



On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report and Audited Accounts of Sunway City Berhad ("Suncity") for the financial year ended 31 December 1999.

In 1999, economic activity in Malaysia rebounded to record a strong positive growth of 5.4% from a GDP contraction of 7.5% in 1998. Stability in the financial markets which emerged after the introduction of selective exchange controls and fixed exchange rate in September 1998 provided the fundamental support to the process of economic recovery.

FINANCIAL PERFORMANCE

With the improvement in economic conditions, the Group was able to achieve an increase in turnover to RM479.59 million in 1999, 17% higher than the 1998 turnover of RM410.10 million. Correspondingly, the Group returned to profitability, achieving a profit after tax and minority interests of RM11.36 million, compared to a loss of RM82.57 million in 1998.

This turnaround in performance is largely attributable to the concerted efforts of management and staff to invigorate the Group's business activities, tapping on renewed consumer confidence spurred by the nation's economic recovery. Policy measures introduced by the Government to revitalise the property industry by increasing access to finance and maintaining low interest rates were the major contributory factors.

Shareholders' funds as at 31 December 1999 improved to RM420.13 million, giving a net tangible asset per share backing of RM1.40 against RM1.36 as at the end of the previous year.

PROPERTY DEVELOPMENT

Property development, the core business of the Group, remained the key contributor to the Group's turnover and profitability. Strong underlying demand was evident in the Group's property launches which attracted very good response.



In 1999, a total of 1,043 units of residential dwellings, with a gross development value of RM210 million were launched by the Group in the Klang Valley and Penang. Response to these property launches in Sunway Damansara, Sunway Kinrara and Sunway Bayan were exceptionally good, with take-up rates averaging 80%.

More developments are being planned for launching in Year 2000 in the Klang Valley, Penang and Ipoh. A recent launch of linked bungalows at Kota Damansara with gross development value of RM83 million was 81% sold during its soft launch in May 2000. Likewise, new phases of link houses at Sunway Bayan launched till March 2000 were well received by the market.

PROPERTY INVESTMENT

Sunway Pyramid, the Group's landmark shopping mall, was conferred the 'Award of Distinction 2000 for Best Retail Development' in May 2000 by the Malaysian Chapter of FIABCI, the International Real Estate Federation. The mall continues to be a favourite shopping haven for both tourists and local consumers; with retail occupancy rate of almost 99%. In February 2000, the Government of Singapore Investment Corporation (GIC) through its subsidiary, acquired a 48 % stake in this property, underlining and further endorsing its status as a successful, well-managed premier shopping mall in the country.

The Group's other investment properties, including the Sunway College and the 49%-owned Menara SungeiWay, continue to provide stable earnings stream during the year.



HOSPITALITY

The Group's flagship hotel, the 441-room Sunway Lagoon Resort Hotel, achieved the highest occupancy rate amongst major 5 star hotels in the Klang Valley; bearing testimony to its international class facilities and services.

The two other hotels in Penang belonging to the Group continue to cater to the business travellers niche market. With the expected increase in economic activities, these hotels are set to perform better.

In Cambodia, the Sunway Hotel Phnom Penh performed commendably, with consistently high room occupancy and reasonable rates, vis-a-vis the competition.

