhd, a wholly owned indirect subsidiary company of Sunway Holdings Incorporated Berhad (“SunInc”) and a portfolio of commercial and residential properties to ABS Land & Properties Berhad (“ALP”) for a total sale consideration of RM230.252 million which was satisfied by RM93.651 million cash and the issuance of RM136.601 million nominal value of subordinated class asset-backed securitisation notes (“Subordinated Notes”).

Pursuant to the ABS exercise, ALP also issued senior asset-backed securitisation notes (“Senior Notes”) to investors in the domestic debt capital markets to finance the cash settlement of the abovementioned acquisitions.

On 4 October 2004, the Company announced that the sale of certain office lots located within Plaza Pantai (“Plaza Pantai”); and certain office units within Subang Square Corporate Tower, Subang Business Park and Subang Square Shopping Gallery (“Subang Offices”) had not been completed. Accordingly, an amount of RM10.45 million Senior Notes issued by ALP for the ABS exercise was repaid to the holders of the Senior Notes. Additionally, an amount of RM15.33 million Subordinated Notes issued by ALP to part finance the acquisition of Plaza Pantai and Subang Offices was also cancelled.

The Subordinated Notes will mature in six years from the date of issue and bear a coupon rate of 12% per annum. The Subordinated Notes will be redeemed, upon maturity, at par plus an accrued interest of 12% per annum on each RM1.00 nominal value of the Subordinated Notes.

The carrying values of ABS Notes and unquoted investments approximated their fair values. The fair values of these ABS Notes and unquoted investments were calculated using the discounted cash flow method. The discount rate used was determined by reference to the weighted cost of funds of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

17 LONG TERM DEBTORS

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Amount due from a company related by common directors:				
- trade	25,374	61,877	0	0
- non-trade	1,356	3,969	1,356	3,969
Finance lease debtors (Note 22)	9,111	8,505	0	0
Hire purchase debtors (Note 22)	2,632	2,357	0	0
	38,473	76,708	1,356	3,969

Long term debtors in respect of trade debts due from a company related by common directors are unsecured and bear an interest rate of 7.0% (2003: 7.0%) per annum.

Long term debtors in respect of non-trade debtors due from a company related by common directors are unsecured and interest free.

The Group has confirmed its intention not to recall the amount due from a company related to Directors within 12 months from the financial year ended 31 December 2004.

The fair values of long term debtors at balance sheet date were as follows:

	2004			
	Group		Company	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Amount due from a company related by common directors:				
- trade	25,374	24,121	0	0
- non-trade	1,356	1,234	1,356	1,234
Finance lease debtors	9,111	6,678	0	0
Hire purchase debtors	2,632	2,131	0	0

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

17 LONG TERM DEBTORS (CONTINUED)

	2003			
	Group		Company	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Amount due from a company related by common directors:				
- trade	61,877	57,103	0	0
- non-trade	3,969	3,050	3,969	3,050
Finance lease debtors	8,505	7,195	0	0
Hire purchase debtors	2,357	2,186	0	0

The carrying amounts of long term debtors were not reduced to their estimated fair values as the Directors are of the opinion that the amounts will be repaid in full on the due date.

Long term debtors are denominated in Ringgit Malaysia.

18 PROPERTY DEVELOPMENT ACTIVITIES

(a) Land held for property development

	Group	
	2004	2003
	RM'000	RM'000
Freehold land, at cost	51,915	63,004
Leasehold land, at cost	2,587	5,228
Development expenditure	16,441	16,340
	70,943	84,572
At 1 January	84,572	87,288
Development expenditure incurred during the financial year	4,392	1,697
Transfer to property development costs (Note 18(b))	(5,382)	(4,413)
Disposed during the financial year	(12,639)	0
At 31 December	70,943	84,572

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

18 PROPERTY DEVELOPMENT ACTIVITIES (CONTINUED)

(b) Property development costs

	Group			
	2004		2003	
	RM'000	RM'000	RM'000	RM'000
At 1 January:				
- land	47,826		32,525	
- development costs	289,679		246,118	
- accumulated cost charged to income statement	(255,671)	81,834	(202,912)	75,731
	<hr/>		<hr/>	
Costs incurred during the financial year:				
- transfer from land held for property development (Note 18(a))	5,382		4,413	
- acquisition of land held for property development	0		10,888	
- development costs	71,676	77,058	43,561	58,862
	<hr/>		<hr/>	
Costs charged to income statement		(99,278)		(52,759)
Reversal of completed projects:				
- land	(13,679)		0	
- development costs	(112,733)		0	
- accumulated cost charged to income statement	126,412	0	0	0
	<hr/>		<hr/>	
At 31 December:				
- land	39,529		47,826	
- development costs	248,622		289,679	
- accumulated cost charged to income statement	(228,537)		(255,671)	
	<hr/>		<hr/>	
		<hr/>		<hr/>
		59,614		81,834

Borrowing costs of RM2,966,000 (2003: RM2,235,000), arising from funds borrowed generally for property development activities, were capitalised during the financial year (Note 8). The weighted average interest rate that was effective as at balance sheet date was 5.18% (2003: 4.68%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

19 INTANGIBLE ASSET

	Group	
	2004	2003
	RM'000	RM'000
Goodwill		
Cost		
At beginning of the financial year	0	46,397
Acquisition of subsidiary companies (Note 33)	77,104	0
Disposal of a subsidiary company	0	(46,397)
At end of the financial year	<u>77,104</u>	<u>0</u>
Accumulated amortisation		
At beginning of the financial year	0	3,867
Disposal of a subsidiary company	0	(3,867)
At end of the financial year	<u>0</u>	<u>0</u>
Accumulated impairment losses		
At beginning of the financial year	0	42,530
Disposal of a subsidiary company	0	(42,530)
At end of the financial year	<u>0</u>	<u>0</u>
Net book value	<u>77,104</u>	<u>0</u>

The Group's intangible asset consists of goodwill arising from the acquisition of additional shares in Sunway Construction Sdn Bhd ("SunCon"), a 100% owned subsidiary company and the acquisition of business by Sunway Creative Stones Sdn Bhd, a 51% owned subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

20 ASSETS HELD FOR RESALE

	Group	
	2004	2003
	RM'000	RM'000
At cost:		
Properties	11,060	11,536
Plant and machinery	2,501	2,501
Reclassified from:		
- property, plant and equipment (Note 12)	0	3,108
- investment properties (Note 13)	0	8,090
	13,561	25,235
At net realisable value:		
Properties	7,976	11,953
Reclassified from:		
- investment properties (Note 13)	0	5,239
	7,976	17,192
	21,537	42,427

Properties held for resale with carrying value of RM2,707,000 at end of financial year (2003: RM3,252,000) have been pledged as security for term loan facilities (Note 25).

