

Managing Director's Review

The current year is an eventful one for SunInc. The Group has acted on several initiatives in efforts to reinvent its business operations while keeping true to its core competencies. We have experienced some measure of success in these endeavours. However, while there are many reasons to be optimistic, there remain several challenges to meet and hurdles to overcome.

SunInc continues to focus on its core businesses of construction, property development, trading and manufacturing, building materials and quarry which are synergistically linked to one another. This allows focus of management attention on specific areas and the further development of expertise in our business operations with minimum disruption. Although the business environment we operate in is rapidly changing, our extensive customer, supplier and partnership networks make it possible to react flexibly and quickly.

As SunInc's main competence areas have long been defined, it has achieved a strong position in the markets it operates in. It now aims to expand this further into the international arena. The Group has decided to implement a two-pronged growth strategy by organically growing its local operations and by investing and expanding overseas. New investments overseas will be spearheaded by businesses within our core competencies. This enables us to tap into burgeoning opportunities provided by high growth economies in selected countries. At the same time, our local operations will provide a measure of

stability and a foundation for the development of technology, skilled expertise and operational efficiency.

In the current financial period, SunInc Group continued to develop its business operations with generally satisfactory results. Profits in the trading and manufacturing and property development divisions improved while the construction and building materials divisions saw a reduction in profits as a consequence of the slowdown in the local construction industry. This financial period also saw the SunInc Group back into the quarry industry after an absence of 6 years, with acquisitions of 5 quarries in West Malaysia.

SunInc's aim is controlled growth. It aims to offer investors a steadily growing return over a medium term. It believes the key to this objective is controlled risk-taking and focused operations that will offer a basis for a stable cash flow and a consistent ability to earn profits.

SunCon, SunInc's wholly-owned subsidiary, is already known as one of the leading construction companies in Malaysia. As it is armed with an impressive track record, it took the bold move of securing sizable contracts in several countries, notably in India, Abu Dhabi and as far as Trinidad and Tobago in the Caribbean. The strategy is similarly adopted through our other business operations such as the building materials division with investments in trading and manufacturing operations in China.



Kuala Lumpur Convention Centre

Managing Director's Review (Cont'd)



Signing ceremony for joint venture with Wuhu Xin Long Machinery Co. Ltd. to set up Sunway Xin Long (Anhui) Hydraulic Co. Ltd., Anhui China.

Particular attention is given to our businesses in India and China as the bulk of our foreign investments have been directed to these 2 countries. We believe that its rapid economic growth and huge markets offer SunInc tremendous opportunities for profit. To better focus our



Venetian Resorts Project Site, Macau.

operations and planning for investments in that country, we have placed our China business operations into a dedicated subsidiary incorporated in Hong Kong, called Sunway Global Limited. We intend to use our knowledge of the relevant technologies, combined with the low cost resource environment in China and our extensive international market network to give us an edge in

achieving a frontrunner position quickly. SunInc needs to be open-minded to increase the chances of its success in these endeavours. Towards this objective, a strategic partnership with Goldman Sachs Strategic Investments (Asia) L.L.C. was established through its subscription of a 20% equity stake in Sunway Global Limited. This positions the company for growth and expansion in China in the near future.

While we plan for the continued growth for the SunInc Group, a major challenge continues to demand our attention. This being the proposed restructuring or settlement of the outstanding Al-Bai Bithamam Ajil Islamic Bonds ("BaIDs") issued by Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd, the wholly-owned subsidiary of our associated company, SunInfra. SunInfra is presently exploring various options to seek a settlement proposal for the outstanding BaIDs that would be acceptable to all parties.

SunInc intends to further develop its business operations both locally as well as overseas with the overall objective of achieving profit growth and enhancing shareholders' value. Towards this, it continues to explore new business ventures and markets. It will continue to seek strategic partnerships to invest in high growth industries and economies on an international scale.

Yau Kok Seng
Managing Director