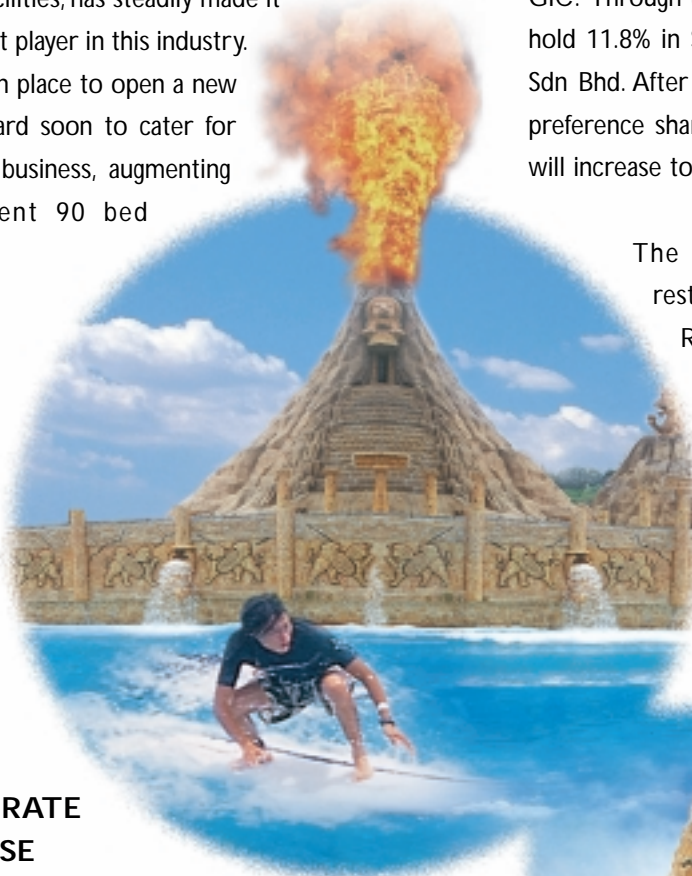
LEISURE

Sunway Lagoon, the premier water theme park in the country, remains a popular leisure and tourist spot. The park visitorship has improved in tandem with improved regional economy. The park is in the midst of adding and upgrading its attractions and services to maintain its leading position in the country.

The Group's overseas theme park operation, Wonderland Sydney, a joint-venture with Worldwide Holdings Berhad, has improved significantly with a new and experienced management team. Cost control and productivity measures have been successfully implemented. The Wonderland Business Park development in its vicinity is progressing on target, having recently received the requisite approvals for land release of 40 hectares from the State Planning Minister. Negotiations are ongoing with various interested purchasers in the industrial land development.

HEALTHCARE

Sunway Medical Centre, a joint-venture hospital with specialist doctors, had its soft opening on 15 November 1999. Despite being a new entrant in the healthcare market, the reputation of its team of experienced medical specialists and ultra modern medical facilities, has steadily made it a significant player in this industry. Plans are in place to open a new 30 bed ward soon to cater for increased business, augmenting the current 90 bed capacity.



CORPORATE EXERCISE

On 24 February 2000, the Group completed the restructuring exercise announced on 13 October 1999 involving the restricted issue of 40 million new ordinary shares of RM1 each and 108 million 6.6% cumulative convertible preference shares of RM1 each in Suncity to Reco Loop Pte Ltd for a total consideration of RM180 million and the subscription of 48 million new ordinary shares of RM1 each and 48 million new redeemable

preference shares of RM0.10 each in Sunway Pyramid Sdn Bhd by Reco Pyramid Pte Ltd for a total cash consideration of RM182 million.

Both Reco Loop Pte Ltd and Reco Pyramid Pte Ltd are wholly-owned subsidiaries of GIC Real Estate Pte Ltd (GICRE). GICRE is the real estate arm of the GIC. Through these subsidiaries, GICRE will initially hold 11.8% in Suncity and 48% in Sunway Pyramid Sdn Bhd. After three years, upon conversion of its preference shares, GICRE's shareholding in Suncity will increase to 25%.

The total funds raised from this restructuring exercise, amounting to RM362 million, was substantially applied towards the repayment of bank borrowings and the balance for working capital purposes. This exercise significantly reduced the gearing level of the Group to 1.4 times.



FUTURE OUTLOOK

With continuing Government initiatives to promote domestic consumption and investors confidence in the Malaysian economy, the Group's businesses are well positioned to take full advantage of opportunities and new demands for its products and services arising from improving economic conditions. Property development will remain a key contributor to higher profitability.

The recently completed restructuring exercise has not only helped to strengthen the Group's financial position but has brought into the Group an ideal



strategic partner in GICRE, a global investor with proven track record and extensive experience in property investment. The Board of Directors is committed to further reduce the Group's gearing to an optimum level and to establish Suncity as amongst the top three premier developer in Malaysia within the next three years. These objectives will be achieved through the steadfast application of 4 'R's (Restructure, Recapitalise, Reorganise and Refocus) to its core business.



ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board, I would like to extend my heartfelt gratitude to the Group's valued clients, business associates, government authorities, bankers and shareholders for their continued support and confidence in the Group.

I would also like to thank all levels of employees and the Management team for their untiring diligence and commitment to the Group.

Tan Sri Dato' Seri Dr Cheah Fook Ling

Chairman

19 May 2000