Plant and machineries held for resale with carrying value of RM2,501,000 at end of financial year (2003: RM2,501,000) have been pledged as security for term loan facilities (Note 25).

Buildings with carrying value of RM5,064,000 which was reclassified from investment properties (Note 13) in the previous financial year have been pledged as security for term loan facilities (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

21 INVENTORIES AND COMPLETED DEVELOPMENT PROPERTIES

	Group	
	2004	2003
	RM'000	RM'000
At cost:		
Completed development properties	21,299	151,127
Raw materials	6,834	4,656
Spare parts	3,986	2,777
Finished goods	35,366	23,424
Work in progress	3,330	251
Trading inventories	37,390	25,253
	<u>108,205</u>	<u>207,488</u>

Completed development properties with carrying value of RM115,824,880 have been pledged as security for term loan facilities (Note 25) in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

22 DEBTORS

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Trade debtors (net of allowance for doubtful debts of RM80,340,000 (2003: RM83,110,000) of the Group)	565,060	320,488	0	0
Retention sums (Note 30)	65,936	43,145	0	0
	630,996	363,633	0	0
Finance lease debtors	4,794	6,375	0	0
Hire purchase debtors	2,337	2,226	0	0
Amounts due from customers on contracts (Note 30)	77,951	51,566	0	0
Deposits	5,255	39,949	74	79
Other debtors	34,562	19,357	9,963	6,987
Deposit for land held for property development	4,000	10,000	0	0
Amount due from subcontractor (net of allowance for doubtful debts of RM24,878,000 (2003: RM24,323,000) of the Group)	0	770	0	0
Prepayments	7,994	3,502	1,549	48
Amounts due from subsidiary companies (non-trade) (net of allowance for doubtful debts of RM25,190,000 (2003: RM328,281,000) of the Company)	0	0	154,282	135,199
Amounts due from associated companies (trade and non-trade)	8,205	117,876	0	0
	776,094	615,254	165,868	142,313
The currency exposure profile of trade debtors is as follows:				
- Ringgit Malaysia	538,902	290,427	0	0
- Singapore Dollar	11,724	18,646	0	0
- Vietnam Dong	10,813	9,738	0	0
- Indonesian Rupiah	2,385	1,677	0	0
- US Dollar	768	0	0	0
- Renminbi	447	0	0	0
- Euro	21	0	0	0
	565,060	320,488	0	0

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

22 DEBTORS (CONTINUED)

	Group	
	2004	2003
	RM'000	RM'000
Finance lease debtors:		
Not later than 1 year	5,925	7,651
Later than 1 year and not later than 5 years	10,322	9,679
	<u>16,247</u>	<u>17,330</u>
Less: Unearned interest	(2,342)	(2,450)
	<u>13,905</u>	<u>14,880</u>
Representing finance lease debtors:		
Not later than 1 year	4,794	6,375
Later than 1 year and not later than 5 years (Note 17)	9,111	8,505
	<u>13,905</u>	<u>14,880</u>
Hire purchase debtors:		
Not later than 1 year	2,626	2,556
Later than 1 year and not later than 5 years	2,981	2,641
	<u>5,607</u>	<u>5,197</u>
Less: Unearned interest	(638)	(614)
	<u>4,969</u>	<u>4,583</u>
Representing hire purchase debtors:		
Not later than 1 year	2,337	2,226
Later than 1 year and not later than 5 years (Note 17)	2,632	2,357
	<u>4,969</u>	<u>4,583</u>

Amounts due from subsidiary companies (non-trade) are denominated in Ringgit Malaysia, unsecured and have no fixed terms of repayment. The weighted average interest rate that was effective as at balance sheet date was 1.96% (2003: 1.96%) per annum.

Amounts due from associated companies (trade and non-trade) are denominated in Ringgit Malaysia, unsecured, have no fixed terms of repayment and bear no interest.

Credit terms of trade debtors range from 30 days to 90 days (2003: 30 days to 90 days).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Deposits with:				
- licensed banks	35,712	52,811	0	0
- licensed financial institutions	13,705	7,550	0	0
	49,417	60,361	0	0
Bank and cash balances	63,923	58,671	4,062	1,053
Deposits, bank and cash balances	113,340	119,032	4,062	1,053
Bank overdrafts (Note 25)	(22,154)	(28,898)	0	0
	91,186	90,134	4,062	1,053

The currency exposure profile of deposits, bank and cash balances and bank overdrafts are as follows:

- Ringgit Malaysia	94,119	90,427	4,058	1,034
- Singapore Dollar	(10,596)	(6,655)	0	0
- US Dollar	3,660	1,796	4	19
- Indonesian Rupiah	1,731	3,826	0	0
- Vietnam Dong	1,621	716	0	0
- Renminbi	427	0	0	0
- Indian Rupee	171	19	0	0
- Euro	48	0	0	0
- Hong Kong Dollar	5	5	0	0
	91,186	90,134	4,062	1,053

The weighted average interest rates per annum of deposits and bank overdrafts that was effective as at balance sheet date were as follows:

	Group	
	2004	2003
	%	%
Deposits with licensed banks	3.00	3.04
Deposits with licensed financial institutions	3.09	2.71
Bank overdrafts	6.81	7.32

Bank balances are deposits held at call with banks and are non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

23 CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits, bank and cash balances of the Group at the balance sheet date include bank balances held under Housing Development Account (opened and maintained under Section 7A of the Housing Development (Control and Licensing) Act 1966) of RM6,125,000 (2003: RM5,237,000) that may only be used in accordance with the said Act.

Deposits of the Group have an average maturity of 30 days (2003: 30 days).

24 CREDITORS

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Trade creditors	343,498	261,682	0	0
Accruals	32,629	28,565	2,178	2,161
Other creditors	61,759	43,239	4,031	5,562
Interim dividend payable	11,643	0	11,643	0
Amounts due to customers on contracts (Note 30)	121,466	206,936	0	0
Progress billings in respect of property development	47,379	48,926	0	0
Amounts due to:				
- subsidiary companies (non-trade)	0	0	131,316	109,455
- associated companies (trade)	12,456	15,013	0	0
	630,830	604,361	149,168	117,178

The currency exposure profile
of trade creditors is as follows:

- Ringgit Malaysia	318,120	242,058	0	0
- Singapore Dollar	13,600	10,817	0	0
- US Dollar	5,452	4,047	0	0
- Vietnam Dong	4,284	4,194	0	0
- Euro	899	0	0	0
- Indonesian Rupiah	898	552	0	0
- Sterling Pound	245	14	0	0
	343,498	261,682	0	0

Included in trade and other creditors of the Group are amounts due to companies connected to certain Directors amounting to RM2,686,000 (2003: RM2,322,000) and RM7,247,000 (2003: RM6,712,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

24 CREDITORS (CONTINUED)

Amounts due to subsidiary companies are denominated in Ringgit Malaysia, unsecured and have no fixed terms of repayment. The weighted average interest rate that was effective as at balance sheet date was 4.83% (2003: 4.42%) per annum.

