

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company are property development and investment, and investment holding.

The principal activities of the subsidiaries are:

- (i) property development and investment;
- (ii) operation of hotels, theme parks and related activities;
- (iii) rendering recreational club facilities;
- (iv) operation of travel, tour business and related activities;
- (v) operation of a medical centre;
- (vi) management and letting of property; and
- (vii) time sharing services.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit after taxation	126,519	21,277
Minority interests	(59,613)	–
Net profit for the year	<u>66,906</u>	<u>21,277</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 36 to the financial statements.

DIVIDENDS

The amount of dividend paid by the Company since 31 December 2003 was as follows:

	RM'000
In respect of the financial year ended 31 December 2003 as reported in the directors' report of that year:	
Final dividend of 1.0% less 28% taxation, on 408,916,000 ordinary shares, declared on 29 June 2004 and paid on 28 July 2004	<u>2,944</u>

DIRECTORS' REPORT *(Cont'd)*

On 24 February 2005, the Company declared an interim dividend in respect of the financial year ended 31 December 2004, of 3.5% less 28% taxation on ordinary shares in issue on 31 March 2005 being the date of entitlement and payable on 28 April 2005.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2004, of 1.5% less 28% taxation on ordinary shares in issue on the date of entitlement, will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect the interim dividend and proposed final dividend in respect of the financial year ended 31 December 2004. The interim dividend and proposed final dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profit in the financial year ending 31 December 2005.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Seri (Dr.) Cheah Fook Ling
Datuk Razman M Hashim
Tan Sri Dato' IR. Talha Bin Haji Mohd Hashim
Dato' Wong Choon Kee
Ngian Siew Siong
Ngeow Voon Yean
Low Siew Moi
Teo Tong How
Tan Siak Tee
Lim Swe Guan
Wang Yeong Khang (appointed on 26 August 2004)
(alternate to Dato' Wong Choon Kee)

In accordance with Article 78 of the Company's Articles of Association, Datuk Razman M Hashim, Ngian Siew Siong and Tan Siak Tee retire by rotation from the Board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted under the Employees' Share Option Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for Tan Sri Dato' Seri (Dr.) Cheah Fook Ling and Datuk Razman M Hashim who may be deemed to derive a benefit by virtue of those transactions, products, parts and other properties or any interest in any properties; and/or for the provision of services including but not limited to management and consultancy services, and/or provision of construction contracts, leases and tenancy; and/or the provision of treasury functions, advances and conduct of normal trading and/or other businesses and construction contracts respectively between the Company and its related corporations and corporations in which Tan Sri Dato' Seri (Dr.) Cheah Fook Ling and Datuk Razman M Hashim are deemed to have an interest.

DIRECTORS' REPORT (Cont'd)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each			
	1.1.2004/ date of appointment	Acquired	Sold	31.12.2004
Tan Sri Dato' Seri (Dr.) Cheah Fook Ling	* 160,003,017	7,802,900	–	167,805,917
	10,823,251	300,000	–	11,123,251
Datuk Razman M Hashim	30,000	–	–	30,000
Tan Sri Dato' IR. Talha Bin Haji Mohd Hashim	10,000	–	–	10,000
Dato' Wong Choon Kee	31,000	–	–	31,000
Ngian Siew Siong	10,000	50,000	–	60,000
Wang Yeong Khang	2,000	–	–	2,000

* Denotes deemed interest

	Number of Options over Ordinary Shares of RM1 Each			
	1.1.2004/ date of appointment	Granted	Exercised	31.12.2004
Tan Sri Dato' Seri (Dr.) Cheah Fook Ling	–	1,000,000	–	1,000,000
Datuk Razman M Hashim	700,000	–	–	700,000
Dato' Wong Choon Kee	700,000	–	–	700,000
Ngian Siew Siong	700,000	–	(50,000)	650,000
Ngeow Voon Yean	700,000	–	–	700,000
Wang Yeong Khang	600,000	–	–	600,000

The options over ordinary shares are pursuant to the Sunway City Berhad Employees' Share Option Scheme 2003/2013.

By virtue of his interest in shares in the Company, Tan Sri Dato' Seri (Dr.) Cheah Fook Ling is also deemed to have an interest in the shares of all other subsidiaries of the Company to the extent that the Company has an interest.

SHARE CAPITAL

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM400,252,000 to RM410,526,500 by way of the issuance of 9,984,500 and 290,000 new ordinary shares of RM1 each issued to eligible employees of the Group under the Employees' Share Option Scheme at the exercise prices of RM1 and RM1.15 per share respectively for cash.

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

DIRECTORS' REPORT *(Cont'd)*

EMPLOYEES' SHARE OPTION SCHEME

The Sunway City Berhad Employees' Share Option Scheme ("the Scheme") was implemented on 22 September 2003 and is governed by the by-laws approved by the shareholders on 26 August 2003. The Scheme is for eligible employees (including Executive Directors) of the Company and its subsidiaries.

The main features of the Scheme are:

- (a) The total number of new shares to be offered shall not exceed 10% of the issued and paid-up share capital of the Company (or such other higher percentage as may be permitted by the relevant regulatory authorities, from time to time) at the time of the offer of options under the Scheme;
- (b) Only eligible Executive Directors and employees of the Company and of the Group will be eligible to participate in the Scheme;
- (c) The price payable upon exercise of an option granted under the Scheme will be based on the five-day weighted average market price of the Company's shares at the time the offer is granted with a discount of not more than 10% if deemed appropriate or the par value of the Company's shares, whichever is higher;
- (d) The duration of the Scheme is ten (10) years from the date of its commencement;
- (e) The number of options to be offered to an eligible employee in accordance with the Scheme shall be determined based on seniority, performance and length of service and the offer shall be valid for acceptance by an employee for a period of thirty days from the date of offer; and
- (f) The options granted may be exercised in the following manner:

Number of Options Granted	Maximum Percentage of Total Options Exercisable		
	Year 1	Year 2	Year 3
Below 20,000	100%	–	–
20,000 and above	40%*	30%	30%#

* 40% or 20,000 options, whichever is higher

30% or the remaining number of options unexercised

Options exercisable in a particular year but not exercised can be carried forward to the subsequent years provided that no options shall be exercised beyond the date of expiry of the Scheme.

The movement in the options to take up unissued new ordinary shares of RM1 each during the financial year was as follows:

	Number of Ordinary Shares under Option
At 1 January 2004	27,718,000
Movement during the financial year:	
- granted	1,720,000
- forfeited	(3,289,000)
- exercised	(10,274,500)
At 31 December 2004	15,874,500

DIRECTORS' REPORT (Cont'd)

At the end of the financial year, the unissued shares under option were as follows:

	Number of Ordinary Shares of RM1 Each	Option Price RM
First offer	14,444,500	1.00
Second offer	1,420,000	1.15
Third offer	10,000	1.86
	15,874,500	

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the options held by the Executive Directors and the list of option holders and their holdings except for those holders (excluding Executive Directors) who have options of 500,000 ordinary shares and above, which are as follows:

	Number of Options over Ordinary Shares of RM1 Each			
	1.1.2004	Granted	Exercised	31.12.2004
Yuen Kam Wah	750,000	–	–	750,000
Ong Ghee Bin	500,000	–	–	500,000
Ho Hon Sang	500,000	–	–	500,000

OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT *(Cont'd)*

- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) 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 will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 47 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.



Tan Sri Dato' Seri (Dr.) Cheah Fook Ling



Ngian Siew Siong

Petaling Jaya, Selangor Darul Ehsan

19 April 2005

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Dato' Seri (Dr.) Cheah Fook Ling and Ngian Siew Siong, being two of the directors of Sunway City Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 62 to 138 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2004 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.



Tan Sri Dato' Seri (Dr.) Cheah Fook Ling



Ngian Siew Siong

Petaling Jaya, Selangor Darul Ehsan
19 April 2005

STATUTORY DECLARATION

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

I, Wang Yeong Khang, being the officer primarily responsible for the financial management of Sunway City Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 62 to 138 are in my opinion 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.

Subscribed and solemnly declared by
the abovenamed Wang Yeong Khang
at Petaling Jaya in the State of Selangor
Darul Ehsan on 19 April 2005



Wang Yeong Khang

Before me,



DAVID LINGAM A/L S. SOCKALINGAM
Commissioner for Oaths

REPORT OF THE AUDITORS

TO THE MEMBERS OF SUNWAY CITY BERHAD

(Incorporated in Malaysia)

We have audited the accompanying financial statements set out on pages 62 to 138. 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 the 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 applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2004 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 46 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company 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 subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.



Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia

19 April 2005



Yap Seng Chong
No. 2190/12/05(J)
Partner

BALANCE SHEETS

AS AT 31 DECEMBER 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	4	473,386	484,187	15,996	25,753
Investment properties	5	320,159	318,584	20,240	20,240
Land held for property development	6	358,690	345,812	4,505	4,581
Investments in subsidiaries	7	–	–	369,445	363,948
Amounts due from subsidiaries	8	–	–	867,763	861,936
Investments in associates	9	12,502	1,597	11,172	–
Investment in jointly controlled entity	10	13,540	10,836	13,456	10,872
Other non-current investments	11	466,203	466,203	–	–
Goodwill on consolidation	12	13,710	15,042	–	–
Deferred tax assets	31	12,323	4,833	–	–
		1,670,513	1,647,094	1,302,577	1,287,330
CURRENT ASSETS					
Property development costs	13	465,042	322,086	47,313	36,452
Inventories	14	45,129	29,393	3,174	3,282
Trade receivables	15	122,372	106,867	7,022	8,513
Other receivables	16	41,405	48,445	16,882	5,959
Amounts due from associates	17	4	87	–	–
Tax recoverable		3,596	3,411	419	608
Deposits with licensed financial institutions		56,745	11,904	3,000	–
Cash and bank balances	18	329,830	128,297	38,109	23,615
		1,064,123	650,490	115,919	78,429
CURRENT LIABILITIES					
Trade payables	19	182,327	126,985	21,945	17,841
Other payables	20	459,301	303,074	62,150	63,041
Borrowings	21	54,127	57,093	–	21,857
Hire purchase and finance lease payables	22	3,603	5,141	128	23
Tax payable		8,600	7,594	–	1,931
		707,958	499,887	84,223	104,693
NET CURRENT ASSETS/ (LIABILITIES)					
		356,165	150,603	31,696	(26,264)
		2,026,678	1,797,697	1,334,273	1,261,066

BALANCE SHEETS

AS AT 31 DECEMBER 2004 (Cont'd)

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
FINANCED BY:					
Share capital	23	410,527	400,252	410,527	400,252
Share premium	24	158,406	158,363	158,406	158,363
Reserves	25	270,020	204,243	226,410	208,077
Shareholders' equity		838,953	762,858	795,343	766,692
Minority interests	26	333,833	289,390	–	–
Long term borrowings	27	631,760	460,502	382,115	359,670
Long term liabilities	28	146,166	218,647	–	–
Advances by minority shareholders of subsidiaries	29	65,945	62,554	–	–
Amounts due to subsidiaries	30	–	–	156,342	134,704
Hire purchase and finance lease payables	22	5,533	3,712	473	–
Deferred tax liabilities	31	4,488	34	–	–
		2,026,678	1,797,697	1,334,273	1,261,066

The accompanying notes form an integral part of the financial statements.

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Revenue	32	992,481	728,640	141,288	96,239
Cost of sales	33	(508,216)	(352,119)	(81,811)	(60,067)
Gross profit		484,265	376,521	59,477	36,172
Other operating income		26,956	24,528	30,948	29,638
Distribution costs		(39,174)	(20,938)	(716)	(888)
Administration expenses		(105,260)	(87,199)	(8,537)	(9,902)
Other operating expenses		(197,272)	(191,780)	(20,272)	(13,689)
Profit from operations	34	169,515	101,132	60,900	41,331
Finance costs	35	(47,696)	(37,055)	(30,555)	(25,984)
Share of results of associates	9	(267)	(321)	–	–
Share of results of jointly controlled entity	10	120	(36)	–	–
Results arising from other investing activities	36	47,485	43,414	(3,493)	(2,499)
Profit before taxation		169,157	107,134	26,852	12,848
Taxation	37	(42,638)	(35,440)	(5,575)	(3,964)
Profit after taxation		126,519	71,694	21,277	8,884
Minority interests		(59,613)	(46,214)	–	–
Net profit for the year		66,906	25,480	21,277	8,884
Earnings per share (sen):					
Basic	38(a)	16.47	6.25		
Diluted	38(b)	15.85	5.83		

GROUP

		Share Capital RM'000	Share Premium RM'000	Non-distributable Capital Reserve RM'000	Distributable Exchange Reserve RM'000	Retained Profits RM'000	Total RM'000
At 1 January 2003 (as previously stated)		448,199	110,363	20,428	8,182	131,892	719,064
Prior year adjustment	39	-	-	-	-	15,945	15,945
At 1 January 2003 (restated)		448,199	110,363	20,428	8,182	147,837	735,009
Currency translation differences		-	-	-	7,673	-	7,673
Transfer to/(from) reserves		-	-	1,166	-	(1,166)	-
Net gains not recognised in the income statement		-	-	1,166	7,673	(1,166)	7,673
Issuance of ordinary share capital		53	-	-	-	-	53
Conversion of preference share capital to ordinary share capital		(48,000)	48,000	-	-	-	-
Net profit for the year		-	-	-	-	25,480	25,480
Dividends	40	-	-	-	-	(5,357)	(5,357)
At 31 December 2003		400,252	158,363	21,594	15,855	166,794	762,858
At 1 January 2004		400,252	158,363	21,594	15,855	166,794	762,858
Currency translation differences		-	-	-	1,815	-	1,815
Transfer to/(from) reserves		-	-	1,172	-	(1,172)	-
Net gains not recognised in the income statement		-	-	1,172	1,815	(1,172)	1,815
Issuance of ordinary share capital		10,275	43	-	-	-	10,318
Net profit for the year		-	-	-	-	66,906	66,906
Dividend	40	-	-	-	-	(2,944)	(2,944)
At 31 December 2004		410,527	158,406	22,766	17,670	229,584	838,953

FOR THE YEAR ENDED 31 DECEMBER 2004

STATEMENTS OF CHANGES IN EQUITY

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2004 (Cont'd)

COMPANY

	Note	Share Capital RM'000	Share Premium RM'000	Distributable Retained Profit RM'000	Total RM'000
At 1 January 2003		448,199	110,363	204,550	763,112
Issue of ordinary share capital		53	–	–	53
Conversion of preference share capital to ordinary share capital		(48,000)	48,000	–	–
Net profit for the year		–	–	8,884	8,884
Dividends	40	–	–	(5,357)	(5,357)
At 31 December 2003		400,252	158,363	208,077	766,692
Issue of ordinary share capital		10,275	43	–	10,318
Net profit for the year		–	–	21,277	21,277
Dividend	40	–	–	(2,944)	(2,944)
At 31 December 2004		410,527	158,406	226,410	795,343

