





# Chairman's Statement

*To all our stakeholders,*

## Creating Dreams - Building the Sunway Brand

At SunCity, we have been and will continue to be a pioneer in providing to our customers lifestyle living at its best. As a top-notch property conglomerate, SunCity has brought the Sunway lifestyle to new markets. In this financial period, SunCity launched Kiara Hills and Sunway Cheras in Kuala Lumpur, Sunway Bukit Gambier and Sunway Mutiara in Penang, and Sunway Toul Kok City in Phnom Penh, Cambodia. These new SunCity developments set new benchmarks for property developments in these regions.

Branding has become the cornerstone of SunCity's success. We have built our brand values on innovative concepts and designs, anticipating our customers' needs and wants, offering strategically located properties with good investment value, and delivering the best customer service. We believe that now, more than ever, in the face of the current tough property market, SunCity has to step up and prove that we will continue to deliver the best value to our customers.

SunCity also drives continuous efforts in building our Sunway Lagoon Resort brand. We are proud to be recognised as one of Malaysia's premier integrated resort development, and Asia's most celebrated theme destination. Our branding efforts have positioned Sunway Lagoon Resort as the ideal beneficiary of the upcoming Visit Malaysia Year 2007.

Our showcase hotel development including Sunway Resort Hotel & Spa, Pyramid Tower Hotel, The Villas and The Duplex cater to various segments of the tourist market. Sunway Lagoon Resort continues to align to the Government's expanded efforts to project Malaysia as a top destination for international meetings, incentives, conventions and exhibitions (MICE) which accounts for only 4.7% of the estimated 16.4 million tourist arrivals in Malaysia in 2005 but account for 9.2% of the RM31.9 billion tourism receipts.

SunCity also offers medical tourism with Sunway Healthy Lifestyle and Sunway Medical Centre, and a time-share vacation club, Sunway International Vacation Club, which are high growth new tourism market sub-segments. Monash University Sunway Malaysia's new campus, together with Sunway University College are poised to further develop Bandar Sunway as an education hub and tap into edu-tourism, which is being aggressively promoted by the Tourism Ministry.

In 2006, the Sunway Group has unified our brands with the unveiling of our new dynamic and bold logo. The stylised S in vibrant orange portrays excitement, action, warmth, passion and energy. This simple and clean icon of SunCity is poised to become the emblem of what SunCity stands for – forward looking, borderless and welcoming innovative ideas regardless of origin.

## Delivering Promises

SunCity has delivered another year of excellent results and achievements. For the 18 months' financial period 2006, SunCity achieved a group revenue of RM1,574.4 million and profit before tax of RM421.1 million. On a calendar year basis, revenue has

# Chairman's Statement *(cont'd)*

grown from RM992.5 million in 2004 to RM1,139.4 million in 2005, with an increase in profit before tax from RM169.2 million in 2004 to RM284.0 million in 2005. The revenue for the 1st half of 2006 is RM435.0 million compared to RM561.9 million in the 1st half of 2005. Profit before tax was RM137.1 million in the 1st half of 2006 compared to RM131.8 million in the 1st half of 2005. Amid a rising interest rate environment and declining consumer sentiment, SunCity remains competitive and continues to sustain our growth capabilities.

## Dividends

I am pleased to announce that the Board has declared a 2nd interim gross dividend of 4% per share for the financial period ended 30 June 2006. Together with the 1st interim gross dividend of 3.5% per share which has been paid on 28 April 2006, the total dividends for the financial period is 7.5% per share, representing 13% of SunCity's net profit.

## Property Development

SunCity continues to focus on property development as its key earnings driver. During the financial period, property development realised a profit from operations of RM332.9 million, contributing 79% to total group profit. Moving forward, property development has strong unbilled progress billings of RM825.0 million as at June 2006 to build an even stronger performance in 2007.

We believe our multi location, customer centric strategy of providing a range of exclusive lifestyle products, in tune to market trends, is the key to sustaining and enhancing our market leadership. We differentiate our products by constantly communicating with our customers to gain insights into their requirements, expectations and future demands. Affirming our quality hallmark for property development, SunCity has not only maintained our overall position in The Edge's Top 10 Property Developers Awards but also excel in our quality achievement, improving by 4 positions. SunCity was also top 3 in the Euromoney Real Estate Awards 2006 among 82 property developers in Malaysia.

One of our key strategic imperatives is to maintain our strategic advantage of prime locations through landbank acquisition. During the financial period, we acquired a total of 62 acres of prime land in the Klang Valley and Penang with potential gross development value of RM981.0 million. This brings our landbank to 2,326 acres with a gross development value of RM9.2 billion and provides SunCity the impetus for achieving more than RM1.0 billion launches annually.

SunCity is confident that its next iconic development, Sunway South Quay, with Kuwait Finance House (Malaysia) Bhd (KFH) and Employees Provident Fund Board as strategic partners, will further propel its growth. Both institutional investors have each taken a 20% strategic stake, further enhancing purchasers' confidence in this prestigious development. Sunway South Quay will have the added advantage of KFH's international

connections, and enable SunCity to gain access to the lucrative market of Middle Eastern property investors.

## Property Investment

During the financial period, Property Investment has achieved a commendable profit from operations of RM78.1 million. This profit was mainly contributed by Sunway Pyramid, a reflection of strong retail performance in the Klang Valley. Total retail sales is expected to grow at least an average of 7% per annum in the next 3 years. This will provide the support for Sunway Pyramid's expansion as the catalyst for immense growth of SunCity's property investment segment.