Amounts due to associated companies are denominated in Ringgit Malaysia, unsecured, interest free and have no fixed terms of repayment.

Credit terms of trade creditors granted to the Group range from 30 days to 90 days (2003: 30 days to 90 days).

25 BORROWINGS

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Current				
Secured				
Term loans	26,999	28,741	12,500	0
Finance lease and hire purchase obligations	1,986	1,009	0	0
Revolving credits	0	3,500	0	0
	28,985	33,250	12,500	0
Unsecured				
Bridging loan	63,880	0	63,880	0
Term loans	65,880	3,166	63,880	0
Bankers' acceptances	41,938	31,041	0	0
Revolving credits	219,084	253,361	65,200	75,783
Bank overdrafts (Note 23)	22,154	28,898	0	0
Block discount creditors	2,375	3,539	0	0
	415,311	320,005	192,960	75,783
	444,296	353,255	205,460	75,783

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

25 BORROWINGS

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Non-current				
Secured				
Term loans	35,730	45,936	0	0
Finance lease and hire purchase obligations	2,682	584	0	0
	38,412	46,520	0	0
Unsecured				
Term loans	6,112	0	0	0
Block discount creditors	4,485	5,018	0	0
	10,597	5,018	0	0
	49,009	51,538	0	0
Total borrowings	493,305	404,793	205,460	75,783

Secured bank borrowings of the Group are secured by fixed and floating charges over unquoted shares of a subsidiary company (Note 14), freehold and leasehold land, buildings, plant and machinery (Note 12), assets held for resale (Note 20), and completed development properties (Note 21) of the Group.

The weighted average interest rates per annum of borrowings that was effective as at balance sheet date were as follows:

	Group		Company	
	2004	2003	2004	2003
	%	%	%	%
Bridging loan	4.85	0	4.85	0
Term loans	5.38	7.35	5.16	0
Finance lease and hire purchase obligations	3.71	5.01	0	0
Revolving credits	5.04	5.06	4.85	5.93
Bankers' acceptances	3.69	4.08	0	0
Block discount creditors	8.93	9.00	0	0

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

25 BORROWINGS (CONTINUED)

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
The currency exposure profile of borrowings is as follows:				
- Ringgit Malaysia	474,610	385,632	205,460	75,783
- Singapore Dollar	17,333	17,131	0	0
- Vietnam Dong	1,353	1,910	0	0
- Indonesian Rupiah	9	120	0	0
	493,305	404,793	205,460	75,783

The carrying amounts of borrowings of the Group and Company at the balance sheet date approximated their fair values except as set out below:

	Group			
	2004		2003	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Finance lease and hire purchase obligations	4,668	4,287	1,593	3,078
Block discount creditors	6,860	4,079	8,557	7,326

The carrying amounts of term loans approximated their fair values as the term loans bear floating interest rates.

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Maturity of term loans:				
- Not later than 1 year	92,879	31,907	76,380	0
- Later than 1 year and not later than 5 years	41,842	45,936	0	0
	134,721	77,843	76,380	0

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

25 BORROWINGS (CONTINUED)

	Group	
	2004	2003
	RM'000	RM'000
Finance lease and hire purchase obligations are repayable in the following periods:		
- Not later than 1 year	2,208	1,038
- Later than 1 year and not later than 5 years	2,821	655
	5,029	1,693
Less: Future finance charges	(361)	(100)
	4,668	1,593
Representing finance lease and hire purchase obligations:		
- Not later than 1 year	1,986	1,009
- Later than 1 year and not later than 5 years	2,682	584
	4,668	1,593
Maturity of block discount creditors:		
- Not later than 1 year	2,375	3,539
- Later than 1 year and not later than 5 years	4,485	5,018
	6,860	8,557

26 BONDS

	Group and Company	
	2004	2003
	RM'000	RM'000
Principal amount		
At beginning of the financial year	127,769	256,109
Bonds buy-back	0	(94,268)
Repayment of Bonds	(127,769)	(34,072)
At end of the financial year	0	127,769
Maturity of Bonds:		
- Not later than 1 year	0	63,885
- Later than 1 year and not later than 5 years	0	63,884
	0	127,769

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

26 BONDS (CONTINUED)

	Group and Company	
	2004	2003
	RM'000	RM'000
The currency exposure profile of Bonds is as follows:		
- Ringgit Malaysia	0	45,919
- US Dollar	0	81,850
	0	127,769

The carrying amount of Bonds at the end of the previous financial year approximated their fair value as the Bonds bore floating interest rates.

On 21 December 2004, the Company fully redeemed and settled all outstanding Bonds.

27 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	11,010	6,387	0	0
Deferred tax liabilities	(15,074)	(18,622)	0	0
	(4,064)	(12,235)	0	0
The movement in deferred tax is shown as follows:				
At beginning of the financial year	(12,235)	(7,600)	0	0
Credited/(charged) to income statement (Note 9):				
- property, plant and equipment	3,086	20	0	0
- debtors and inventories	757	1,624	0	0
- lease rental receivables	0	(375)	0	0
- tax losses	3,337	(5,857)	0	0
- others	991	(250)	0	0
	8,171	(4,838)	0	0
Disposal of subsidiary companies	0	203	0	0
At end of the financial year	(4,064)	(12,235)	0	0

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

27 DEFERRED TAX (CONTINUED)

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Subject to income tax:				
Deferred tax assets				
Property, plant and equipment	9,145	1,239	0	0
Debtors and inventories	3,742	4,636	0	0
Tax losses	5,320	1,818	0	0
Others	1,536	1,368	0	0
Deferred tax assets (before offsetting)	19,743	9,061	0	0
Offsetting	(8,733)	(2,674)	0	0
Deferred tax assets (after offsetting)	11,010	6,387	0	0
Deferred tax liabilities				
Property, plant and equipment	(20,297)	(16,113)	0	0
Lease rental receivables	(3,303)	(3,303)	0	0
Others	(207)	(1,880)	0	0
Deferred tax liabilities (before offsetting)	(23,807)	(21,296)	0	0
Offsetting	8,733	2,674	0	0
Deferred tax liabilities (after offsetting)	(15,074)	(18,622)	0	0
Deferred tax asset arising from temporary differences and unused tax losses (both of which have no expiry date) not recognised in the balance sheet are as follows:				
Deductible temporary differences	17,445	15,353	8,597	8,728
Tax losses	43,107	38,973	793	793

As at 31 December 2004, the temporary differences associated with unremitted earnings of subsidiary companies for which deferred tax liabilities have not been recognised amounted to RM33,069,469 (2003: RM25,174,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