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

Note	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	974,800	684,970	106,872	78,005
Payment to suppliers and contractors	(502,851)	(341,584)	(40,769)	(14,942)
Payment of operating expenses	(302,222)	(293,724)	(73,046)	(73,459)
Interest received				
- subsidiaries	-	-	26,320	24,964
- others	5,883	5,226	928	959
Dividends received from subsidiaries	-	-	1,231	9,438
Cash generated from operations	175,610	54,888	21,536	24,965
Taxes refunded	1,102	-	1,102	-
Taxes paid	(45,955)	(25,405)	(93)	(561)
Net cash generated from operating activities	130,757	29,483	22,545	24,404
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	147,880	540	31	343
Proceeds from disposal of an associate	-	2	-	2
Deposits paid on acquisition of land	(17,400)	(13,325)	(12,000)	-
Acquisition of property, plant and equipment	(a) (102,921)	(58,037)	(388)	(644)
Addition in investment properties	(604)	(112)	-	-
Acquisition of remaining interest in an associate, thereby making it a subsidiary	(b) -	(18,127)	-	(20,000)
Acquisition of additional interest in a subsidiary	-	-	(500)	-
Acquisition of additional interest in joint venture entity	(2,584)	-	(2,584)	-
Investments in subsidiaries	-	-	(1,002)	(250)
Investment in an associate	(11,172)	-	(11,172)	-
Investment in joint venture entity	-	(10,872)	-	(10,872)
Advances/repayment from subsidiaries	-	-	109,373	81,374
Advances/repayment to subsidiaries	-	-	(67,759)	(92,207)
Advances to associates	(18)	(189)	-	-
Net cash generated from/(used in) investing activities	13,181	(100,120)	13,999	(42,254)

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004 (Cont'd)

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of term loans		214,483	69,180	–	–
Repayment of term loans		(56,748)	(46,837)	(21,857)	(27,743)
Repayment of revolving credits		(3,400)	(37,500)	(3,400)	(37,500)
Issuance of commercial papers and medium term notes		25,000	140,121	25,000	140,121
(Repayment)/drawdown of trade bills		(7,153)	479	–	–
Repayment of hire purchase and lease financing		(6,212)	(5,227)	(65)	(990)
Interest paid		(35,075)	(27,459)	(26,102)	(23,124)
Repayment to minority shareholders of subsidiaries		(9)	(583)	–	–
Repayment to long term creditors		–	(34,706)	–	(13,999)
Redemption of preference shares held by minority shareholders of a subsidiary		(32,620)	(32,452)	–	–
Proceeds received from minority shareholders arising from call in respect of partly paid ordinary shares of a subsidiary		1,550	2,856	–	–
Issuance of shares under the Employees' Share Option Scheme		10,318	53	10,318	53
Dividends paid on					
– preference shares		–	(3,564)	–	(3,564)
– ordinary shares		(2,944)	(4,322)	(2,944)	(4,322)
Net cash generated from/(used in) financing activities		107,190	20,039	(19,050)	28,932
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		251,128	(50,598)	17,494	11,082
EFFECTS OF EXCHANGE RATE CHANGES CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(19)	3,802	–	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	(c)	384,404	133,295	41,109	23,615

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004 (Cont'd)

- (a) Additions of property, plant and equipment during the year were acquired by way of:

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash		102,921	58,037	388	644
Hire purchase and finance lease arrangements		6,495	2,355	643	108
Deferred payment		25,796	–	–	–
		135,212	60,392	1,031	752

- (b) The effects of the acquisition of remaining equity interest in an associate, Menara Sunway Sdn. Bhd. and its subsidiary, MSW Parking Sdn. Bhd. (collectively "MSSB Group") in the previous financial year, thereby making them subsidiaries are as follows:

	RM'000
Net assets acquired:	
Property, plant and equipment	1,292
Other non-current investments	73,363
Inventories	25
Trade receivables	2,924
Other receivables	10,198
Cash and bank balances	1,873
Trade payables	(396)
Other payables	(20,209)
Hire purchase and finance lease payables	(97)
Deferred tax liabilities	(204)
Fair value of total net assets	68,769
Less: Share of net assets previously equity accounted for	(33,599)
Fair value of net assets acquired	35,170
Less: Reserve on consolidation	(7,331)
Total consideration	27,839
Satisfied by:	
Cash	20,000
Deferred payment	7,839
	27,839
Net cash outflow arising from acquisition:	
Cash consideration	20,000
Cash and cash equivalents acquired	(1,873)
	18,127

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004 (Cont'd)

(c) Cash and cash equivalents comprise the following balance sheet amounts:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits with licensed financial institutions	56,745	11,904	3,000	–
Cash and bank balances	329,830	128,297	38,109	23,615
Bank overdrafts	(2,171)	(6,906)	–	–
	384,404	133,295	41,109	23,615

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

1. CORPORATE INFORMATION

The principal activities of the Company are property development and investment, and investment holding.

The principal activities of the subsidiaries are:

- (i) property development and investment;
- (ii) operation of hotels, theme parks and related activities;
- (iii) rendering recreational club facilities;
- (iv) operation of travel, tour business and related activities;
- (v) operation of a medical centre;
- (vi) management and letting of property; and
- (vii) time sharing services.

There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business is located at Level 3, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan.

The number of employees in the Group and in the Company at the end of the financial year were 3,303 (2003: 3,222) and 192 (2003: 172) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 April 2005.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared under the historical cost convention modified to include the valuation of certain assets as indicated in Note 3(i) and Note 14 to the financial statements. The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

During the financial year ended 31 December 2004, the Group and the Company adopted MASB 32 Property Development Activities for the first time.

The adoption of MASB 32 has not given rise to any adjustments to the opening balances of retained profit of the prior and current year. Comparatives, however, have been restated, as disclosed in Note 50 to conform to changes in presentation required by MASB 32 that have been applied retrospectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at the fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary 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.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

(ii) Associates

Associates are those entities in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the financial year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profit or accumulated loss and other reserves.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Consolidation (Cont'd)

(iii) Jointly Controlled Entities

A jointly controlled entity is an entity in which the Group has joint control over its economic activity established under a contractual arrangement.

Investments in jointly controlled entities are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the jointly controlled entities. Under the equity method of accounting, the Group's share of profits less losses of jointly controlled entities during the financial year is included in the consolidated income statement. The Group's interest in jointly controlled entities is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profit or accumulated loss and other reserves.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are eliminated unless the transaction provides evidence of impairment of the assets transferred.

(b) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(r). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associates and jointly controlled entities is included within the respective carrying amounts of these investments.

Goodwill is amortised on a straight-line basis over its estimated useful life of twenty (20) years.

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

(c) Investments in Subsidiaries, Associates and Jointly Controlled Entities

Investments in subsidiaries, associates and jointly controlled entities are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(r).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Hotel Properties

Hotel properties, comprising hotel building and integral plant and machinery, are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(r). It is the Group's practice to maintain these properties at a high standard and condition such that the residual values are at least equal to book values and consequently, depreciation would be insignificant. Accordingly, no depreciation is provided on hotel properties with unexpired lease tenure of 50 years or more. The related maintenance expenditure is dealt with in the income statement.

Upon the disposal of an item of hotel properties, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(r).

Freehold land and capital work-in-progress are not depreciated. Leasehold land is depreciated over the period of the respective leases which range from 66 years to 99 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

	%
Buildings	2
Renovations	10
Plant and machinery	5 – 20
Motor vehicles	10 – 20
Equipment, furniture and fittings	5 – 20

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

(f) Investment Properties

Investment properties consist of investments in land and buildings that are not substantially occupied for use by, or in the operations of, the Group and are held for their investment potential and rental income.

Investment properties are treated as long term investments and are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(r).

Upon the disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Land Held for Property Development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(r).

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(h) Property Development Costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a 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, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

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

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within payables.

(i) Inventories

Property stocks are stated at lower of cost and net realisable value. Cost includes the relevant cost of land, development expenditure and related interest costs incurred during the development period.

Trading inventories, food and beverages and consumables are stated at lower of cost and net realisable value after adequate provision for damaged, obsolete and slow moving items. Cost is determined on the weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(k) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

(i) Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 3(e).

(ii) Operating Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

(l) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(n) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement as incurred.

(iii) Equity Compensation Benefits

The Sunway City Berhad Employees' Share Option Scheme allows the Group's employees to acquire ordinary shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Sale of Properties under Development and Property Stocks

Revenue from sale of properties under development is accounted for by the stage of completion method as described in Note 3(h).

Revenue from sale of property stocks is recognised when significant risks and rewards have been passed to the purchasers.

(ii) Rental Income

Rental income including those from investment properties, is recognised on the accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis.

(iii) Investment Income

Dividend income is recognised when the right to receive payment is established.

Interest income from short term deposits and advances is recognised on the accrual basis, unless recoverability is in doubt, in which case, it is recognised on receipt basis.

Interest income on other non-current investments is recognised on receipt basis due to the uncertainty of the amount that may be recovered.

(iv) Sale of Goods, Services and Rights of Enjoyment

Revenue from sale of goods is recognised based on invoiced value of goods sold and revenue from sale of services is recognised net of service taxes and discounts as and when services are performed.

Entrance fees collected for rights of enjoyment of facilities are recognised when tickets are sold.

(v) Club Subscription Fees

Club subscription fees are recognised on the accrual basis.

(p) Foreign Currencies

(i) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Foreign Currencies (Cont'd)

(ii) Foreign Entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at a rate that approximates the actual rate at the transaction dates with respect to the income statement. All resulting translation differences are recognised in equity.

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

	2004 RM	2003 RM
United States Dollar	3.825	3.825
Australian Dollar	3.005	2.861
Hong Kong Dollar	0.490	0.490
Singapore Dollar	2.326	2.234

(q) Preliminary and Pre-Operating Expenses

Preliminary and pre-operating expenses are recognised in the income statement in the year in which they are incurred.

(r) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than inventories, deferred tax assets and financial assets, to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(s) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Financial Instruments (Cont'd)

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries, associates, jointly controlled entities and investment properties are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(ii) Trade Receivables

Trade receivables are recognised and carried at original invoiced amount less an allowance for any irrecoverable amount. An estimation for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(iii) Trade Payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) Interest-Bearing Borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment, investment properties, land held for property development and properties under development are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. For borrowings made specifically for the purpose of acquiring or construction of such assets, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawdown from that borrowing facility.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

Commercial papers and medium term notes are stated at cost adjusted for amortisation of discount or coupon to maturity date. Amortisation of discount or coupon is recognised as interest expense in the income statement.

(v) Equity Instruments

Ordinary shares are classified as equity instruments. Dividends on equity instruments are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

Preference shares are classified as equity instruments if the shares are non-redeemable and dividends are at the option of the issuer. Preference shares are classified as liability if the shares are redeemable on a specific date or at the option of the shareholders. The corresponding dividends on those shares are recognised as interest expense in the income statement.

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Hotel Properties RM'000	Freehold Land and Buildings RM'000	Long Term Leasehold Land and Buildings RM'000	Renovations RM'000	Plant and Machinery RM'000	Motor Vehicles RM'000	Equipment, Furniture and Fittings RM'000	Capital Work-in Progress RM'000	Total 2004 RM'000	Total 2003 RM'000
NET BOOK VALUE										
At 1 January	28,002	5,267	153,949	603	171,475	1,267	35,670	87,954	484,187	399,820
Exchange adjustments	–	133	1,120	–	1,321	2	–	3	2,579	25,966
Additions	127	–	14,208	288	1,846	1,698	20,818	96,227	135,212	60,392
Disposals/write-offs	–	(5,400)	(38,355)	–	(50,518)	(29)	(115)	–	(94,417)	(837)
(Provision for)/write-back of impairment losses	–	(1,736)	(2,500)	–	(7,500)	–	–	–	(11,736)	38,495
Depreciation charge for the year	–	(43)	(7,507)	(99)	(17,796)	(826)	(15,168)	–	(41,439)	(31,288)
Acquisition of remaining equity interest in an associate, making it a subsidiary	–	–	–	–	–	–	–	–	–	1,292
Reclassifications/ adjustments/ transfers	84,054	6,983	22,022	–	16,957	84	31,636	(162,736)	(1,000)	(9,653)
At 31 December	112,183	5,204	142,937	792	115,785	2,196	72,841	21,448	473,386	484,187
At 31 December 2004										
Cost	112,183	6,983	175,782	1,185	218,699	8,248	160,392	21,448	704,920	–
Accumulated impairment losses	–	(1,736)	(15,926)	–	(28,771)	–	–	–	(46,433)	–
Accumulated depreciation	–	(43)	(16,919)	(393)	(74,143)	(6,052)	(87,551)	–	(185,101)	–
Net book value	112,183	5,204	142,937	792	115,785	2,196	72,841	21,448	473,386	–

31 DECEMBER 2004 (Cont'd)

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

GROUP (Cont'd)

	Hotel Properties RM'000	Freehold Land and Buildings RM'000	Long Term Leasehold Land and Buildings RM'000	Renovations RM'000	Plant and Machinery RM'000	Motor Vehicles RM'000	Equipment, Furniture and Fittings RM'000	Capital Work-in Progress RM'000	Total 2004 RM'000	Total 2003 RM'000
At 31 December 2003										
Cost	28,002	5,267	186,458	897	297,970	6,825	108,571	87,954	-	721,944
Accumulated impairment losses	-	-	(13,426)	-	(21,271)	-	-	-	-	(34,697)
Accumulated depreciation	-	-	(19,083)	(294)	(105,224)	(5,558)	(72,901)	-	-	(203,060)
Net book value	28,002	5,267	153,949	603	171,475	1,267	35,670	87,954	-	484,187
At 1 January 2003										
Cost	28,078	3,963	175,395	465	264,389	7,054	95,399	54,929	-	629,672
Accumulated impairment losses	-	-	(27,591)	-	(45,601)	-	-	-	-	(73,192)
Accumulated depreciation	-	-	(14,611)	(210)	(77,924)	(5,359)	(58,556)	-	-	(156,660)
Net book value	28,078	3,963	133,193	255	140,864	1,695	36,843	54,929	-	399,820
Depreciation charge for 2003	-	-	3,239	84	15,611	613	11,741	-	-	31,288

31 DECEMBER 2004 (Cont'd)

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

COMPANY

	Long Term Leasehold Land and Buildings RM'000	Plant and Machinery RM'000	Motor Vehicles RM'000	Equipment, Furniture and Fittings RM'000	Total 2004 RM'000	Total 2003 RM'000
NET BOOK VALUE						
At 1 January	1,996	21,877	308	1,572	25,753	28,298
Additions	–	35	673	323	1,031	752
Disposals/write-offs	–	–	(13)	(6)	(19)	(201)
Impairment losses	–	(7,500)	–	–	(7,500)	–
Depreciation charge for the year	(55)	(2,513)	(210)	(491)	(3,269)	(3,096)
At 31 December	1,941	11,899	758	1,398	15,996	25,753
At 31 December 2004						
Cost	2,799	52,366	2,753	5,288	63,206	–
Accumulated impairment losses	–	(25,307)	–	–	(25,307)	–
Accumulated depreciation	(858)	(15,160)	(1,995)	(3,890)	(21,903)	–
Net book value	1,941	11,899	758	1,398	15,996	–

31 DECEMBER 2004 (Cont'd)

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

COMPANY (Cont'd)

	Long Term Leasehold Land and Buildings RM'000	Plant and Machinery RM'000	Motor Vehicles RM'000	Equipment, Furniture and Fittings RM'000	Total	
					2004 RM'000	2003 RM'000
At 31 December 2003						
Cost	2,799	52,331	2,143	5,064	-	62,337
Accumulated impairment losses	-	(17,807)	-	-	-	(17,807)
Accumulated depreciation	(803)	(12,647)	(1,835)	(3,492)	-	(18,777)
Net book value	1,996	21,877	308	1,572	-	25,753
At 1 January 2003						
Cost	2,799	52,357	2,620	7,018	-	64,794
Accumulated impairment losses	-	(17,807)	-	-	-	(17,807)
Accumulated depreciation	(748)	(10,550)	(2,073)	(5,318)	-	(18,689)
Net book value	2,051	24,000	547	1,700	-	28,298
Depreciation charge for 2003	55	2,437	169	435	-	3,096

31 DECEMBER 2004 (Cont'd)

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Interest expense capitalised during the financial year under capital work-in-progress of the Group amounted to RM Nil (2003: RM2,851,000).