Construction is in progress to add 700,000 square feet to bring Sunway Pyramid's net lettable area to a total of 1.6 million square feet. To be completed in September 2007, the expansion is projected to double Sunway Pyramid's profit by 2010. The mall will showcase the colours, cultures and products from renowned shopping precincts around the world with distinct retail zones such as Fashion Central, Asian Avenue, Marrakesh Street and the extended Oasis Boulevard. The new integrated mall will continue to target the middle-income group in the surrounding catchment area, with a total population of 2 million.

SunCity has also identified high growth potential in the retail industry in Penang. Sunway Carnival Shopping Mall will be completed by the 2nd quarter of 2007, and add 520,000 square feet of high quality retail space in Penang. SunCity is confident that with the retail management expertise gained from Sunway Pyramid, Sunway Carnival is set to emerge as one of Penang's premier lifestyle mall and bring the Sunway shopping experience to the Northern Region.

## Hospitality

Our hospitality division continues to improve performances in the past financial period, achieving segmental revenue of RM224.6 million and profit from operations of RM15.4 million. Sunway Resort Hotel & Spa registered 76% occupancy rate, while Pyramid Tower Hotel recorded 81% occupancy rate. This compares to the average occupancy in Kuala Lumpur hotels of 66%.

The hotel also won The Best 5-star MICE Hotel award at the Hospitality Asia Platinum Award 2005. This is a testimony of our hotel's superior event innovation and offerings, service delivery and diverse facilities options. The hotel also opened the Mandara Spa in July 2006, creating a new wellness tourism product to further diversify the range of services we offer.

Another major milestone for the hospitality division is the 48% equity participation of the Government of Singapore Investment Corporation Pte Ltd (GIC) in Sunway Resort Hotel Sdn Bhd, which was completed in April 2005. SunCity's strategic partnership with GIC since 2000 has produced positive results and will see an increasing robust financial trend in the hospitality division in years to come.

# Chairman's Statement *(cont'd)*

## Healthcare

Sunway Medical Centre extends its profit trend in the financial period, chalking up a profit from operations of RM10.2 million, an annualised growth of 33% from RM4.8 million in 2004. Making a name as one of the country's premier specialist care hospitals in the short 7 years since its inception, Sunway Medical Centre has been on a double-digit growth path, far exceeding expectations.

With Malaysia's growing need for high quality healthcare, Sunway Medical Centre is already operating at full capacity and has begun expansion to add to its current capacity, range of medical equipment and specialist doctors. The expansion will add more than 100 beds and 44 specialist clinic suites to a total of 350 beds and 100 clinic suites. 3 operating theatres will add to the existing 6 theatres.

## Leisure

Sunway Lagoon Theme Park continues to draw visitors, both local and foreign to Sunway Lagoon Resort. The most recent addition, the Sandy Beach is Asia's longest man made surf beach, and has hosted Fear Factor Malaysia, The Quiksilver Revolution Tour, The Asian X-Games and many more exciting international and local events. Other new attractions unveiled include the Kalahari Kids water-play area, the Voodoo Passage and the Pirate's Revenge, a 360-degree ride. Tapping into new market segments, Sunway Lagoon Theme Park will continue to enhance the Sunway Lagoon Resort brand.

In Ipoh, The Lost World of Tambun water park has proven to be a hit with the locals in the Northern Region. Set against a backdrop of magnificent limestone hills and boasting a natural hot spring pool, the park is a unique tourist destination which epitomises the Sunway Resort Living concept.

## Transforming Lives

### People + Culture + The Future

In order to continuously enhance shareholders' value, we require an organisational culture of innovation and a high standard of quality. To deliver and exceed customers' expectations, SunCity has a strategic commitment to human capital development excellence. Our passion to develop human capital in Malaysia's knowledge-based economy was recognised in 2005, when SunCity won Malaysia's Innovative Human Capital Development 2004 award.

With our strong and responsive management team, SunCity has cultivated an exciting and rewarding relationship with its business partners, thus providing us with new business opportunities and investments. And at SunCity, we have adopted an entrepreneurial mindset, to adapt and change, to stay competitive and maximise our opportunities.

The success we have achieved has been the result of the disciplined and consistent approach we have taken in executing our plans. Reaching forth, SunCity will continue to focus on enhancement of our earnings base, through strategic landbank acquisition, lettable space creation and niche market developments. We will continue our relentless improvement on quality, costs and customer service. We are going to build on our unique strengths and capabilities, to differentiate ourselves from our competitors and deliver value to our shareholders.

SunCity currently holds various high-yield properties with new investment properties namely Sunway Pyramid Shopping Mall, Sunway Carnival Shopping Mall and Monash University Sunway Malaysia campus which are close to completion. SunCity is currently evaluating various proposals to unlock the potential of this pool of valuable assets amounting to approximately RM3.0 billion. This will enhance SunCity's growth potential and provide immediate returns to our shareholders.

## Corporate Governance

We are proud to maintain high standards of accountability and corporate governance by keeping abreast on latest developments in corporate transparency. With effect from 1 July 2006, we will prepare our accounts using the Financial Reporting Standards (FRS).

## Appreciation

On behalf of the Board, I would like to express my appreciation and gratitude to the Board members for their commitment and contributions made throughout the year. I would also like to thank all our staff and management for their untiring effort in propelling SunCity forward. To our valued customers, business associates, bankers, government authorities and shareholders, I thank you for your continuous support and confidence in SunCity.

*Yours Sincerely,*



**Tan Sri Dato' Seri (Dr) Cheah Fook Ling**  
Executive Chairman

17 October 2006