28 SHARE CAPITAL

	Company	
	2004	2003
	RM'000	RM'000
Authorised:		
Ordinary shares of RM1.00 each, at beginning and end of the financial year	1,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
At beginning of financial year	410,812	404,985
Issued during the financial year		
- exercise of options over ordinary shares	6,001	5,827
- private placement	41,229	0
- acquisition of a subsidiary company (Note 33)	80,987	0
	128,217	5,827
At end of financial year	539,029	410,812

- (i) During the financial year, the issued and paid up ordinary share capital of the Company was increased from RM410,812,000 to RM539,029,000 by way of:
- The issuance of 5,998,000 and 3,000 new ordinary shares of RM1.00 for cash by virtue of the exercise of options over ordinary shares pursuant to the Company's ESOS at exercise prices of RM1.00 per share and RM1.21 per share respectively.
 - The issuance of 41,229,000 new ordinary shares of RM1.00 each for cash by virtue of a private placement at an issue price of RM1.60 per share.
 - The issuance of 80,987,000 new ordinary shares of RM1.00 each at an issue price of RM1.63 per ordinary share as partial discharge of purchase consideration for the acquisition of the remaining ordinary shares of RM1.00 each of Sunway Construction Sdn Bhd ("SunCon"), which were not already held by the Company, pursuant to Conditional Voluntary General Offer ("CVGO") undertaken by the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

28 SHARE CAPITAL (CONTINUED)

(ii) Employees' Share Option Scheme

On 7 November 2002, the Company implemented an ESOS to the eligible employees (including Executive Directors) of the Company and subsidiary companies. The ESOS is governed by the bylaws which were approved by the shareholders on 3 October 2002.

The main features of the ESOS are:

- (a) The total number of ordinary shares to be issued by the Company under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company at any point in time during the duration of the ESOS;
- (b) Eligible employees are those who have been in the service of the Group on a full time basis for a continuous period of at least one year (including any full time executive director of any company in the Group) or such categories and of such criteria that the ESOS Committee may from time to time decide;
- (c) The ESOS shall continue to be in force for a period of ten years from 7 November 2002;
- (d) The options over ordinary shares can be exercised by notice in writing on any working day for the duration of the option period;
- (e) The price at which the employees are entitled to take up shares under the ESOS shall be the higher of:
 - (i) the five (5) day weighted average market price of the underlying shares at the time of the option is granted, with a discount of not more than ten percent (10%) if deemed appropriate; or
 - (ii) the par value of the shares;
- (f) The persons to whom the options over ordinary shares have been granted have no right to participate by virtue of the options over ordinary shares in any share issue of any other Company within the Group; and
- (g) Options over ordinary shares granted under the ESOS carry no dividend or voting rights. Upon exercise of the options over ordinary shares, shares issued rank pari passu in all respects with existing ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

28 SHARE CAPITAL (CONTINUED)

(ii) Employees' Share Option Scheme (Continued)

Details relating to options over ordinary shares exercised during the financial year are as follows:

Exercise date	Fair value of shares at share issue date	Exercise price	Number of options over ordinary shares issued	
	RM/share		2004	2003
	RM/share	RM/share	'000	'000
03.09.2003	1.26	1.00	0	142
05.09.2003	1.33	1.00	0	46
12.09.2003	1.30	1.00	0	3
22.09.2003	1.38	1.00	0	16
30.09.2003	1.38	1.00	0	81
06.10.2003	1.52	1.00	0	112
15.10.2003	1.75	1.00	0	423
22.10.2003	1.85	1.00	0	701
28.10.2003	1.78	1.00	0	2,188
04.11.2003	1.74	1.00	0	871
08.11.2003	1.74	1.00	0	341
18.11.2003	1.60	1.00	0	267
01.12.2003	1.68	1.00	0	84
08.12.2003	1.68	1.00	0	176
15.12.2003	1.66	1.00	0	244
24.12.2003	1.62	1.00	0	132
02.01.2004	1.69	1.00	161	0
06.01.2004	1.70	1.00	138	0
16.01.2004	1.65	1.00	281	0
03.02.2004	1.65	1.00	107	0
06.02.2004	1.65	1.00	88	0
10.02.2004	1.73	1.00	92	0
16.02.2004	1.73	1.00	202	0
24.02.2004	1.89	1.00	413	0
02.03.2004	1.79	1.00	684	0
08.03.2004	1.75	1.00	425	0
12.03.2004	1.76	1.00	136	0
22.03.2004	1.82	1.00	213	0
01.04.2004	1.82	1.00	70	0
02.04.2004	1.88	1.00	669	0
09.04.2004	1.99	1.00	207	0
16.04.2004	1.86	1.00	449	0
23.04.2004	1.89	1.00	109	0
30.04.2004	1.77	1.00	320	0
14.05.2004	1.56	1.00	110	0
20.05.2004	1.54	1.00	20	0
01.06.2004	1.61	1.00	10	0
07.06.2004	1.55	1.00	90	0
15.06.2004	1.58	1.00	20	0
Balance carried forward			5,014	5,827

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

28 SHARE CAPITAL (CONTINUED)

(ii) Employees' Share Option Scheme (Continued)

Exercise date	Fair value of shares at share issue date	Exercise price	Number of options over ordinary shares issued	
			2004	2003
	RM/share	RM/share	'000	'000
Balance carried forward			5,014	5,827
01.07.2004	1.55	1.00	15	0
14.07.2004	1.48	1.00	1	0
17.07.2004	1.50	1.00	32	0
26.07.2004	1.36	1.00	35	0
29.07.2004	1.32	1.00	4	0
03.08.2004	1.28	1.00	5	0
11.08.2004	1.36	1.00	35	0
16.08.2004	1.30	1.00	2	0
20.09.2004	1.23	1.00	15	0
22.09.2004	1.22	1.00	50	0
20.10.2004	1.22	1.00	25	0
02.11.2004	1.25	1.00	20	0
05.11.2004	1.21	1.00	58	0
19.11.2004	1.26	1.00	27	0
01.12.2004	1.29	1.00	275	0
01.12.2004	1.29	1.21	3	0
06.12.2004	1.33	1.00	200	0
10.12.2004	1.33	1.00	170	0
20.12.2004	1.32	1.00	5	0
27.12.2004	1.37	1.00	10	0
Total			6,001	5,827
			2004	2003
			RM'000	RM'000
Ordinary share capital – at par			6,001	5,827
Share premium			1	0
Proceeds received on exercise of options over ordinary shares			6,002	5,827
Fair value at exercise date of shares issued			10,228	10,072

The fair value of shares issued on the exercise of options over ordinary shares is the closing market price at which the Company's shares were traded on the Bursa Malaysia Securities Berhad ("Bursa Securities") on the day the options over ordinary shares were exercised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

29 WARRANTS

Warrants 1994/2004 expired on 29 June 2004 and were officially removed from the official list of Bursa Securities on 30 June 2004.