The net book values of property, plant and equipment of the Group pledged to financial institutions for borrowings granted to the Group are as follows:

	Group	
	2004 RM'000	2003 RM'000
Hotel properties	84,181	–
Freehold land	–	5,267
Long term leasehold land and buildings	93,868	93,154
Plant and machinery	3,834	52,421
Motor vehicles	181	242
Equipment, furniture and fittings	11,441	12,612
Capital work-in-progress	–	63,462
	193,505	227,158

Net book values of property, plant and equipment of the Group and of the Company held under hire purchase and finance lease arrangements are as follows:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Motor vehicles	1,491	481	670	96
Equipment, furniture and fittings	7,591	8,254	–	12
	9,082	8,735	670	108

5. INVESTMENT PROPERTIES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Long term leasehold land and buildings at cost	320,159	318,584	20,240	20,240

The directors are of the view that the fair values of the properties held at the balance sheet date are not significantly different from the carrying amounts shown in the financial statements.

Investment properties of the Group and of the Company of RM14,960,000 (2003: RM14,960,000) are pledged to financial institutions for revolving credit facilities granted to the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

6. LAND HELD FOR PROPERTY DEVELOPMENT

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cost				
At 1 January:				
Freehold land	136,805	125,296	–	–
Long term leasehold land	132,259	147,654	2,671	2,671
Development costs	80,637	81,379	1,910	1,910
	349,701	354,329	4,581	4,581
Exchange difference:				
Freehold land	541	2,659	–	–
Additions:				
Freehold land	61,923	7,569	–	–
Long term leasehold land	373	2,489	–	–
Development costs	30,799	1,948	–	–
	93,095	12,006	–	–
Compulsory acquisition by the government:				
Long term leasehold land	(315)	–	–	–
Write-off:				
Long term leasehold land	(44)	–	(44)	–
Development costs	(32)	–	(32)	–
	(76)	–	(76)	–
Transfer to property development costs (Note 13)	(80,367)	(19,293)	–	–
At 31 December	362,579	349,701	4,505	4,581

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

6. LAND HELD FOR PROPERTY DEVELOPMENT (CONT'D)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Accumulated impairment losses				
Freehold land:				
At 1 January	(3,889)	(1,159)	–	–
Impairment losses for the year	–	(2,730)	–	–
At 31 December	(3,889)	(3,889)	–	–
Carrying amount at 31 December	358,690	345,812	4,505	4,581

Interest expense capitalised during the financial year under development costs of the Group amounted to RM1,653,244 (2003: RM Nil).

Freehold land and related development costs of certain subsidiaries costing RM17,247,000 are pledged to financial institutions for revolving credit and loan facilities granted to the Company and a subsidiary respectively.

In the previous financial year, freehold land and related development costs of certain subsidiaries costing RM24,471,000 were pledged to financial institutions for revolving credit and trade bill facilities granted to the Company and a subsidiary respectively. The trade bills have been fully repaid in the current financial year.

Long term leasehold land and related development costs of certain subsidiaries costing RM83,409,000 (2003: RM81,712,000) are pledged to financial institutions for revolving credit facilities granted to the Company.

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2004 RM'000	2003 RM'000
Unquoted shares at cost	372,805	371,303
Less: Accumulated impairment losses	(3,360)	(7,355)
	369,445	363,948

Details of the subsidiaries are as disclosed in Note 46 to the financial statements.

The acquisitions of Renown Oasis Sdn. Bhd. and Frontier Acres Sdn. Bhd., and the incorporation of Sunway Galaxy Management Sdn. Bhd. (formerly known as Bright Galaxy Sdn. Bhd.) and Sunway International Vacation Club Berhad (formerly known as Sunway Vacation Resorts Berhad) during the financial year do not have any material effect on the financial results and financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

In the previous financial year, the Company acquired the remaining equity interest which it did not own previously in MSSB Group, thereby making them subsidiaries of the Company. The effects of the acquisition on the financial results and financial position of the Group for the year then ended and as at 31 December 2003 respectively are summarised as follows:

	RM'000
Revenue	5,764
Operating costs	(5,332)
Net profit for the year	432
Net assets	69,202
Reserve on consolidation	(7,331)

8. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2004 RM'000	2003 RM'000
Interest bearing amounts	733,509	754,412
Non interest bearing amounts	183,065	155,964
	916,574	910,376
Less: Provision for doubtful debts	(48,811)	(48,440)
	867,763	861,936

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. The interest bearing amounts bear interest at rates ranging from 1.00% to 7.00% (2003: 3.46% to 7.40%) per annum.

9. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Unquoted shares at cost	16,954	5,782	13,172	2,000
Share of post-acquisition reserves	(4,452)	(3,760)	-	-
	12,502	2,022	13,172	2,000
Less: Accumulated impairment losses	-	(425)	(2,000)	(2,000)
	12,502	1,597	11,172	-
Represented by:				
Share of net assets	12,502	1,597		

Details of the associates are set out in Note 46 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

10. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Unquoted shares at cost		13,456	10,000	13,456	10,000
Share of post-acquisition reserve		84	(36)	–	–
	(a)	13,540	9,964	13,456	10,000
Share application monies	(b)	–	872	–	872
		13,540	10,836	13,456	10,872

Details of the jointly controlled entity are as follows:

Name of Company	Country of Incorporation	Principal Activity	Equity Interest Held	
			2004 %	2003 %
Sunway SPK Homes Sdn. Bhd.	Malaysia	Property development	50	50

- (a) The Group's share of the assets, liabilities, income and expenses of the jointly controlled entity is as follows:

	2004 RM'000	2003 RM'000
Current assets	32,964	17,427
Non-current assets	842	9,482
Current liabilities	(17,088)	(16,510)
Non-current liabilities	(3,178)	(435)
Net assets	13,540	9,964
Income	9,061	–
Expenses	(8,941)	(36)

Included in the Group's investment in jointly controlled entity is further investment of RM3,456,000 (2003: RM Nil) in the form of cumulative redeemable preference shares in the said entity, of which corresponding investment from the other joint venturer is not required, as specified in the Joint Venture Agreement between both parties. The said shares carry no voting rights.

- (b) In the previous financial year, share application monies were paid to the jointly controlled entity for the subscription of cumulative redeemable preference shares in the said entity. The shares have been allotted in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

11. OTHER NON-CURRENT INVESTMENTS

Other non-current investments represent investment in Subordinated Class D Notes ("SCDN") issued by ABS Real Estate Berhad ("AREB"), stated at cost. The principal activities of AREB are those of implementation of securitisation transactions which involve the acquisition of properties and investments, the letting out of properties and the issuance of notes to investors.

On 30 October 2002, the Group completed an asset-backed securitisation exercise ("ABS exercise") involving the disposal of six (6) properties including the plant and equipment together with its lease rights, and redeemable preference shares ("properties and shares") to AREB, a special purpose vehicle, (collectively "asset-backed securitisation").

Pursuant to the ABS exercise, AREB has also issued Senior Class A, B, C1 and C2 Notes ("Senior Notes") to investors in the domestic debt capital markets to finance the cash settlement of the abovementioned acquisitions. The Senior Notes will be subject to redemption in part semi-annually, of which the amount will vary, and the balance not redeemed may be redeemed by AREB at its nominal value six (6) years ("legal maturity") from the date of issue of 30 October 2002 together with interest accrued or at the end of year five (5) ("early redemption") due to exercise of purchase options by the Company or entity nominated by the Company.

The SCDN's coupon rate of 20% is due semi-annually and the SCDN together with accrued interest of 20% can only be redeemed after all outstanding principal and interests due to the holders of the Senior Class A, B, C1 and C2 Notes issued by AREB have been fully repaid. In view of the uncertainty of the amount of interest that may be recovered, the interest income on the SCDN shall be recognised in the financial statements upon receipt. The SCDN shall be held solely by the Group or its respective nominees and may only be traded or transferred once within the Group or to Sunway Holdings Incorporated Berhad Group ("Suninc Group"). The relationship with Suninc Group is as disclosed in Note 42 to the financial statements.

Subsequent to the disposals, the Company entered into six (6) operating lease agreements with AREB whereby AREB has granted leases to the Company in respect of properties disposed by the Group for a period of up to thirty-five (35) years, save for certain plant and equipment which will be leased for ten (10) years. Under the terms of each of the operating lease agreements, the Company has unilateral option to purchase or may nominate another person to purchase these leased properties for a price to be determined by an independent firm of professional valuers at the time of the exercise of the purchase options and the outstanding preference shares at the end of year five (5). If the Company does not exercise the purchase options granted within the option period, AREB may exercise its right to dispose of its interests in the properties and shares in the open market.

Concurrent with the execution of the operating lease agreements, the Company has entered into six (6) sub-lease agreements with its subsidiaries for a term equal to the term of the operating lease agreements less one (1) day. Rent payments received by the Company in respect of the subleases will be paid into the Sublease Collections Account, a specified account opened by the Company, established for the purpose of receiving these payments. The Sublease Collections Account, as disclosed in Note 18 to the financial statements, on which a charge has been created in favour of the Trustee, will be operated solely by the Trustee, Mayban Trustees Berhad.

The commitments arising from the redeemable preference shares and operating leases and sub-leases are disclosed in Notes 28 and 44 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

12. GOODWILL ON CONSOLIDATION

	Group	
	2004 RM'000	2003 RM'000
Goodwill		
At 1 January and 31 December	26,695	26,695
Less: Accumulated amortisation	(5,268)	(3,936)
	21,427	22,759
Negative goodwill		
At 1 January	(7,717)	(386)
Arising from acquisition of remaining equity interest in an associate, making it a subsidiary	-	(7,331)
At 31 December	(7,717)	(7,717)
Total	13,710	15,042

13. PROPERTY DEVELOPMENT COSTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cost				
At 1 January:				
Freehold land	164,267	171,118	-	-
Long term leasehold land	120,849	104,665	1,345	1,333
Development costs	928,578	695,094	138,581	121,438
	1,213,694	970,877	139,926	122,771
Compulsory acquisition by the government:				
Freehold land	-	(5,647)	-	-
Long term leasehold land	-	(916)	-	-
Development costs	-	(3,710)	-	-
	-	(10,273)	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

13. PROPERTY DEVELOPMENT COSTS (CONT'D)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cost (Cont'd)				
Costs incurred during the year:				
Freehold land	61	76	–	–
Long term leasehold land	28,276	511	–	12
Development costs	450,322	313,059	45,764	17,654
	478,659	313,646	45,764	17,666
Costs written off during the year:				
Development costs	–	(511)	–	(511)
Costs recognised in income statement:				
At 1 January	(859,948)	(675,769)	(103,474)	(90,107)
Recognised during the year (Note 33)	(390,997)	(252,322)	(33,684)	(13,367)
Eliminated due to completion of project	350,518	68,143	48,908	–
At 31 December	(900,427)	(859,948)	(88,250)	(103,474)
Transfers:				
From land held for property development	80,367	19,293	–	–
To inventories	(25,073)	(11,195)	(1,219)	–
	55,294	8,098	(1,219)	–
Costs eliminated during the year due to completion of project				
	(350,518)	(68,143)	(48,908)	–
At 31 December	496,702	353,746	47,313	36,452
Accumulated impairment losses				
At 1 January and 31 December:				
Long term leasehold land	(1,592)	(1,592)	–	–
Development costs	(30,068)	(30,068)	–	–
	(31,660)	(31,660)	–	–
Carrying amount at 31 December	465,042	322,086	47,313	36,452

Interest expense capitalised during the financial year under development costs of the Group amounted to RM1,927,377 (2003: RM450,000).

Freehold land of certain subsidiaries costing RM141,507,000 are pledged to financial institutions for loan facilities granted to these subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

13. PROPERTY DEVELOPMENT COSTS (CONT'D)

In the previous financial year, freehold land of certain subsidiaries costing RM75,238,000 were pledged to financial institutions for loan facilities granted to the Company and a subsidiary. These loan facilities were fully repaid during the current financial year.

Long term leasehold land of the Group and of the Company costing RM55,457,000 (2003: RM28,212,000) and RM4,758,000 (2003: RM4,758,000) respectively are pledged to financial institutions for revolving credit and loan facilities granted to the Company and a subsidiary respectively.