During the financial year, the Company issued 187,087,843 and 9,900,800 new warrants arising from the renounceable rights issue and the restricted issue respectively at an issue price of RM0.05 per warrant, which were constituted by a Deed Poll dated 12 August 2004.

Issue date	Expiry date	Exercise price	Number of warrants 2004/2008			
			At start of financial year	Issued	Exercised	At end of financial year
		RM/warrant	'000	'000	'000	'000
2004						
18.10.2004	17.10.2008	1.30	0	196,989	0	196,989
					2004	2003
					RM'000	RM'000
Warrants issued during the financial year:						
- rights issue					9,354	0
- renounceable rights issue					495	0
					9,849	0
Less: Warrants issue cost					(1,058)	0
					8,791	0

The new warrants are transferable and listed on Bursa Securities. Each new warrant entitles its registered holder, at any time from the date of its issue up to and including 18 October 2008, to subscribe for one new ordinary share of RM1.00 each in the Company at an exercise price of RM1.30 per share which is subject to adjustments under the terms set out in the Deed Poll.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

30 CONSTRUCTION CONTRACTS

	Group	
	2004	2003
	RM'000	RM'000
Costs incurred to date	5,503,145	4,630,289
Accrued profits to date	621,121	495,062
Recognised losses to date	(7,506)	(7,506)
Total costs and accrued profits (less losses) to date	6,116,760	5,117,845
Progress billings to date	(6,160,275)	(5,273,215)
	(43,515)	(155,370)
Amounts due from customers on contracts (Note 22)	(77,951)	(51,566)
Amounts due to customers on contracts (Note 24)	121,466	206,936
	0	0
Advances received on contracts (included in amounts due to associated companies (Note 24))	4,664	7,740
Retention sums (Note 22)	65,936	43,145

31 CAPITAL COMMITMENTS

Capital expenditure authorised by Directors but not provided for in the financial statements are as follows:

	Group	
	2004	2003
	RM'000	RM'000
In respect of property, plant and equipment:		
Contracted	796	86
Not contracted	10,104	19,067
	10,900	19,153

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

32 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	2,841	2,759	10	6
Later than 1 year and not later than 5 years	1,779	427	0	1
	4,620	3,186	10	7

33 ACQUISITION OF SUBSIDIARY COMPANIES AND BUSINESS

The Company had, during the financial year, acquired the following companies:

- (a) Sun-Block Sdn Bhd (“SBSB”), an indirect wholly owned subsidiary company had on 30 April 2004 acquired the following companies from Lafarge Roofing Holdings Sdn Bhd:
 - (i) The entire equity interest in Sun-Block (Beranang) Sdn Bhd (formerly known as LAS Industries Sdn Bhd) (“SBB”) comprising 3,850,000 ordinary shares of RM1.00 each for a total cash consideration of RM4.5 million.
 - (ii) The entire equity interest in Sun-Block (Senai) Sdn Bhd (formerly known as Lafarge Braas Tiles (Johor) Sdn Bhd) (“SBS”) comprising 2,000,000 ordinary shares of RM1.00 each for a total cash consideration of RM2.5 million.
- (b) During the financial year, the Company acquired the remaining ordinary shares of SunCon, which were not already owned by the Company, comprising of 80,987,000 ordinary shares of RM1.00 each for total consideration of RM221.095 million satisfied by cash of RM89.086 million and shares issued for RM132.009 million.

The sequence of acquisition is as follow:

- (i) On 14 July 2004, the Company implemented a Conditional Voluntary General Offer (“CVGO”) for the remaining ordinary shares of RM1.00 each in SunCon and such number of shares that might be issued pursuant to the exercise of any outstanding options over ordinary shares under SunCon’s ESOS which were not already held by the Company. Pursuant to the CVGO, the Company issued 77,353,667 new ordinary shares of RM1.00 each.
- (ii) On 20 September 2004, the Company further issued 3,633,333 new ordinary shares of RM1.00 each in consideration for SunCon shares which had been compulsorily acquired from the dissenting shareholders of SunCon. The transaction was completed on 29 September 2004.

On 13 September 2004, Sunway Creative Stones Sdn Bhd (formerly known as Sunway Geotechnic Sdn Bhd), a 51% owned subsidiary company of the Company, entered into a joint venture to acquire the business of Creative Stone Sdn Bhd (“CSSB”) and Creative Stone Marketing Sdn Bhd (“CSMSB”) for a total cash consideration of RM6,299,000, yet to be paid.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

33 ACQUISITION OF SUBSIDIARY COMPANIES AND BUSINESS (CONTINUED)

The effect of the acquisitions on net profit of the Group was as follows:

	At 31.12.2004
	RM'000
Revenue	11,038
Cost of sales	(7,902)
Gross profit	3,136
Other operating income	3,868
Administrative expenses	(1,420)
Other operating expenses	(688)
Profit from ordinary activities before tax	4,896
Tax expense	(476)
Profit from ordinary activities after tax	4,420

The effect of the acquisitions on the financial position of the Group was as follows:

Property, plant and equipment	980
Non-current asset	980
Inventories	2,414
Debtors	11,713
Cash and bank balances	1,003
Current assets	15,130
Creditors	(8,587)
Current tax liabilities	(408)
Current liabilities	(8,995)
Deferred tax liabilities	(92)
Total liabilities	(9,087)
Net assets	7,023

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

33 ACQUISITION OF SUBSIDIARY COMPANIES AND BUSINESS (CONTINUED)

Details of net assets and cash flow arising from the acquisitions were as follows:

	At date of acquisitions
	RM'000
Property, plant and equipment	8,822
Inventories	2,336
Cash and bank balances	13
Creditors	(72)
Current tax liabilities	(5)
Fair value of net assets arising from the acquisition of SBB, SBS and business of CSSB and CSMSB	11,094
Fair value of net assets arising from the acquisition of SunCon	146,978
Total fair value of net assets acquired	158,072
Goodwill (Note 19)	77,104
Negative goodwill (Note 6)	(782)
Cost of acquisitions	234,394
Total purchase consideration	234,394
Less: Purchase consideration discharged by shares issued (Note 28(i)(c))	(132,009)
Less: Purchase consideration yet to be paid	(6,299)
Less: Cash and cash equivalents of subsidiary acquired	(13)
Net cash outflow of the Group on acquisitions	96,073

There was no acquisition of subsidiary company in prior financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

34 DISPOSAL OF A SUBSIDIARY COMPANY

- (a) On 2 April 2004, the Group had completed the disposal of the entire equity interest in Coral-White Sdn Bhd (“CWSB”), a wholly owned indirect subsidiary company of the Company to ABS Land & Properties Berhad (“ALP”) for a total sale consideration of RM81.5 million which was satisfied by RM37.7 million cash and the issuance of RM43.8 million nominal value of subordinated class asset-backed notes (“Subordinated Notes”).