14. INVENTORIES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cost				
Properties held for sale	38,225	20,763	3,174	3,282
Trading inventories	2,816	5,989	–	–
Food and beverages	1,129	1,080	–	–
Consumables	559	326	–	–
	42,729	28,158	3,174	3,282
Net realisable value				
Properties held for sale	1,196	–	–	–
Consumables	1,204	1,235	–	–
	2,400	1,235	–	–
	45,129	29,393	3,174	3,282

15. TRADE RECEIVABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade receivables	129,691	113,609	9,440	11,414
Less: Provision for doubtful debts	(7,319)	(6,742)	(2,418)	(2,901)
	122,372	106,867	7,022	8,513

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

15. TRADE RECEIVABLES (CONT'D)

Included in trade receivables are the following amounts due from related parties:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Sunway Holdings Incorporated Berhad Group ("Suninc Group")	2,951	3,494	897	1,559
Sungei Way Enterprise (1988) Sdn. Bhd. ("SWESB")	447	253	442	239
Sunway College Sdn. Bhd. Group ("SCSB Group")	281	422	16	–
Dekon Sdn. Bhd. Group ("DSB Group")	7	18	–	–
PRK Builders Sdn. Bhd. ("PRK")	197	56	95	–

The amounts due from related parties are unsecured and interest free. In the previous financial year, RM2,902,000 and RM338,000 due from Suninc Group to the Group and the Company respectively bore interest at 5% per annum. The relationship with the related parties is as disclosed in Note 42 to the financial statements.

The Group and the Company's normal trade credit term ranges from 14 to 30 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

16. OTHER RECEIVABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits	23,048	19,378	13,414	1,399
Prepayments	4,396	3,207	158	146
Sundry receivables	20,802	32,635	7,880	8,918
	48,246	55,220	21,452	10,463
Less: Provision for doubtful debts	(6,841)	(6,775)	(4,570)	(4,504)
	41,405	48,445	16,882	5,959

Included in other receivables are the following amounts due from related parties:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Sunway Holdings Incorporated Berhad Group ("Suninc Group")	127	3,055	125	2,684
PRK Builders Sdn. Bhd. ("PRK")	–	473	–	473

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

16. OTHER RECEIVABLES (CONT'D)

The amounts due from related parties are unsecured, interest free and have no fixed terms of repayment. In the previous financial year, RM523,000 and RM158,000 due from Suninc Group to the Group and the Company respectively bore interest at 5% per annum. The relationship with the above related parties is as disclosed in Note 42 to the financial statements.

Deposits of the Group and of the Company include deposits paid amounting to RM17,400,000 (2003: RM13,324,655) and RM12,000,000 (2003: RM Nil) respectively for the acquisition of land by certain subsidiaries and the Company respectively.

The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

17. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates of the Group are unsecured, interest free, have no fixed terms of repayment and are stated net of provision for doubtful debts of RM1,963,000 (2003: RM1,862,000).

18. CASH AND BANK BALANCES

Included in cash and bank balances of the Group are amounts of RM123,799,000 (2003: RM78,323,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore restricted from use in other operations.

Included in cash and bank balances of the Group and the Company is an amount of RM8,266,000 (2003: RM8,266,000) held in a Sublease Collections Account, on which a charge has been created in favour of the Trustee, pursuant to the asset-backed securitisation exercise as disclosed in Note 11 to the financial statements.

19. TRADE PAYABLES

Included in trade payables are the following amounts due to related parties:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Sunway Holdings Incorporated Berhad Group ("Suninc Group")	27,398	31,637	7,679	3,048
Perbadanan Kemajuan Negeri Selangor Group ("PKNS Group")	584	533	–	–
Dekon Sdn. Bhd. Group ("DSB Group")	29,245	18,480	3,512	2,182
PRK Builders Sdn. Bhd. ("PRK")	4,640	6,682	9	968

The amounts due to related parties are unsecured and interest free except for RM11,878,000 (2003: RM4,530,000) and RM6,212,000 (2003: RM813,000) due to Suninc Group by the Group and the Company respectively which bear interest at rates ranging from 7% to 8% (2003: 7% to 8%) per annum.

The relationship with the above related parties is as disclosed in Note 42 to the financial statements.

The normal trade credit terms granted to the Group and the Company range from 15 to 90 days and 30 days respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

20. OTHER PAYABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Sundry payables	119,840	109,413	25,086	23,268
Amounts due to contractors and consultants	141,258	96,886	28,997	35,340
Redeemable preference shares issued by a subsidiary (Note 28)	32,789	32,620	–	–
Accruals	61,894	28,460	5,207	2,760
Refundable deposits	13,144	11,351	1,359	1,260
Progress billings in respect of property development costs	90,376	24,344	1,501	413
	459,301	303,074	62,150	63,041

Included in sundry payables and amounts due to contractors and consultants are the following amounts due to related parties:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Sunway Holdings Incorporated Berhad Group ("Suninc Group")	129,798	91,746	20,657	34,980
Dekon Sdn. Bhd. Group ("DSB Group")	3,450	1,166	–	45
PRK Builders Sdn. Bhd. ("PRK")	2,638	1,801	–	–

The amounts due to contractors and consultants are unsecured and interest free except for RM117,980,000 (2003: RM81,168,000) and RM13,422,000 (2003: RM20,178,000) due to Suninc Group by the Group and the Company respectively which bear interest at 7% to 8% (2003: 4% to 8%) per annum.

Included in the amounts due to Suninc Group are:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Balance consideration for the acquisition of remaining equity interest in MSSB Group ("balance consideration")	7,235	7,839	7,235	7,839
Dividend in respect of previous financial years payable by MSSB Group ("dividend payable")	–	11,667	–	–

The balance consideration is unsecured and bears interest at 3% (2003: 3%) per annum whereas the dividend payable was unsecured and interest free.

The relationship with the above related parties is as disclosed in Note 42 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

21. BORROWINGS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Bank overdrafts				
– secured	1,543	4,867	–	–
– unsecured	628	2,039	–	–
	2,171	6,906	–	–
Trade bills – secured	–	7,153	–	–
Current portion of term loans (Note 27)				
– secured	47,896	34,412	–	21,857
– unsecured	4,060	8,622	–	–
	51,956	43,034	–	21,857
	54,127	57,093	–	21,857

The bank overdrafts bear interest at rates ranging from 1.25% to 8.50% (2003: 1.00% to 8.40%) per annum.

The trade bills which had been fully repaid during the current financial year, bore interest at 6.42% (2003: 4.33% to 4.92%) per annum.

Details of the assets on which the secured bank borrowings are secured are as disclosed in Note 27 to the financial statements.

22. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Minimum lease payments:				
Not later than 1 year	4,779	5,804	162	32
Later than 1 year and not later than 2 years	2,888	2,469	167	–
Later than 2 years and not later than 5 years	2,957	1,599	359	–
Later than 5 years	10	33	–	–
	10,634	9,905	688	32
Less: Future finance charges	(1,498)	(1,052)	(87)	(9)
Present value of finance lease liabilities	9,136	8,853	601	23

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

22. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Present value of finance lease liabilities:				
Not later than 1 year	3,603	5,141	128	23
Later than 1 year and not later than 2 years	2,773	2,216	142	–
Later than 2 years and not later than 5 years	2,751	1,465	331	–
Later than 5 years	9	31	–	–
	9,136	8,853	601	23
Analysed as:				
Due within 12 months	3,603	5,141	128	23
Due after 12 months	5,533	3,712	473	–
	9,136	8,853	601	23

RM9,148,000 (2003: RM9,079,000) of the gross amounts of the hire purchase and finance lease payables of the Group are due to a subsidiary of Suninc, Sunway Credit & Leasing Sdn. Bhd. The relationship with the related party is as disclosed in Note 42 to the financial statements.

The hire purchase and lease liabilities bear interest at rates ranging from 3.25% to 8.41% (2003: 3.50% to 11.50%) per annum.

23. SHARE CAPITAL

	Group/Company Number of Shares of RM1 Each		Group/Company Amount	
	2004 '000	2003 '000	2004 RM'000	2003 RM'000
Authorised				
Ordinary shares of RM1 each	800,000	800,000	800,000	800,000
6.6% Cumulative Convertible Preference Shares ("CCPS") of RM1 each	200,000	200,000	200,000	200,000
	1,000,000	1,000,000	1,000,000	1,000,000

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

23. SHARE CAPITAL (CONT'D)

	Group/Company Number of Shares of RM1 Each		Group/Company Amount	
	2004 '000	2003 '000	2004 RM'000	2003 RM'000
Issued and fully paid				
Ordinary shares of RM1 each				
At 1 January	400,252	340,199	400,252	340,199
Issued under the Employees' Share Option Scheme	10,275	53	10,275	53
Conversion of preference share capital	–	60,000	–	60,000
At 31 December	410,527	400,252	410,527	400,252
6.6% CCPS of RM1 each				
At 1 January	–	108,000	–	108,000
Conversion to ordinary share capital	–	(108,000)	–	(108,000)
At 31 December	–	–	–	–
Total share capital	410,527	400,252	410,527	400,252

During the financial year, the Company increased its issued and paid-up share capital from RM400,252,000 to RM410,526,500 by way of the issuance of 9,984,500 and 290,000 new ordinary shares of RM1 each issued to eligible employees of the Group under the Employees' Share Option Scheme at the exercise prices of RM1 and RM1.15 per share respectively for cash. The share premium arising amounting to RM43,500 has been credited to the share premium account as disclosed in Note 24 to the financial statements.

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

24. SHARE PREMIUM

	Group/Company	
	2004 RM'000	2003 RM'000
At 1 January	158,363	110,363
Arising from issuance of new ordinary shares on (Note 23):		
– conversion of 108,000,000 6.6% CCPS	–	48,000
– issuance of 290,000 new ordinary shares under the Employees' Share Option Scheme	43	–
At 31 December	158,406	158,363

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

25. RESERVES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Non distributable reserves:				
Capital reserve	22,766	21,594	–	–
Exchange reserve	17,670	15,855	–	–
Total non-distributable reserves	40,436	37,449	–	–
Distributable reserve:				
Retained profit	229,584	166,794	226,410	208,077
Total reserves	270,020	204,243	226,410	208,077

Capital reserve represents share premium arising from shares issued by a subsidiary to its minority shareholders and the creation of capital redemption reserve arising from redemption of redeemable preference shares in certain subsidiaries.

At 31 December 2004, the Company has tax exempt profits available for distribution of approximately RM131,231,000 (2003: RM131,231,000), subject to the agreement of the Inland Revenue Board.

Subject to the agreement of the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax-exempt income account to frank the payment of dividends out of its entire retained profit as at 31 December 2004.

26. MINORITY INTERESTS

Included in minority interests are the following preference shares issued to minority shareholders of certain subsidiaries:

- (a) 5% cumulative redeemable preference shares "A" issued to minority shareholders of Sunway Damansara Sdn. Bhd. amounting to RM45,845,000 (2003: RM45,845,000). These shares confer on its holders cumulative preferential dividends of 5% per annum which rank in priority to ordinary dividends. These shares are redeemable at par and in cash at any time after 16 May 1999.
- (b) 5% cumulative redeemable convertible preference shares issued to minority shareholders of Sunway Tunas Sdn. Bhd. amounting to RM15,000,000 (2003: RM15,000,000). These shares confer on its holders cumulative preferential dividends of 5% per annum which rank in priority to ordinary dividends. These shares are redeemable at par and in cash or convertible into ordinary shares on the basis of one convertible preference share of RM1 each for one ordinary share of RM1 each at any time after 16 May 1999.
- (c) 5% non-cumulative redeemable preference shares issued to minority shareholders of Sunway Lagoon Sdn. Bhd. amounting to RM588,000 (2003: RM588,000). These shares confer on its holders fixed non-cumulative preferential dividends of 5% per annum which rank in priority to ordinary dividends. These shares are redeemable at a premium of RM0.99 per share at any time.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

27. LONG TERM BORROWINGS

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Revolving credits - secured	(a)	133,000	136,400	133,000	136,400
Commercial papers - unsecured	(b)	–	69,447	–	69,447
Medium term notes - unsecured	(b)	249,115	153,823	249,115	153,823
Term loans – secured					
- Type 1		–	21,857	–	21,857
- Type 2		2,998	4,731	–	–
- Type 3		29,660	33,583	–	–
- Type 4		–	6,079	–	–
- Type 5		60,000	60,000	–	–
- Type 6		26,557	–	–	–
- Type 7		35,000	–	–	–
- Type 8		16,000	–	–	–
- Type 9		17,541	–	–	–
- Type 10		38,000	–	–	–
- Type 11		13,303	–	–	–
- Type 12		49,000	–	–	–
Term loans – unsecured					
- Type 13		12,542	15,602	–	–
- Type 14		1,000	2,014	–	–
Total term loans	(c)	301,601	143,866	–	21,857
Total borrowings		683,716	503,536	382,115	381,527
Less: Amounts repayable within 1 year - term loans (Note 21)		(51,956)	(43,034)	–	(21,857)
Amounts repayable after 1 year		631,760	460,502	382,115	359,670

(a) The revolving credits bear interest at rates ranging from 4.60% to 8.00% (2003: 4.60% to 8.00%) per annum. Secured revolving credits which are due to be repaid within the next twelve (12) months but are rolled over subsequent to the financial year end are treated as long term borrowings.

(b) The unsecured commercial papers ("CPs") bore interest at rates ranging from 4.75% to 5.75% (2003: 4.25% to 4.75%) per annum and were fully converted to unsecured medium term notes ("MTNs") during the current financial year.

The unsecured MTNs bear interest at rates ranging from 6.30% to 7.30% (2003: 6.30% to 6.60%) per annum and have maturity periods ranging from one (1) to two (2) years. The Company intends to roll over the MTNs over its remaining availability period of five (5) years. Accordingly, the MTNs are classified as long term borrowings.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

27. LONG TERM BORROWINGS (CONT'D)

- (b) The tenure of the CP/MTN Programme (collectively, the "Notes") is for a period of seven (7) years from the date of the first issuance of the Notes on 10 December 2002. The Company may issue CPs with tenors of one (1), two (2), three (3), six (6), nine (9) months or such other period not exceeding three hundred and sixty five (365) days and MTNs with tenors of between twelve (12) months and seventy two (72) months provided that such Notes shall not mature beyond the tenure of the Notes Programme. The Notes may be issued at par or at a discount to or premium over par. In the case where MTNs are issued on an interest-bearing basis, such MTNs will have attached to them the Coupons. The Coupons are payable monthly, quarterly, semi-annually or annually in arrears. The Coupons may (but need not) be detached and traded independently of the MTNs.

The Notes and the Coupons constitute direct, unconditional, unsecured and unsubordinated obligations of the Company. The Notes will rank at least equally and rateably in all respects to all other unsecured and unsubordinated obligations of the Company except liabilities which are preferred by mandatory provisions of law.

The Notes have been fully issued during the current financial year for working capital purposes.

Details of the outstanding CPs and MTNs are as follows:

	Group/Company	
	2004	2003
	RM'000	RM'000
CPs – unsecured:		
Par value issued	–	70,000
Less: Discount on issuance, net of amortisation	–	(553)
	–	69,447
MTNs – unsecured:		
Par value issued	250,000	155,000
Less: Coupon on issuance, net of amortisation	(885)	(1,177)
	249,115	153,823

- (c) The maturity of the term loans are as follows :

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	51,956	43,034	–	21,857
Later than 1 year and not later than 2 years	121,238	14,554	–	–
Later than 2 years and not later than 5 years	92,276	77,997	–	–
Later than 5 years	36,131	8,281	–	–
	301,601	143,866	–	21,857

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

27. LONG TERM BORROWINGS (CONT'D)

(c) Details of the terms of repayment and effective interest rates of the term loans are as follows:

Loan	Name of Companies	Effective Interest Rate	Repayment Terms	Commencement of Repayment
Type 1	Sunway City Berhad	6.81%	—*	—
Type 2	Sunway City (Ipoh) Sdn. Bhd.	7.75%	3 years – by way of redemption	February 2003
Type 3	Sunway Medical Centre Berhad	8.40%	8 years	January 2002
Type 4	Sunway Semenyih Sdn. Bhd.	7.65%	—*	—
Type 5	Sunway Resort Hotel Sdn. Bhd.	6.50%	Bullet repayment	June 2006
Type 6	Sunway Resort Hotel Sdn. Bhd.	7.50%	3 years – by way of redemption	April 2004
Type 7	Sunway Resort Hotel Sdn. Bhd.	3.75%	7 years	July 2007
Type 8	Syarikat Shoib Properties Sdn. Bhd.	7.65%	2 years – by way of redemption	June 2004
Type 9	Sunway Lagoon Water Park Sdn. Bhd.	3.75%	10 years	April 2007
Type 10	Sunway D'Mont Kiara Sdn. Bhd.	7.50%	2 years – by way of redemption	June 2004
Type 11	Sunway Rahman Putra Sdn. Bhd.	7.50%	42 months – by way of redemption	July 2004
Type 12	Sunway Bukit Gambier Sdn. Bhd.	7.25%	45 months – by way of redemption	March 2004
Type 13	Sunway Hotel Phnom Penh Ltd.	2.52% – 2.92%	9 years	March 2001
Type 14	Sunway Medical Centre Berhad	8.00%	2 years	December 2003

* Term loans were fully repaid during the current financial year

The secured borrowings of the Group and of the Company are secured by legal charges on land as well as fixed and floating charges on assets of the Group and of the Company amounting to RM506,085,000 (2003: RM451,751,000) and RM19,718,000 (2003: RM19,718,000) respectively as disclosed in Notes 4, 5, 6 and 13 to the financial statements.

The unsecured term loan of Sunway Medical Centre Berhad is obtained from a subsidiary of Suninc, Sunway Credit & Leasing Sdn. Bhd. The relationship with the related party is as disclosed in Note 42 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

28. LONG TERM LIABILITIES

	Group	
	2004 RM'000	2003 RM'000
Redeemable preference shares issued by a subsidiary:		
At 31 December	162,586	195,206
Redeemable within 1 year (Note 20)	(32,789)	(32,620)
Redeemable after 1 year	129,797	162,586
Amounts due to contractors and consultants	–	40,000
Refundable deposits	16,369	16,061
	146,166	218,647

Redeemable preference shares issued by a subsidiary, Sunway Pyramid Sdn. Bhd., comprise 20% Cumulative Redeemable Preference Shares ("CRPS") of RM0.10 each issued to its minority shareholder and ABS Real Estate Berhad in connection with the asset-backed securitisation exercise as disclosed in Note 11 to the financial statements. The CRPS are to be mandatorily redeemed semi-annually at RM2.79 per share over a period of seven (7) years commencing April 2003 and bear an effective interest rate of 0.72% (2003: 0.72%) per annum. The redemption schedule of the CRPS is as follows:

	Group	
	2004 RM'000	2003 RM'000
Not later than 1 year	32,789	32,620
Later than 1 year and not later than 2 years	32,957	32,789
Later than 2 years and not later than 5 years	96,840	99,386
Later than 5 years	–	30,411
	162,586	195,206

Amounts due to contractors and consultants represent amounts due to member companies of Suninc Group. The relationship with Suninc Group is as disclosed in Note 42 to the financial statements. The balances in the previous financial year were unsecured and bore interest at 7% to 8% per annum. In the previous financial year, such amounts were included as long term liabilities as the contractors and consultants had agreed not to demand repayment within the next twelve (12) months. In the current financial year, the Group intends to repay such amounts within the next twelve (12) months and accordingly, the amounts are included as current liabilities as disclosed in Note 20 to the financial statements.

The refundable deposits are in respect of deposits received by subsidiaries for tenancy contracts for a tenure of two (2) to three (3) years.

29. ADVANCES BY MINORITY SHAREHOLDERS OF SUBSIDIARIES

The advances by minority shareholders of subsidiaries are unsecured, interest free and have no fixed terms of repayment.

These advances are stated net of the minority shareholders' share of losses and exchange reserve in a subsidiary of RM39,589,000 (2003: RM39,871,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

30. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, have no fixed terms of repayment and bear interest at rates ranging from 3.50% to 6.50% (2003: 3.70% to 6.50%) per annum except for RM42,774,000 (2003: RM56,967,000) which is interest free.

31. DEFERRED TAX

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At 1 January	(4,799)	(12,344)	–	–
Recognised in income statement (Note 37)	(3,036)	7,341	–	–
Acquisition of remaining equity interest in an associate, making it a subsidiary	–	204	–	–
At 31 December	(7,835)	(4,799)	–	–
Presented after appropriate offsetting as follows:				
Deferred tax assets	(12,323)	(4,833)	–	–
Deferred tax liabilities	4,488	34	–	–
	(7,835)	(4,799)	–	–

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred Tax Liabilities of the Group:

	Property, Plant and Equipment	
	2004 RM'000	2003 RM'000
At 1 January	23,580	21,760
Recognised in income statement	14,989	1,616
Acquisition of remaining equity interest in an associate, making it a subsidiary	–	204
At 31 December	38,569	23,580

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

31. DEFERRED TAX (CONT'D)

Deferred Tax Assets of the Group:

	At 1 January 2003 RM'000	Recognised in income statement RM'000	At 1 January 2004 RM'000	Recognised in income statement RM'000	At 31 December 2004 RM'000
Progress billings	(2,110)	(546)	(2,656)	(3,600)	(6,256)
Provisions for liabilities	(134)	23	(111)	67	(44)
Tax losses, unabsorbed capital allowances and unused investment tax allowances	(31,747)	6,260	(25,487)	(13,202)	(38,689)
Unrealised profit	(113)	–	(113)	113	–
Accumulated impairment losses	–	–	–	(486)	(486)
Inventories	–	–	–	(451)	(451)
Others	–	(12)	(12)	(466)	(478)
	(34,104)	5,725	(28,379)	(18,025)	(46,404)

Deferred Tax Liabilities of the Company:

	Property, Plant and Equipment	
	2004 RM'000	2003 RM'000
At 1 January	6,580	4,156
Recognised in income statement	(2,597)	2,424
At 31 December	3,983	6,580

Deferred Tax Assets of the Company:

	At 1 January 2003 RM'000	Recognised in income statement RM'000	At 1 January 2004 RM'000	Recognised in income statement RM'000	At 31 December 2004 RM'000
Unabsorbed capital allowances	(4,156)	(2,424)	(6,580)	2,771	(3,809)
Others	–	–	–	(174)	(174)
	(4,156)	(2,424)	(6,580)	2,597	(3,983)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

31. DEFERRED TAX (CONT'D)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Unused tax losses	103,847	141,203	–	–
Unabsorbed capital allowances	160,728	147,414	29,711	20,933
Unused investment tax allowances	376,108	376,108	–	–
Other deductible temporary differences	5,339	5,714	–	–
	646,022	670,439	29,711	20,933

The unused tax losses, unabsorbed capital allowances and unused investment tax allowances are available indefinitely for offset against future taxable profits of the subsidiaries and the Company in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset against taxable profits of other subsidiaries in the Group and they have arisen in companies that have a recent history of losses or in companies where future taxable profits may be insufficient to trigger the utilisation of these items.

32. REVENUE

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Sale of properties under development	597,856	363,965	48,845	21,676
Sale of property stocks	8,260	276	1,901	–
Rental income	105,263	97,588	54,808	53,870
Sale of goods and services	275,135	262,772	–	–
Subscription fees and others	5,967	4,039	4	42
Gross dividends from subsidiaries	–	–	35,730	20,651
	992,481	728,640	141,288	96,239

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

33. COST OF SALES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Property development costs (Note 13)	390,997	252,322	33,684	13,367
Cost of property stocks sold				
- current year	5,933	276	1,327	-
- (over)/under recognition of costs in prior year	(1,129)	3,699	-	(100)
Cost of services rendered	4,762	2,733	-	-
Cost of theme park operations	9,789	11,927	-	-
Cost of hotel operations	53,954	42,662	-	-
Cost of healthcare operations	23,805	20,738	-	-
Cost of travel and tour business operations	18,494	17,762	-	-
Operating lease rentals	-	-	46,800	46,800
Write down in value of property stocks	1,611	-	-	-
	508,216	352,119	81,811	60,067

34. PROFIT FROM OPERATIONS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Profit from operations is arrived at after charging/(crediting):				
Auditors' remuneration - audit				
- current year	674	507	93	89
- under provision in prior year	60	15	4	11
Auditors' remuneration - non-audit	9	6	-	-
Amortisation/write-off of goodwill	1,332	1,541	-	-
Bad debts written off	393	1,750	142	10
Depreciation of property, plant and equipment	41,439	31,288	3,269	3,096
Development costs written off				
- land held for property development	76	-	76	-
- properties under development	-	511	-	511
Directors' emoluments payable to				
- executive directors of the Company	4,210	3,477	4,210	3,477
- non-executive directors of the Company	33	27	33	27
Directors' fees payable to non-executive directors of the Company	102	72	102	72
Impairment loss on land held for property development	-	2,730	-	-
Inventories written off	5,223	22	-	-
Investment properties written off	-	222	-	-
Liquidated damages payable	1,467	468	-	-
Operating lease rentals	46,800	46,800	46,800	46,800

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

34. PROFIT FROM OPERATIONS (CONT'D)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Profit from operations is arrived at after charging/(crediting) (Cont'd):				
Provision for doubtful debts				
- due from subsidiary companies	-	-	375	260
- due from associated companies	101	89	-	-
- others	2,000	846	301	311
Provision for slow moving inventories	6	96	-	-
Rental of:				
- land and buildings	2,136	2,255	972	1,112
- equipment, plant and machinery	483	576	221	249
- others	32	24	-	-
Interest income				
- from subsidiaries	-	-	(26,320)	(24,964)
- others	(5,883)	(5,226)	(928)	(959)
Liquidated damages receivable	(1,531)	(3,184)	-	(2,252)
Provision for doubtful debts no longer required				
- due from subsidiary companies	-	-	(4)	-
- others	(152)	(2,517)	-	(296)
Rental income				
- equipment	(4,379)	(3,033)	-	-
- others	(4,352)	(4,321)	-	-
Realised exchange gain	(68)	(80)	-	-
Staff costs:				
Wages and salaries	84,122	82,725	8,267	7,381
Pension costs				
- defined contribution plan	9,735	9,177	1,329	1,071
Other staff related expenses	35,149	28,322	5,413	2,936
	129,006	120,224	15,009	11,388

The estimated monetary value of benefits-in-kind received by executive directors of the Company is RM171,000 (2003: RM140,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

35. FINANCE COSTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Dividend on redeemable preference shares issued by a subsidiary	930	996	-	-
Interest expense:				
- hire purchase and finance lease arrangements	731	1,147	16	42
- inter-company balances	-	-	4,490	2,649
- related party balances	9,694	7,673	2,588	2,860
- bank overdrafts	66	263	5	57
- revolving credits	6,484	7,095	6,484	7,059
- commercial papers and medium term notes	16,708	10,583	16,708	10,583
- term loans	13,083	9,298	264	2,734
	47,696	37,055	30,555	25,984

36. RESULTS ARISING FROM OTHER INVESTING ACTIVITIES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Loss on disposal of an associate	-	(2,426)	-	(2,426)
Gain/(loss) on disposal of property, plant and equipment				
- current year	53,572	(291)	18	142
- under recognition in prior year	4,057	-	-	-
Property, plant and equipment written off	(109)	(6)	(6)	-
Impairment losses on				
- property, plant and equipment	(11,736)	-	(7,500)	-
- investment in a subsidiary	-	-	-	(215)
Write-back of impairment losses on				
- property, plant and equipment	-	38,495	-	-
- investment in a subsidiary	-	-	3,995	-
Gain on compulsory acquisition of land by the government	1,701	7,642	-	-
	47,485	43,414	(3,493)	(2,499)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

37. TAXATION

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Malaysian income tax				
- current	45,402	28,863	7,648	3,514
- (over)/under provided in prior years	(2,478)	(766)	(2,073)	450
	42,924	28,097	5,575	3,964
Foreign tax				
- current	2,750	-	-	-
	45,674	28,097	5,575	3,964
Real property gains tax				
- under provided in prior years	-	2	-	-
Deferred tax (Note 31):				
- relating to origination and reversal of temporary differences	(1,444)	7,518	-	-
- over provided in prior years	(1,592)	(177)	-	-
	(3,036)	7,341	-	-
	42,638	35,440	5,575	3,964

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2003: 28%) of the estimated assessable profit for the year except for the tax incentive of 8% (2003: 8%) exempted for the first RM500,000 (2003: RM100,000) taxable profit each granted to certain subsidiaries by the Inland Revenue Board. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

37. TAXATION (CONT'D)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2004 RM'000	2003 RM'000
Group		
Profit before taxation	169,157	107,134
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	47,364	29,998
Effect of income subject to tax rate of 20% (2003: 20%)	(361)	(72)
Effect of different tax rates in other countries	410	115
Effect of income subject to real property gains tax	(476)	–
Effect of income not subject to tax	(1,600)	(11,174)
Effect of expenses not deductible for tax purposes	9,748	11,356
Effect of utilisation of capital allowances claimed on non-depreciable investment properties	(1,287)	(1,539)
Effect of utilisation of previously unrecognised tax losses, unabsorbed capital allowances and other deductible temporary differences	(15,697)	(2,214)
Deferred tax assets not recognised in respect of current year's tax losses, unabsorbed capital allowances and other deductible temporary differences	13,451	9,911
Deferred tax assets recognised on previously unrecognised tax losses, unabsorbed capital allowances and other deductible temporary differences	(4,844)	–
Over provision of income tax in prior years	(2,478)	(766)
Under provision of real property gains tax in prior years	–	2
Over provision of deferred tax in prior years	(1,592)	(177)
Tax expense for the year	42,638	35,440
Company		
Profit before taxation	26,852	12,848
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	7,519	3,598
Effect of income not subject to tax	(2,799)	(1,680)
Effect of expenses not deductible for tax purposes	470	945
Deferred tax assets not recognised in respect of current year's unabsorbed capital allowances	2,458	651
(Over)/under provision of income tax in prior years	(2,073)	450
Tax expense for the year	5,575	3,964

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

37. TAXATION (CONT'D)

Tax savings during the financial year arising from:

	2004 RM'000	2003 RM'000
Utilisation of current year tax losses	83	–
Utilisation of previously unrecognised tax losses	3,012	435

38. EARNINGS PER SHARE

(a) Basic

The calculation of the basic earnings per share for the Group is based on net profit for the year of RM66,906,000 (2003: RM25,480,000) less preference shares dividend of RM Nil (2003: RM1,035,000) and the weighted average number of ordinary shares in issue as at 31 December 2004 of RM406,324,000 (2003: RM391,327,000).