The effect of the disposal on the Group’s results for the financial year was as follows:

	2004	2003
	RM’000	RM’000
Revenue	2,040	6,410
Expenses excluding finance cost and tax	(1,025)	(3,509)
Gain on disposal of a subsidiary company	18,644	0
Gain from operations	19,659	2,901
Finance cost	(86)	(936)
Gain before and after tax	19,573	1,965

The cash flows attributable to CWSB during the financial year were as follows:

	2004	2003
	RM’000	RM’000
Operating activities	833	2,973
Investing activities	0	(3)
Financing activities	(432)	(2,741)
Net cash flow on disposal	36,909	0
Total cash flows	37,310	229

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

34 DISPOSAL OF A SUBSIDIARY COMPANY (CONTINUED)

	At date of disposal
	RM'000
The effect of the disposal on the financial position of the Group was as follows:	
Property, plant and equipment	8
Inventories and completed development properties	63,287
Debtors	506
Deposits, bank and cash balances	784
Creditors	(1,761)
Intercompany creditors	(85,113)
Net liabilities	(22,289)
Net disposal proceeds	(81,468)
Write off of intercompany creditors	85,113
Gain on disposal before and after tax	(18,644)
The net cash flow on disposal is determined as follows:	
Total proceeds from disposal	81,468
Less: Disposal proceeds discharged by issuance of Subordinated Notes by ALP	(43,775)
Net cash proceeds from disposal	37,693
Less: Cash and cash equivalents of subsidiary company disposed of	(784)
Net cash inflow of the Group on disposal	36,909
	2003
	RM'000
Non-current assets	8
Current assets	64,009
Total assets	64,017
Current liabilities	(87,236)
Total liabilities	(87,236)
Net liabilities	(23,219)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

34 DISPOSAL OF A SUBSIDIARY COMPANY (CONTINUED)

- (b) The effect of the disposals of subsidiary companies, namely, Sunway Asphalt & Readymix (S) Pte Ltd, Sunway Building Technology Berhad (“Suntech”) and Menara Sunway Sdn Bhd on the financial position of the Group in the previous financial year to the date of disposals was as follows:

	At date of disposals
	RM'000
Property, plant and equipment	3,657
Other investments	11
Subordinated notes	73,362
Inventories and development properties	25
Debtors	13,617
Deposits, bank and cash balances	1,873
Creditors	(21,208)
Tax recoverable	1
Deferred tax liabilities	(203)
Minority interest	(33,690)
Net assets	37,445
Disposal of quoted warrants	938
Less: Allowances and write offs in respect of Suntech restructuring exercise	
Write off of property, plant and equipment	8,201
Inventories written off	52
Impairment losses of property, plant and equipment	970
Allowance for slow moving inventories	816
Allowance for doubtful debts	7,046
Write back of impairment loss of unquoted investments	(7,242)
Net disposals proceeds	(57,672)
Gain on disposals before and after tax	(9,446)
The net cash flow on disposals is determined as follows:	
Total proceeds from disposals – cash consideration	58,705
Expenses directly attributable to the disposals, paid in cash	(1,033)
Net disposals proceeds	57,672
Amount due from a related party	(7,839)
Net disposals proceeds received	49,833
Cash and cash equivalents of subsidiary companies disposed of	(1,873)
Net cash inflow to the Group on disposals	47,960

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

35 SEGMENT REPORTING

The Group is organised into six main business segments:

- | | |
|--------------------------|---|
| (a) Construction | - Construction of building and civil works and provision on mechanical, electrical and piling works. |
| (b) Property development | - Development of housing and commercial properties. |
| (c) Trading | - Trading of construction and industrial products and building materials. |
| (d) Building materials | - Manufacturing of vitrified clay pipes, concrete pipes, pavers, piles, eurotiles, blocks and concrete products. |
| (e) Financial services | - Lease and hire purchase financing. |
| (f) Investment holding | - Investment in properties, management and letting of properties and hotel operator as well as holding of investment in the shares of subsidiary companies, associated companies and other investments. |
| (g) Others | - Provision of secretarial and share registration services, provision of management services and underwriting of insurance and tolling operations. |

Other operations of the Group mainly comprise general insurance underwriting, share registration and provision of secretarial services and tolling operations, none of which are of a sufficient size to be reported separately.

Intersegment revenue comprise rendering of construction, mechanical and electrical works, trading of building materials, provision of secretarial and share registration services, provision of management services and underwriting of insurance. These transactions are conducted on an arms-length basis under terms, conditions and prices not materially different from transactions with unrelated parties.

During the financial year, segment presentation of an associated company has been included in the "others" segment due to its commencement of tolling operations. In the previous financial year, the segment presentation of this associated company was included in the "investment holding" segment.

35 SEGMENT REPORTING (CONTINUED)

(a) Primary reporting format – business segment

	Construction	Property development	Trading	Building materials	Financial services	Investment holding	Others	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2004								
Revenue								
Total revenue	1,087,615	149,949	212,708	94,028	5,098	20,111	5,198	1,574,707
Intersegment revenue	(32,298)	0	(18,755)	(5,700)	(54)	(11,166)	(3,640)	(71,613)
External revenue	1,055,317	149,949	193,953	88,328	5,044	8,945	1,558	1,503,094
Results								
Segment results	82,283	18,524	9,051	13,665	1,257	5,447	1,752	131,979
Profit from operations								131,979
Finance cost								(21,199)
Share of results of associated companies	0	0	624	(3,733)	0	0	(12,865)	(15,974)
Profit from ordinary activities before tax								94,806
Tax expense								2,100
Profit after tax								96,906
Minority interest								(18,424)
Net profit for the financial year								78,482

35 SEGMENT REPORTING (CONTINUED)

(a) Primary reporting format – business segment (Continued)

	Construction	Property development	Trading	Building materials	Financial services	Investment holding	Others	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2004								
Net assets								
Segment assets	832,350	298,560	107,555	169,114	53,674	142,652	11,821	1,615,726
Associated companies Unallocated assets	0	0	2,613	33,324	0	0	72,630	108,567 24,769
Total assets								<u>1,749,062</u>
Segment liabilities Unallocated liabilities	518,655	221,448	89,830	39,836	19,820	225,104	9,442	1,124,135 26,532
Total liabilities								<u>1,150,667</u>
Other information								
Capital expenditure	4,684	124	1,146	29,903	31	35	7,000	42,923
Depreciation and amortisation	9,798	401	1,150	12,701	81	1,706	1,950	27,787

35 SEGMENT REPORTING (CONTINUED)

(a) Primary reporting format – business segment (Continued)

	Construction	Property development	Trading	Building materials	Financial services	Investment holding	Others	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2003								
Revenue								
Total revenue	1,079,599	72,007	170,925	81,716	5,733	30,678	4,471	1,445,129
Intersegment revenue	(14,712)	0	(14,000)	(5,771)	(96)	(17,120)	(3,109)	(54,808)
External revenue	1,064,887	72,007	156,925	75,945	5,637	13,558	1,362	1,390,321
Results								
Segment results	88,991	12,955	7,979	12,508	2,479	39,773	238	164,923
Profit from operations								164,923
Finance cost								(30,448)
Share of results of associated companies	0	0	477	(1,517)	0	(1,938)	0	(2,978)
Impairment losses of investment in an associated company	0	0	0	0	0	(8,000)	0	(8,000)
Profit from ordinary activities before tax								123,497
Tax expense								(27,637)
Profit after tax								95,860
Minority interest								(22,321)
Net profit for the financial year								73,539

35 SEGMENT REPORTING (CONTINUED)

(a) Primary reporting format – business segment (Continued)

	Construction	Property development	Trading	Building materials	Financial services	Investment holding	Others	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2003								
Net assets								
Segment assets	749,770	387,741	86,380	151,011	55,163	30,242	5,180	1,465,487
Associated companies	0	0	2,183	37,221	0	78,363	7	117,774
Unallocated assets								15,746
Total assets								<u>1,599,007</u>
Segment liabilities	536,913	251,347	76,491	24,008	29,799	214,919	3,446	1,136,923
Unallocated liabilities								23,240
Total liabilities								<u>1,160,163</u>
Other information								
Capital expenditure	9,105	934	496	5,529	271	201	420	16,956
Depreciation and amortisation	14,413	554	1,216	11,690	77	2,293	380	30,623

Segment assets consist primarily of property, plant and equipment, other investments, assets held for resale, inventories and completed development properties, property development costs, operating receivables and cash, and mainly exclude current and deferred tax assets. Segment liabilities comprise operating liabilities and exclude items such as current and deferred tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

35 SEGMENT REPORTING (CONTINUED)

(b) Secondary reporting format – geographical segments

The Group operates in these main geographical areas:

Malaysia	- construction, property development, trading, building materials, financial services, investment holdings and tolling operations
Singapore	- trading and building materials
Vietnam	- building materials and investment holding
Other countries	- investment holding, trading, construction

	Revenue		Total assets		Capital expenditure	
	2004	2003	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	1,351,746	1,274,152	1,488,142	1,339,269	40,916	13,291
Singapore	85,855	72,012	71,323	63,407	359	77
Vietnam	35,889	26,603	30,673	63,651	888	2,973
Other countries	29,604	17,554	50,357	14,906	760	615
	<u>1,503,094</u>	<u>1,390,321</u>	<u>1,640,495</u>	<u>1,481,233</u>	<u>42,923</u>	<u>16,956</u>
Associated companies			108,567	117,774		
Total assets			<u>1,749,062</u>	<u>1,599,007</u>		

36 CHANGES IN ACCOUNTING POLICIES

The accounting policies and methods of computation adopted by the Group during the financial year are consistent with those adopted in the previous financial year except for the following:

(i) Property development activities

Adoption of MASB 32 “Property Development Activities” did not affect net profit or shareholders’ equity as the Group was already following the recognition and measurement principles in this Standard.

Land held for property development consist of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle is now presented as land held for property development within non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

36 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) Property development activities (Continued)

The comparative in respect of property development costs, however, have been restated whereby the excess of revenue recognised in income statement over billings to purchasers is now presented as accrued billings within current assets and the excess of billings to purchasers over revenue recognised in income statement is now presented as progress billings within current liabilities. The effect of reclassification of comparatives is as follows:

	As previously reported	Effect of change in accounting policy	As restated
	RM'000	RM'000	RM'000
Group			
At 31 December 2003			
Inventories and development properties *	324,968	(117,480)	207,488
Land held for property development	0	84,572	84,572
Property development costs	0	81,834	81,834
Creditors	555,435	48,926	604,361
At 31 December 2002			
Inventories and development properties *	333,632	(119,354)	214,278
Land held for property development	0	87,288	87,288
Property development costs	0	75,731	75,731
Creditors	503,803	43,664	547,467

* "Inventories and development properties" has been renamed "Inventories and completed development properties".

(ii) Goodwill

Goodwill is recognised as an intangible asset and disclosed on the consolidated balance sheet at cost less any impairment losses. The carrying value of goodwill will be subject to annual impairment review and whenever events of changes in circumstances indicate that it may not be recoverable instead of annual amortisation.

It is management's view that the change in accounting policy will result in a more appropriate presentation of goodwill in the Group's financial statements and that this is in line with international best practice.

The change in accounting policy will be applied prospectively with effect from the current financial year as the resulting adjustment that relates to prior years is not reasonably determinable. The comparative figures are therefore not restated.

Had the Group not change the accounting policy for goodwill, the amortisation charge for the current financial year will be RM1,582,000 and this will give rise to a decrease in goodwill capitalised and a corresponding decrease in the profit from ordinary activities before tax by the same amount.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

37 CONTINGENT LIABILITIES (UNSECURED)

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Guarantees given to bankers for facilities obtained and utilised by:				
- subsidiary companies	0	0	204,585	244,095
- third parties	0	31,184	0	0
	0	31,184	204,585	244,095
Guarantees given to third parties in respect of contracts and trade performance	799,230	926,034	0	0
Guarantees given to third parties in respect of contracts and trade performance of subsidiary companies	0	0	730,764	681,694
	799,230	957,218	935,349	925,789

A claim was brought by Proselesa Sdn Bhd (“Proselesa”) against the Company and its subsidiary companies, SWL Factoring Sdn Bhd and Sunway Credit & Leasing Sdn Bhd (“the Parties”) for damages and specific performance in respect of an alleged breach/wrongful termination of a sale and purchase agreement. In the event the specific performance of the said agreement is granted by the Court, the subsidiary company will be liable to pay the sum of RM77,766,000 on the execution of the sale and purchase agreement or to pay general damages of a sum that the Court may order. On 30 June 2004, the court dismissed both the Plaintiff’s and the Defendant’s application for costs, of which all the parties have filed in notices of appeal against the decision. After the hearing of the appeals on 2 September 2004, the Judge held on 15 September 2004 that the Defendant’s appeal be allowed with costs and that the Plaintiffs are to pay the security into Court. The Court has fixed trial dates on the 6 April 2005 (vacated) and 29 April 2005 for the Plaintiff’s case and the Defendant’s case on the 7, 8 and 21 July 2005.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

38 SIGNIFICANT RELATED PARTY DISCLOSURES

Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd, Sunway City Berhad ("SunCity") and its subsidiary companies are deemed to be related to the Company by virtue of Tan Sri Dato' Seri (Dr) Cheah Fook Ling being the common director of the related parties and the Company as well as by virtue of Tan Sri Dato' Seri (Dr) Cheah Fook Ling's mutual interest in both the related parties and the Company.