(b) Diluted

The calculation of the diluted earnings per share for the Group is based on net profit for the year of RM66,906,000 (2003: RM25,480,000) less preference shares dividend of RM Nil (2003: RM1,035,000), divided by the number of ordinary shares that would have been in issue calculated as follows:

	2004 '000	2003 '000
Weighted average number of ordinary shares in issue	406,324	391,327
Adjustment for assumed conversion of share options under the Employees' Share Option Scheme	15,875	27,718
Adjusted weighted average number of ordinary shares that would have been in issue	422,199	419,045

39. PRIOR YEAR ADJUSTMENT

In financial year ended 31 December 2002, on adoption of MASB 25 - Income Taxes, the financial statements of the previous financial year had been restated to provide for deferred tax liabilities at balance sheet date on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Although the Group has certain tax incentives which could be used to set-off against taxable profit, deferred tax assets that might arise from such tax incentives were not recognised in arriving at the deferred tax position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

39. PRIOR YEAR ADJUSTMENT (CONT'D)

In financial year ended 31 December 2003, a prior year adjustment ("PYA") was effected to take into account the above deferred tax assets. Details of the effect of the PYA to the Group are as follows:

	Group	
	2004 RM'000	2003 RM'000
Effect on retained profit:		
At 1 January, as previously stated	166,794	131,892
Effect of PYA	-	15,945
At 1 January, as restated	166,794	147,837
Effect on net profit for the year:		
Net profit for the year, as previously stated	66,906	29,505
Effect of PYA	-	(4,025)
Net profit for the year, as restated	66,906	25,480

The reduction in net profit for the previous financial year was due to the reversal of deductible temporary differences that gave rise to the deferred tax assets recognised arising from the PYA.

40. DIVIDENDS

	Group/Company	
	2004 RM'000	2003 RM'000
6.6% less 28% taxation on CCPS, paid in February 2003	-	1,188
Interim dividend of 1.5% less 28% taxation on ordinary shares (1.08 sen net per share) in respect of financial year ended 31 December 2002, paid in April 2003	-	4,322
Final dividend of 1.0% less 28% taxation on ordinary shares (0.72 sen net per share) in respect of financial year ended 31 December 2003, paid in July 2004	2,944	-
	2,944	5,510
6.6% less 28% taxation on CCPS - over provision in prior year	-	(153)
	2,944	5,357

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

41. SIGNIFICANT INTER-COMPANY TRANSACTIONS

	Company	
	2004 RM'000	2003 RM'000
Interest receivable from subsidiaries	(26,320)	(24,964)
Rent receivable from subsidiaries	(47,965)	(48,050)
Accounting services fees payable to a subsidiary	368	363
Interest payable to subsidiaries	4,490	2,649
Rent payable to a subsidiary	675	495

42. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the year, the Group transacted with certain related parties. The transactions are principally payable to/(receivable from) the related parties in respect of:

Name of Companies	Nature of Transactions	Group	
		2004 RM'000	2003 RM'000
(a) Sunway Holdings Incorporated Berhad Group ("Suninc Group")	Construction costs	107,921	102,977
	Interest expense	9,547	9,546
	Management fees	580	492
	Insurance premium	3,483	3,660
	Lease rental	5,374	1,315
	Rental of premises	26	690
	Purchase of building materials	1,498	2,580
	Rental income	(5,382)	(2,891)
	Hotel and related services	(862)	(1,434)
	Recreational services	(124)	(78)
	Ticketing and tour sales	(688)	(529)
	Medical services	(757)	(713)
	Property management services	(56)	–
Accounting and related services	–	(21)	
(b) Buildtrend B.S.G. (M) Sdn. Bhd. Group ("Buildtrend Group")	Purchase of building materials	–	772
	Medical services	–	(4)
(c) Koperasi Tunas Muda Sungai Ara Berhad Group ("KTM Group")	Construction costs	1,204	3,276
(d) Sunway Technology Sdn. Bhd. Group ("STSB Group")	Information systems products and consultancy fees	302	1,468
	Hotel and related services	(3)	(6)
	Ticketing and tour sales	(37)	(46)
	Medical services	(30)	(40)
	Rental income	(335)	(163)
Recreational services	–	(1)	
(e) Perbadanan Kemajuan Negeri Selangor Group ("PKNS Group")	Purchase of building materials	17,179	8,726
	Land and land related services	10,629	16,513
	Medical services	–	(1)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

42. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Name of Companies	Nature of Transactions	Group	
		2004 RM'000	2003 RM'000
(f) Sungei Way Enterprise (1988) Sdn. Bhd. ("SWESB")	Purchase of building materials	13	–
	Hiring of machinery	–	3
	Rental income	(55)	(224)
	Ticketing and tour sales	–	(29)
	Medical services	–	(37)
	Recreational services	–	(1)
(g) Adasia (M) Sdn. Bhd. ("Adasia")	Advertising fees	2,194	2,591
	Medical services	(5)	(6)
	Rental income	(4)	(1)
(h) CCM Chemicals Sdn. Bhd. ("CCM")	Purchase of chemicals and related products	332	270
(i) Sunway College Sdn. Bhd. Group ("SCSB Group")	Conference and seminar	11	1
	Rental income	(10,260)	(10,328)
	Recreational services	(17)	(16)
	Hotel and related services	(66)	(205)
	Ticketing and tour sales	(212)	(651)
	Medical services	(230)	(302)
(j) Asian Strategy & Leadership Incorporated Sdn. Bhd. ("ASLI")	Conference and seminar	17	1
	Ticketing and tour sales	(35)	(57)
	Medical services	(21)	(9)
	Recreational services	(1)	(1)
	Rental income	(1)	(1)
(k) Sunway Hydraulic Industries Sdn. Bhd. ("SHISB")	Ticketing and tour sales	(10)	(2)
	Medical services	(2)	(5)
	Rental income	(2)	–
	Hotel and related services	–	(1)
(l) Dekon Sdn. Bhd. Group ("DSB Group")	Construction costs	128,503	63,867
	Landscaping services	1,738	1,118
	Ticketing and tour sales	(5)	(2)
	Medical services	(8)	(16)
	Recreational services	(2)	(1)
	Rental income	(54)	(29)
	Hotel and related services	–	(2)
(m) Akitek Akiprima Sdn. Bhd. ("AASB")	Architectural consultancy	1,211	798
(n) PRK Builders Sdn. Bhd. ("PRK")	Construction cost	12,454	47,686
	Hotel and related services	–	(5)
	Medical services	–	(33)
	Rental income	–	(337)
	Ticketing and tour sales	–	(38)
(o) Jef-San Enterprise Sdn. Bhd. ("Jef-San")	Rental of properties	198	264
	Ticketing and tour sales	(2)	(1)
	Medical services	(16)	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

42. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

The above parties are deemed related to the Group as follows:

- (a) Suninc Group is deemed related to the Group by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's common directorship and interests in Suninc Group and the Company.
- (b) Buildtrend Group is deemed related to the Group by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's deemed interest in Buildtrend Group and interest in the Company. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng, being the spouse of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling also has deemed interest in Buildtrend Group.
- (c) KTM Group is deemed related to the Group by virtue of its substantial shareholding in Sunway Tunas Sdn. Bhd., a 70% owned subsidiary of the Company and interest in the Company.
- (d) STSB Group is deemed related to the Group by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's deemed interest in STSB Group and interest in the Company. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng and Sarena Cheah Yean Tih, being the spouse and child of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling respectively also have deemed interests in STSB Group.
- (e) PKNS Group is deemed related to the Group by virtue of its substantial shareholdings in the Company and Sunway Damansara Sdn. Bhd., a 60% owned subsidiary of the Company.
- (f) SWESB is deemed related to the Group by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's deemed interest in SWESB and interest in the Company. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng and Sarena Cheah Yean Tih, being the spouse and child of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling respectively also have deemed interests in SWESB.
- (g) Adasia is deemed related to the Group by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's deemed interest in Adasia and interest in the Company. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng and Sarena Cheah Yean Tih, being the spouse and child of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling respectively also have deemed interests in Adasia. Sarena Cheah Yean Tih is a director of Adasia.
- (h) CCM is deemed related to the Group by virtue of Dato' Lim Say Chong's and Oh Kim Sun's deemed interests in CCM and direct interests in Sunway Lagoon Sdn. Bhd., a 51% owned subsidiary of the Company.
- (i) SCSB Group is deemed related to the Group by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's and Datuk Razman M Hashim's common directorships and deemed interests in SCSB Group via Sunway College Trust and interests in the Company. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng and Sarena Cheah Yean Tih, being the spouse and child of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling respectively are directors and they have deemed interests in SCSB Group.
- (j) ASLI is deemed related to the Group by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's direct and deemed interests in ASLI as well as interest in the Company. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng, being the spouse of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling is a director and she has deemed interest in ASLI.
- (k) SHISB is deemed related to the Group by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's deemed interest in SHISB and interest in the Company as well as Datuk Razman M Hashim's common directorship and interests in SHISB and the Company. Sarena Cheah Yean Tih, being the child of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling also has deemed interest in SHISB.
- (l) DSB Group is deemed related to the Group by virtue of Datuk Razman M Hashim's deemed interest in DSB Group and interest in the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

42. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

- (m) AASB is deemed related to the Group by virtue of Cheah Teik Jin's directorship and substantial shareholding in AASB. Cheah Teik Jin is the brother of Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng who is the spouse of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling.
- (n) PRK is deemed related to the Group by virtue of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's and Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng's deemed interests in PRK via Sungei Way Corporation Sdn. Bhd. where they have more than 15% shareholdings, and Tan Sri Dato' Seri (Dr.) Cheah Fook Ling's interest in the Company. Sarena Cheah Yean Tih is a director and she has deemed interest in PRK. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng and Sarena Cheah Yean Tih are the spouse and child of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling respectively.
- (o) Jef-San is deemed related to the Group by virtue of Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng's and Sarena Cheah Yean Tih's directorships in Jef-San. Tan Sri Dato' Seri (Dr.) Cheah Fook Ling and Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng are substantial shareholders of Jef-San. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng and Sarena Cheah Yean Tih are the spouse and child of Tan Sri Dato' Seri (Dr.) Cheah Fook Ling respectively.

These transactions were undertaken at mutually agreed terms between the companies in the normal course of business and were established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

43. CAPITAL COMMITMENTS

	Group	
	2004 RM'000	2003 RM'000
Capital expenditure		
– contracted but not provided for	55,781	124,209
– approved but not contracted for	389,905	–
	445,686	124,209

44. LEASE COMMITMENTS

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group/Company	
	2004 RM'000	2003 RM'000
Less than 1 year	46,800	46,800
Between 1 and 5 years	93,599	140,399
	140,399	187,199

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

44. LEASE COMMITMENTS (CONT'D)

The lease arrangements were entered into in connection with the asset-backed securitisation exercise as disclosed in Note 11 to the financial statements.

The leased properties have been subleased by the Company to certain subsidiaries. One of the subsidiaries in turn subleased the leased property to Sunway College Sdn. Bhd. Group, a related party. The relationship with the related party is as disclosed in Note 42 to the financial statements. Sublease income of the Group and of the Company of RM10,260,000 and RM46,800,000 respectively is expected to be received during the next financial year.

45. CONTINGENT LIABILITIES AND CONTINGENT ASSET

(a) Contingent Liabilities

	Company	
	2004 RM'000	2003 RM'000
Guarantees given to licensed financial institutions for banking facilities granted to subsidiaries	257,176	71,443

All the above contingent liabilities are unsecured.

(b) Contingent Assets (Group and Company)

The Company has entered into a settlement agreement with a third party for the settlement of long-outstanding balances arising from a joint venture operation undertaken with the said party. The joint venture operation was terminated in a prior year.

The settlement agreement has been completed in 2005, giving rise to gain on settlement of RM4,907,000.