Sunway Marketing (Thailand) Ltd and Sunway Hydraulic Industries Sdn Bhd are deemed to be related to the Company or its subsidiary companies by virtue of Tan Sri Dato' Seri (Dr) Cheah Fook Ling's mutual interest in both the related parties and the Company.

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

	2004	2003
	RM'000	RM'000
(a) Contract revenue from:		
Subsidiary company of an associated company:		
- Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd	134,580	450,695
Companies connected to a major shareholder/common directors (Sunway City Berhad and its subsidiary companies):		
- Sunway City Berhad	24,545	64,531
- Sunway City (Ipoh) Sdn Bhd	996	824
- Sunway D'Mont Kiara Sdn Bhd	20,240	5,687
- Sunway Semenyih Sdn Bhd	1,616	7,564
- Sunway Damansara Sdn Bhd	16,645	42,741
- Sunway Kinrara Sdn Bhd	6,395	1,396
- Sunway Pyramid Sdn Bhd	38,357	1,162
- Sunway Tunas Sdn Bhd	593	914

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	2004	2003
	RM'000	RM'000
(b) Sales of goods to:		
Associated company:		
- Sunway Marketing (Thailand) Ltd	4,507	2,059
(c) Purchase of goods and services from:		
Company connected to a major shareholder:		
- Sunway Hydraulic Industries Sdn Bhd	3,931	2,046
(d) Rental of office space:		
Company connected to a major shareholder/ common directors (Sunway City Berhad and its subsidiary companies):		
- Menara Sunway Sdn Bhd	2,549	3,970
(e) Interest income:		
Companies connected to a major shareholder/ common directors (Sunway City Berhad and its subsidiary companies):		
- Sunway City Berhad	888	655
- Sunway Pyramid Sdn Bhd	1,520	2,799
- Sunway Resort Hotel Sdn Bhd	6,900	6,281
(f) Lease and hire purchase interest income:		
Company connected to a major shareholder/common directors (Sunway City Berhad and its subsidiary companies):		
- Sunway Medical Centre Berhad	84	932

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

39 FINANCIAL INSTRUMENTS

There were no open and outstanding forward foreign currency contracts entered by the Group at the balance sheet date.

40 SUBSEQUENT EVENTS

- (a) The Group has obtained a syndicated term loan facility of RM360.0 million (“the Facility”) from HSBC Bank Malaysia Bhd, OCBC Bank (Malaysia) Bhd, Malayan Banking Bhd, RHB Bank Bhd, Bumiputra-Commerce Bank Bhd, Affin Bank Bhd, RHB Sakura Merchant Bankers Bhd and Hong Leong Bank Bhd.

Proceeds from the facility will be utilised primarily to re-profile existing short term borrowings of the Group. The re-profiling of short term borrowings to a six year repayment term will allow the Group to comfortably utilise its existing healthy operating cash flows to repay the Facility and allow the continued growth of its core businesses.

Details of the utilisation of the Facility are as follows:

- (i) To refinance the existing bridging loan facilities of RM134.5 million granted to the Group by HSBC Bank Malaysia Bhd and OCBC Bank (Malaysia) Bhd which has been utilised to finance the Group’s repayment of outstanding bonds;
- (ii) To refinance the outstanding balances under the Group and its subsidiaries’ existing revolving credit facilities of up to RM203.2 million; and
- (iii) To part finance of the Group’s working capital requirements.
- (b) The Group had on 13 January 2005, entered into a Share Sale Agreement (“the Agreement”) with the vendors of Setia Juta Quarry Industries Sdn Bhd (“SJQI”) for the acquisition of the entire equity interest in SJQI comprising 9,000,000 ordinary shares of RM1.00 each at the total cash consideration of RM54.9 million. The purchase consideration was paid by SunInc in the following manner:
- (i) a deposit of RM5.49 million, which was paid to the Company’s solicitors as stakeholders upon execution of the Agreement and released to the Vendors on 24 February 2005, being the completion date of the acquisition; and
- (ii) the balance of RM49.41 million, which was paid to the Vendors on the completion date of the acquisition.

The total purchase consideration of RM54.9 million is arrived at on a willing-buyer willing-seller basis, after taking into consideration, inter alia:

- (i) the future earnings potential of SJQI; and
- (ii) the potential synergies from the acquisition to the Group’s existing businesses.

The Group had further announced on 18 February 2005 that the Foreign Investment Committee (“FIC”) has approved the acquisition via its letter dated 18 February 2005.

The acquisition was completed on 24 February 2005 upon payment of the balance of the purchase consideration of RM49.41 million.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (CONTINUED)

40 SUBSEQUENT EVENTS (CONTINUED)

As this is a recent acquisition, it was not practicable to disclose information on the fair value of net identifiable assets acquired and the resultant goodwill arising on this acquisition. The operating results, assets and liabilities of SJQI will be consolidated using the acquisition method with effect from 24 February 2005.

41 COMPARATIVES

Certain comparative figures have been adjusted and extended to conform to the changes in the presentation and additional disclosure requirements of MASB 32 that is applicable to the Group for the financial year ended 31 December 2004.

42 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 20 April 2005.

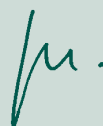
STATEMENT BY DIRECTORS PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT 1965

We, Yau Kok Seng and Mark Victor Rozario, two of the Directors of Sunway Holdings Incorporated Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 85 to 180 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2004 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the provisions of the Companies Act 1965 and the MASB approved accounting standards in Malaysia.

In accordance with a resolution of the Board of Directors dated 20 April 2005.



YAU KOK SENG
MANAGING DIRECTOR



MARK VICTOR ROZARIO
FINANCE DIRECTOR

Petaling Jaya

STATUTORY DECLARATION PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT 1965

I, Mark Victor Rozario, the Director primarily responsible for the financial management of Sunway Holdings Incorporated Berhad, do solemnly and sincerely declare that the financial statements set out on pages 85 to 180 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.



MARK VICTOR ROZARIO

Subscribed and solemnly declared by the abovenamed Mark Victor Rozario at Petaling Jaya in the State of Selangor Darul Ehsan on 20 April 2005, before me.



MAISHARAH BINTI ABU HASAN
COMMISSIONER FOR OATHS

REPORT OF THE AUDITORS TO THE MEMBERS OF SUNWAY HOLDINGS INCORPORATED BERHAD *(Company No. 37465-A)*

We have audited the financial statements set out on pages 85 to 180. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act 1965 and MASB approved accounting standards in Malaysia so as to give a true and fair view of:

- (i) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements; and
- (ii) the state of affairs of the Group and Company as at 31 December 2004 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiary companies of which we have not acted as auditors are indicated in Note 14 to the financial statements. We have considered the financial statements of these subsidiary companies and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.



PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants



ERIC OOI LIP AUN
(No. 1517/06/06 (J))
Partner of the firm

Kuala Lumpur