46. SUBSIDIARIES AND ASSOCIATES

Details of the subsidiaries and associates are as follows:

Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
			2004 %	2003 %
(a) Subsidiaries of Sunway City Berhad				
Bintutara Sdn. Bhd.	Malaysia	Property development and investment holding	100	100
Sunway Kinrara Sdn. Bhd.	Malaysia	Property development	100	100
Sunway Hotel (Penang) Sdn. Bhd.	Malaysia	Hotel business	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

46. SUBSIDIARIES AND ASSOCIATES (CONT'D)

Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
			2004 %	2003 %
(a) Subsidiaries of Sunway City Berhad (Cont'd)				
Sunway City (Penang) Sdn. Bhd.	Malaysia	Property development and investment holding	75	75
Konsep Objektif (M) Sdn. Bhd.	Malaysia	Investment holding	70	70
Sunway Pyramid Sdn. Bhd.	Malaysia	Shopping mall operator	52	52
Syarikat Shoib Properties Sdn. Bhd.	Malaysia	Property development and investment holding	100	100
Sunway Lagoon Sdn. Bhd.	Malaysia	Theme park operator	51	51
Sunway Resort Hotel Sdn. Bhd.	Malaysia	Hotel business and property development	100	100
Sunway Lagoon Club Berhad	Malaysia	Recreational club facilities	83.6	83.6
Sunway Travel Sdn. Bhd.	Malaysia	Travel and tour agent	87	87
Allson International Holdings Limited	British Virgin Islands	Hotel management	100	100
Emerald Tycoon Sdn. Bhd.	Malaysia	Investment holding	100	100
Ekuiti Meranti (M) Sdn. Bhd.	Malaysia	Investment holding	100	100
Sunway Monorail Sdn. Bhd.	Malaysia	Monorail operator	100	100
Sunway Grand Sdn. Bhd. (formerly known as Grandeal Trading Co. Sdn. Bhd.)	Malaysia	Property development	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

46. SUBSIDIARIES AND ASSOCIATES (CONT'D)

	Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
				2004 %	2003 %
(a)	Subsidiaries of Sunway City Berhad (Cont'd)				
	Pembinaan Objektif (M) Sdn. Bhd.	Malaysia	Investment holding	100	100
	Sunway Medical Holdings Sdn. Bhd.	Malaysia	Investment holding	100	100
	Suncity SSC Sdn. Bhd.	Malaysia	Provision of shared services	100	100
	Sunway City (Cambodia) Sdn. Bhd.	Malaysia	Investment holding	76	76
	Sunway City (Ipoh) Sdn. Bhd.	Malaysia	Property development and investment holding	65	65
	Sunway Damansara Sdn. Bhd.	Malaysia	Property development and investment holding	60	60
	Sunway Semenyih Sdn. Bhd.	Malaysia	Property development	70	70
	Sunway Tunas Sdn. Bhd.	Malaysia	Property development	70	70
	TAH Properties Sdn. Bhd.	Malaysia	Dormant	70	70
	Area Star Sdn. Bhd.	Malaysia	Dormant	100	100
	Falcrest Sdn. Bhd.	Malaysia	Dormant	70	70
	# Sunway City (S'pore) Pte. Ltd.	Singapore	Promotion and marketing services	100	100
	Sunway Resort Hotel Land Sdn. Bhd.	Malaysia	Dormant	100	100
	Stellar Destiny Sdn. Bhd.	Malaysia	Management and letting of property	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

46. SUBSIDIARIES AND ASSOCIATES (CONT'D)

Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
			2004 %	2003 %
(a) Subsidiaries of Sunway City Berhad (Cont'd)				
Sunway Facility Management Sdn. Bhd. (formerly known as Sunway Facilities Management Sdn. Bhd.)	Malaysia	Building facilities management	100	100
SLR Facility Management Sdn. Bhd. (formerly known as SLR Facilities Management Sdn. Bhd.)	Malaysia	Building facilities management	100	100
Casa Mujur Sdn. Bhd.	Malaysia	Property development	100	100
Sunway Bukit Gambier Sdn. Bhd.	Malaysia	Property development	100	100
Menara Sunway Sdn. Bhd.	Malaysia	Management and letting of property	100	100
Esteem Crest Sdn. Bhd.	Malaysia	Property development	100	–
Sunway International Vacation Club Berhad (formerly known as Sunway Vacation Resorts Berhad)	Malaysia	Time sharing services	100	–
Lambang Mujur Sdn. Bhd.	Malaysia	Dormant	100	–
(b) Subsidiaries of Sunway City (Penang) Sdn. Bhd.				
Fame Parade Sdn. Bhd.	Malaysia	Dormant	100	100
Era Primision Sdn. Bhd.	Malaysia	Dormant	100	100
Commercial Parade Sdn. Bhd.	Malaysia	Dormant	100	100
Sunway Hotel (Seberang Jaya) Sdn. Bhd.	Malaysia	Hotel business	100	100
Lancar Gemilang Sdn. Bhd.	Malaysia	Dormant	100	100
Prime Delight Sdn. Bhd.	Malaysia	Dormant	100	100
Sejati Pesona Sdn. Bhd.	Malaysia	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

46. SUBSIDIARIES AND ASSOCIATES (CONT'D)

	Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
				2004 %	2003 %
(b)	Subsidiaries of Sunway City (Penang) Sdn. Bhd. (Cont'd)				
	Associated Circle Sdn. Bhd.	Malaysia	Dormant	100	100
	Alliance Parade Sdn. Bhd.	Malaysia	Property development	100	100
(c)	Subsidiary of Konsep Objektif (M) Sdn. Bhd.				
	# Sunway Hotel Phnom Penh Ltd.	Cambodia	Hotel business	75	75
(d)	Subsidiary of Sunway Pyramid Sdn. Bhd.				
	Sunway Parking Management Sdn. Bhd.	Malaysia	Car park operator	100	100
(e)	Subsidiary of Syarikat Shoib Properties Sdn. Bhd.				
	Pena Enterprise Sdn. Bhd.	Malaysia	Property development	100	100
(f)	Subsidiaries of Sunway Lagoon Sdn. Bhd.				
	Sunway Arena Entertainment Sdn. Bhd.	Malaysia	Dormant	55	55
	Eastern Glory Enterprises Limited	British Virgin Islands	Investment holding	60	60
	Commercial Highlight Sdn. Bhd.	Malaysia	Dormant	55	55
	Sunway Townhouse Sdn. Bhd.	Malaysia	Property development	100	100
	Digital Splendour Sdn. Bhd.	Malaysia	Dormant	100	100
	Esteem Crest Sdn. Bhd.	Malaysia	Dormant	–	100
	Lambang Mujur Sdn. Bhd.	Malaysia	Dormant	–	100
	Lavender Acres Sdn. Bhd.	Malaysia	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

46. SUBSIDIARIES AND ASSOCIATES (CONT'D)

	Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
				2004 %	2003 %
(f)	Subsidiaries of Sunway Lagoon Sdn. Bhd. (Cont'd)				
	Lestari Ganda Sdn. Bhd.	Malaysia	Dormant	100	100
	Logic Square Sdn. Bhd.	Malaysia	Dormant	100	100
	Perpetual Summer Sdn. Bhd.	Malaysia	Dormant	100	100
	Platinum Success Sdn. Bhd.	Malaysia	Dormant	100	100
	Splendid Crest Sdn. Bhd.	Malaysia	Dormant	100	100
	Zenith Gateway Sdn. Bhd.	Malaysia	Dormant	100	100
	Renown Oasis Sdn. Bhd.	Malaysia	Property development	100	–
	Frontier Acres Sdn. Bhd.	Malaysia	Investment holding	100	–
(g)	Subsidiaries of Allson International Holdings Limited				
	* Allson International Hotels & Resorts (H.K.) Limited	Hong Kong	Dormant	99.9	99.9
	Allson International Hotels & Resorts (B.V.I.) Limited	British Virgin Islands	Hotel management	100	100
	Allson International Management Limited	British Virgin Islands	Hotel management	100	100
	Allson Hotels & Resorts Management Sdn. Bhd.	Malaysia	Hotel management	100	100
(h)	Subsidiaries of Emerald Tycoon Sdn. Bhd.				
	Sunway Rahman Putra Sdn. Bhd.	Malaysia	Property development	100	100
	Sunway D'Mont Kiara Sdn. Bhd.	Malaysia	Property development	70	70

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

46. SUBSIDIARIES AND ASSOCIATES (CONT'D)

	Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
				2004 %	2003 %
(i)	Subsidiaries of Sunway Medical Holdings Sdn. Bhd.				
	Sunway Medical Centre Berhad	Malaysia	Operator of a medical centre	60.8	60.8
	Sunway Gamma Knife Centre (Malaysia) Sdn. Bhd.	Malaysia	Dormant	100	100
(j)	Subsidiary of Sunway City (Cambodia) Sdn. Bhd.				
	Sunway City Cambodia Limited	Cambodia	Dormant	80	80
(k)	Subsidiaries of Sunway City (Ipoh) Sdn. Bhd.				
	Kinta Sunway Resort Sdn. Bhd.	Malaysia	Dormant	100	100
	Sunway Realty (Penang) Sdn. Bhd.	Malaysia	Dormant	100	100
	Sunway Lagoon Water Park Sdn. Bhd.	Malaysia	Theme park operator	100	100
	Lagoon Fantasy Sdn. Bhd.	Malaysia	Dormant	100	100
	Semangat Kancil (M) Sdn. Bhd.	Malaysia	Dormant	100	100
	Ganda Antik Sdn. Bhd.	Malaysia	Dormant	100	100
	Bandar Sunway (Melaka) Sdn. Bhd.	Malaysia	Dormant	100	100
	Permata Aktiviti (M) Sdn. Bhd.	Malaysia	Dormant	100	100
	Lagoon Café Sdn. Bhd.	Malaysia	Dormant	100	100
	Objektif Ekuiti (M) Sdn. Bhd.	Malaysia	Dormant	100	100
	Peluang Klasik (M) Sdn. Bhd.	Malaysia	Property investment	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

46. SUBSIDIARIES AND ASSOCIATES (CONT'D)

	Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
				2004 %	2003 %
(l)	Subsidiaries of Sunway Damansara Sdn. Bhd.				
	Imbasan Intisari Sdn. Bhd.	Malaysia	Dormant	100	100
	Tidal Elegance Sdn. Bhd.	Malaysia	Dormant	100	100
	Park Symphony Sdn. Bhd.	Malaysia	Dormant	100	100
	Pan Unicreation Sdn. Bhd.	Malaysia	Dormant	100	100
	Winning Excellence Sdn. Bhd.	Malaysia	Dormant	100	100
	Laudable Generations Sdn. Bhd.	Malaysia	Dormant	100	100
	Contemporary Deal Sdn. Bhd.	Malaysia	Dormant	100	100
	Contemporary Factor Sdn. Bhd.	Malaysia	Dormant	100	100
	Petikan Tropika Sdn. Bhd.	Malaysia	Dormant	100	100
	Cahaya Jejaka Sdn. Bhd.	Malaysia	Dormant	100	100
	Seruan Istilah Sdn. Bhd.	Malaysia	Dormant	100	100
	Sumber Dorongan Sdn. Bhd.	Malaysia	Dormant	100	100
	Anggaran Salju Sdn. Bhd.	Malaysia	Dormant	100	100
	Bisikan Seni Sdn. Bhd.	Malaysia	Dormant	100	100
	Emerald Freight Sdn. Bhd.	Malaysia	Dormant	100	100
	Sunway Monterez Sdn. Bhd.	Malaysia	Property development	100	100
(m)	Subsidiary of Menara Sunway Sdn. Bhd.				
	MSW Parking Sdn. Bhd.	Malaysia	Car park management	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

46. SUBSIDIARIES AND ASSOCIATES (CONT'D)

	Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
				2004 %	2003 %
(n)	Subsidiary of SLR Facility Management Sdn. Bhd. (formerly known as SLR Facilities Management Sdn. Bhd.)				
	Sunway Galaxy Management Services Sdn. Bhd. (formerly known as Bright Galaxy Sdn. Bhd.)	Malaysia	Dormant	52	—
(o)	Subsidiaries of Eastern Glory Enterprises Limited				
	Estonia Enterprises Limited	British Virgin Islands	Investment holding	100	100
	* Hartford Lane Pty. Limited	Australia	Trustee	100	100
(p)	Subsidiaries of Estonia Enterprises Limited				
	* International Theme Park Pty. Ltd.	Australia	Dormant	100	100
	* Sunway Australia Unit Trust	Australia	Unit trust	100	100
(q)	Subsidiary of International Theme Park Pty. Ltd.				
	* Sydney Theme Park Pty. Ltd.	Australia	Theme park licence holder	100	100
(r)	Associates of Sunway City Berhad				
	Aktif-Sunway Sdn. Bhd.	Malaysia	Retailer	20	20
	Sunway Cana City Development Ltd.	Cambodia	Property development	49	—

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

46. SUBSIDIARIES AND ASSOCIATES (CONT'D)

	Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
				2004 %	2003 %
(s) Associates of Sunway Lagoon Sdn. Bhd.					
	Sunway Sayang Restaurant Sdn. Bhd.	Malaysia	Dormant	50	50
	Shochiku Sunway Lagoon Sdn. Bhd.	Malaysia	Dormant	50	50
	# Pyramid Bowl Sdn. Bhd.	Malaysia	Bowling alley operator	40	40
(t) Associate of Sunway Travel Sdn. Bhd.					
	# OSC First Holidays Co. Ltd	Socialist Republic of Vietnam	Tour and tour agent	20	20
(u) Associate of Sunway Damansara Sdn. Bhd.					
	Sunway D'Mont Kiara Sdn. Bhd.	Malaysia	Property development	30	30

Audited by firms of auditors other than Ernst & Young

* Audited by another member firm of Ernst & Young Global

47. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Completed Event

Closure of Wonderland Sydney Theme Park, Australia and Disposal of Its Property

On 16 February 2004, the Company announced that International Theme Park Pty. Ltd. ("ITP"), a company incorporated in Australia and the operator of Wonderland Sydney in Australia would close its theme park operation by middle of 2004 as part of the Group's overall rationalization exercise to exit from non-performing business units.

ITP is a wholly-owned subsidiary of Estonia Enterprises Ltd. ("Estonia") which in turn is a wholly-owned subsidiary of Eastern Glory Enterprises Ltd. ("Eastern Glory"). Eastern Glory is a 60% owned subsidiary of Sunway Lagoon Sdn. Bhd. which in turn is a 51% owned subsidiary of the Company. Both Eastern Glory and Estonia are companies incorporated in the British Virgin Islands.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

47. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

(a) Completed Event (Cont'd)

Closure of Wonderland Sydney Theme Park, Australia and Disposal of Its Property (Cont'd)

Hartford Lane Pty. Ltd. ("Hartford"), a company incorporated in Australia, had on 12 February 2004 entered into a Put and Call Option Deed (which was governed by the laws of New South Wales, Australia) with Paclib Industrial No. 5 Pty. Limited ("PIPL"), a company incorporated in Australia, to dispose the property known as Wonderland Sydney, Wallgrove Road, Eastern Creek, New South Wales ("the Property") to PIPL for a total consideration of AUD52.5 million, excluding Goods and Services Tax ("the disposal").

Hartford is a wholly-owned subsidiary of Eastern Glory, and being the Trustee of Sunway Australia Unit Trust ("SAUT"), is the registered owner of the Property. All the ordinary shares issued by SAUT are held by Estonia.

The Property consisted of a piece of land measuring 58.87 hectares (Lot 11, Plan 1025320) and buildings, structures and theme park rides thereon.

In consideration of a Call Option fee of AUD1 and the payment of the security amount of AUD10 million ("Security Amount"), Hartford had granted PIPL or its nominee a Call Option to purchase the Property on the terms to be set out in the contract for the sale of the Property ("Contract of Sale"). The Call Option period commenced three (3) months from the date of the Option Deed and ended on 9 December 2004.

In consideration of the payment of a Put Option fee of AUD1, PIPL had also granted Hartford a Put Option to require PIPL to purchase the Property on the terms to be set out in the Contract of Sale. The Put Option period commenced on 10 December 2004 and ended on 23 December 2004.

ITP closed its theme park operation in April 2004.

On 1 December 2004, PIPL's nominee, Swing High Investments Pty. Ltd. ("Swing High Investments") had exercised the Call Option and entered into a Contract of Sale with Hartford for the purchase of the Property.

The Contract of Sale had been completed on 22 December 2004 upon payment of the balance consideration of AUD42.5 million by Swing High Investments. The disposal had resulted in a gain of AUD18.2 million, net of costs incidental to the disposal.

(b) Event Pending Completion

Proposed Investment of 48% Equity Interest in Sunway Resort Hotel Sdn. Bhd. by Reco Resort Hotel Private Limited or Its Nominee

On 25 November 2004, the Company had entered into a Subscription Agreement ("Subscription Agreement") with Reco Resort Hotel Private Limited ("Reco") and Sunway Resort Hotel Sdn. Bhd. ("SRH") in relation to an internal restructuring of SRH, to be undertaken via a proposed investment of 48% equity interest in SRH by Reco ("Proposed Investment").

On 21 February 2005, the Company had entered into a Novation Agreement with Reco, SRH and Reco Resort Hotel (M) Sdn. Bhd. ("Reco-M") whereby Reco-M shall assume all rights, benefits, liabilities, duties and obligations of Reco under the Subscription Agreement and Reco-M shall be substituted in place of Reco.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

47. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

(b) Event Pending Completion (Cont'd)

Proposed Investment of 48% Equity Interest in Sunway Resort Hotel Sdn. Bhd. by Reco Resort Hotel Private Limited or Its Nominee (Cont'd)

SRH is a company incorporated in Malaysia and is a wholly-owned subsidiary of the Company. Reco, a company incorporated in the Republic of Singapore, is a wholly-owned subsidiary of Recosia Pte. Ltd. ("Recosia"), which in turn is wholly-owned by Government of Singapore Investment Corporation (Realty) Pte. Ltd. ("GIC Realty"). Reco-M is a wholly-owned subsidiary of Reco.

The Proposed Investment involves the investment of 48% equity interest in SRH by Reco-M for a total consideration of RM170.139 million, to be satisfied by cash via the following (collectively "the Proposals"):

- (i) proposed subscription of 9.6 million new ordinary shares of RM1 each in SRH at an issue price of RM1 per share, for a total cash consideration of RM9.6 million;
- (ii) proposed subscription of 56.644 million new redeemable convertible preference shares ("RPS") of RM0.01 each in SRH at an issue price and premium of RM1 and RM0.99 per share respectively, for a total cash consideration of RM56.644 million; and
- (iii) proposed shareholder's loan of RM103.895 million to SRH.

The new ordinary shares and RPS shall rank *pari passu* with the existing shares in issue.

The Company, on the other hand, undertakes such that, *inter alia*, upon completion of the abovementioned internal restructuring:

- (i) the Company shall subscribe for 400,000 new ordinary shares of RM1 each in SRH at an issue price of RM1 per share and 61.365 million new RPS of RM0.01 each in SRH at a premium to be determined via capitalisation of the amount owing by SRH to the Company;
- (ii) the amount owing by SRH to Sunway Construction Sdn. Bhd., a member company of Suninc Group, save for the construction cost of 280 resort suite units constructed and owned by SRH ("Resort Suites"), shall be assumed by the Company;
- (iii) an amount of RM132.553 million comprising RM112.553 million being 52% of total shareholders' loan and RM20 million representing future profit arising from sale of Resorts Suites, shall be set aside to remain owing to the Company; and
- (iv) the Company shall also make advances to SRH for the purpose of working capital in respect of the Resort Suites.

Upon completion of the Proposals, the Company and Reco-M shall hold 52% and 48% of the enlarged issued and paid-up share capital of SRH respectively, while the total shareholders' loan will be extended in the proportion of 52:48 between the Company and Reco-M to SRH.

The proposals were approved by the shareholders of the Company on 19 April 2005.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

48. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt as the Group had no substantial long term interest-bearing assets as at 31 December 2004 except for the Other Non-Current Investments which bear interest at a fixed rate. The investments in other financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits and in current accounts. The deposits with licensed financial institutions as at 31 December 2004, which comprise deposits at call, bear interest at 2.71% to 3.30% (2003: 2.71% to 3.50%) per annum.

The Group reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against interest rate hikes.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes to the financial statements.

The carrying amounts of financial instruments as at 31 December exposed to interest rate risks are analysed as follows:

At 31 December 2004:

	Total RM'000	Within 1 year RM'000	1 – 5 years RM'000	More than 5 years RM'000
Group				
Financial Assets				
Other non-current investments	466,203	–	466,203	–
Deposits with licensed financial institutions	56,745	56,745	–	–
Financial Liabilities				
Trade payables	11,878	11,878	–	–
Sundry payables	7,235	7,235	–	–
Amounts due to contractors and consultants	117,980	117,980	–	–
Bank overdrafts	2,171	2,171	–	–
Revolving credits	133,000	–	–	133,000
Medium term notes	249,115	–	249,115	–
Term loans	301,601	51,956	213,514	36,131

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

48. FINANCIAL INSTRUMENTS (CONT'D)

(b) Interest Rate Risk (Cont'd)

At 31 December 2004 (Cont'd):

	Total RM'000	Within 1 year RM'000	1 – 5 years RM'000	More than 5 years RM'000
Company				
Financial Assets				
Amounts due from subsidiaries	733,509	–	733,509	–
Deposits with licensed financial institutions	3,000	3,000	–	–
Financial Liabilities				
Trade payables	6,212	6,212	–	–
Sundry payables	7,235	7,235	–	–
Amounts due to contractors and consultants	13,422	13,422	–	–
Revolving credits	133,000	–	–	133,000
Medium term notes	249,115	–	249,115	–
Amounts due to subsidiaries	42,774	–	42,774	–

At 31 December 2003:

Group

Financial Assets

Other non-current investments	466,203	–	466,203	–
Trade receivables	2,902	2,902	–	–
Other receivables	523	523	–	–
Deposits with licensed financial institutions	11,904	11,904	–	–

Financial Liabilities

Trade payables	4,530	4,530	–	–
Sundry payable	7,839	7,839	–	–
Amounts due to contractors and consultants	121,168	81,168	40,000	–
Bank overdrafts	6,906	6,906	–	–
Trade bills	7,153	7,153	–	–
Revolving credits	136,400	–	–	136,400
Commercial papers	69,447	–	–	69,447
Medium term notes	153,823	–	–	153,823
Term loans	143,866	43,034	92,551	8,281

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

48. FINANCIAL INSTRUMENTS (CONT'D)

(b) Interest Rate Risk (Cont'd)

At 31 December 2003 (Cont'd):

	Total RM'000	Within 1 year RM'000	1 – 5 years RM'000	More than 5 years RM'000
Company				
Financial Assets				
Amounts due from subsidiaries	754,412	754,412	–	–
Trade receivables	338	338	–	–
Other receivables	158	158	–	–
Financial Liabilities				
Trade payables	813	813	–	–
Sundry payables	7,839	7,839	–	–
Amounts due to contractors and consultants	20,178	20,178	–	–
Revolving credits	136,400	–	–	136,400
Commercial papers	69,447	–	–	69,447
Medium term notes	153,823	–	–	153,823
Term loans	21,857	21,857	–	–
Amounts due to subsidiaries	56,967	56,967	–	–

(c) Foreign Exchange Risk

The Group is not exposed to significant foreign exchange risk as the majority of the Group's transactions, assets and liabilities are denominated in Ringgit Malaysia except for foreign exchange risk arising from countries in which certain foreign subsidiaries operate. The currencies giving rise to this risk are primarily United States Dollar, Australian Dollar, Hong Kong Dollar and Singapore Dollar.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

(d) Liquidity Risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

48. FINANCIAL INSTRUMENTS (CONT'D)

(e) Credit Risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(f) Fair Values

The aggregate fair values of certain financial assets and financial liabilities carried on the balance sheet of the Group are as follows:

	Carrying Amount		Group Fair Value	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Financial Assets				
Other Non-Current Investments				
- Subordinated Class D Notes	466,203	466,203	466,203	466,203
Financial Liabilities				
Refundable deposits				
- long term portion	16,369	16,061	14,255	10,553

The fair value of the Subordinated Class D Notes has been determined by the fair value of the assets held by ABS Real Estate Berhad less the principal amount of the Senior Notes in connection with the ABS exercise as disclosed in Note 11 to the financial statements.

The fair value of refundable deposits is estimated using discounted cash flow analysis based on current incremental lending rates offered to the Group.

The carrying value of the borrowings of the Group and of the Company, all of which are variable rate borrowings, is considered to be a reasonable estimate of the fair value as the borrowings will be repriced immediately in the event of any changes to the market interest rates.

The carrying value of the CPs and MTNs of the Group and of the Company which are variable rate borrowings, is considered to be a reasonable estimate of the fair value as the CPs and MTNs will be repriced immediately upon maturity and their interest rates approximate those financial instruments of similar risk profile.

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, tax recoverable, tax payable and other short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

48. FINANCIAL INSTRUMENTS (CONT'D)

(f) Fair Values (Cont'd)

It is not practical to determine the fair values of:

- (i) amounts due from/to subsidiaries, associates and jointly controlled entity, advances by minority shareholders and amounts due to contractors and consultants due principally to a lack of fixed repayment terms entered by the parties involved and without incurring excessive costs. However, the Group and the Company do not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.
- (ii) preference shares issued by a subsidiary because of a lack of available market information in respect of similar financing arrangement and the inability to estimate fair value without incurring excessive costs.

The fair values of all other financial assets and liabilities of the Group and the Company as at 31 December are not materially different from their carrying values.

49. SEGMENT INFORMATION

The Group's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(a) Business Segments

The Group is organised on a worldwide basis into five major business segments:

- (i) Property development - development of residential and commercial properties;
- (ii) Property investment - management and operation of shopping mall and letting of property;
- (iii) Leisure - operation of theme parks, rendering recreational club facilities, travel agent and time sharing services;
- (iv) Hospitality - management and operations of hotels; and
- (v) Healthcare - management and operation of a medical centre.

The directors are of the opinion that all inter-segment transactions were entered into in the normal course of business and were established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

49. SEGMENT INFORMATION (Cont'd)

(a) Business Segment (Cont'd)

	Property Development		Property Investment		Leisure		Hospitality		Healthcare		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE AND EXPENSES														
Revenue														
External sales	609,112	367,060	106,364	98,256	88,897	109,799	122,692	100,362	65,416	53,163	-	-	992,481	728,640
Inter-segment sales	1,702	1,247	49,578	43,634	-	626	1,902	2,303	42	-	(53,224)	(47,810)	-	-
Total revenue	610,814	368,307	155,942	141,890	88,897	110,425	124,594	102,665	65,458	53,163	(53,224)	(47,810)	992,481	728,640
Results														
Operating segment results	159,012	84,075	53,044	43,599	(40,365)	(20,059)	(220)	(3,124)	4,809	608	(5,239)	(2,708)	171,041	102,391
Unallocated corporate expenses													(1,526)	(1,259)
Finance costs													(47,696)	(37,055)
Share of results of associates	-	-	-	(374)	(267)	53	-	-	-	-	-	-	(267)	(321)
Share of results of jointly controlled entity	120	(36)	-	-	-	-	-	-	-	-	-	-	120	(36)
Results arising from other investing activities	1,696	5,397	(7,489)	(2)	49,221	37,972	4,057	-	-	47	-	-	47,485	43,414
Profit before taxation													169,157	107,134
Taxation													(42,638)	(35,440)
Profit after taxation													126,519	71,694
Minority interests													(59,613)	(46,214)
Net profit for the year													66,906	25,480

31 DECEMBER 2004 (Cont'd)

NOTES TO THE FINANCIAL STATEMENTS

49. SEGMENT INFORMATION (Cont'd)

(a) Business Segment (Cont'd)

	Property Development		Property Investment		Leisure		Hospitality		Healthcare		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS AND LIABILITIES														
Segment assets	1,241,997	904,376	707,093	703,451	360,618	281,588	464,886	448,283	78,480	77,787	(160,950)	(138,578)	2,692,124	2,276,907
Investments in associates	11,172	-	-	-	1,330	1,597	-	-	-	-	-	-	12,502	1,597
Investment in jointly controlled entity	13,540	10,836	-	-	-	-	-	-	-	-	-	-	13,540	10,836
Unallocated corporate assets													16,470	8,244
Consolidated total assets													2,734,636	2,297,584
Segment liabilities	614,712	491,087	108,227	101,405	199,384	163,410	452,710	452,556	51,758	43,778	(920,014)	(924,435)	506,777	327,801
Unallocated corporate liabilities													1,055,073	917,535
Consolidated total liabilities													1,561,850	1,245,336
OTHER INFORMATION														
Capital expenditure	7,067	6,936	18,957	14,242	44,504	2,914	60,872	31,237	4,416	5,175			135,816	60,504
Amortisation/write off of goodwill	2	-	456	456	-	-	750	961	124	124			1,332	1,541
Depreciation	586	528	12,347	11,518	15,698	9,498	4,686	1,838	8,122	7,906			41,439	31,288
Impairment losses	-	-	7,500	-	4,236	-	-	-	-	-			11,736	-
Write-back of impairment losses	-	-	-	-	-	(38,495)	-	-	-	-			-	(38,495)
Non-cash expenses other than depreciation, amortisation and impairment losses	727	2,758	(75)	1,072	6,210	178	188	356	705	(608)			7,755	3,756

31 DECEMBER 2004 (Cont'd)

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004 (Cont'd)

49. SEGMENT INFORMATION (CONTD.)

(b) Geographical Segments

Revenue is attributed to geographic areas based on the location of the assets producing the revenue.

	Malaysia		Asia (excluding Malaysia)		Australia		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total revenue from external customers	950,761	650,865	11,323	11,721	30,397	66,054	992,481	728,640
Operating segment results	205,396	110,376	243	881	(34,598)	(8,866)	171,041	102,391
Segment assets	2,497,592	2,108,829	41,886	41,647	152,646	126,431	2,692,124	2,276,907
Capital expenditure	135,636	59,148	180	142	-	1,214	135,816	60,504

50. COMPARATIVES

During the financial year, the Group and the Company adopted MASB 32 Property Development Activities for the first time. The adoption of MASB 32 did not give rise to any adjustments to the opening balances of retained profit of the prior and current year.

Comparative amounts, however, have been restated as follows:

	Previously Stated RM'000	Adjustments RM'000	Restated RM'000
At 31 December 2003:			
Group			
Land held for property development	338,639	7,173	345,812
Property development costs	309,399	12,687	322,086
Trade payables	(131,469)	4,484	(126,985)
Progress billings, included in other payables	-	(24,344)	(24,344)
Company			
Property development costs	36,039	413	36,452
Progress billings, included in other payables	-	(413)	(413)
At 1 January 2003:			
Group			
Property, plant and equipment	398,580	1,240	399,820
Land held for property development - cost	355,569	(1,240)	354,329