

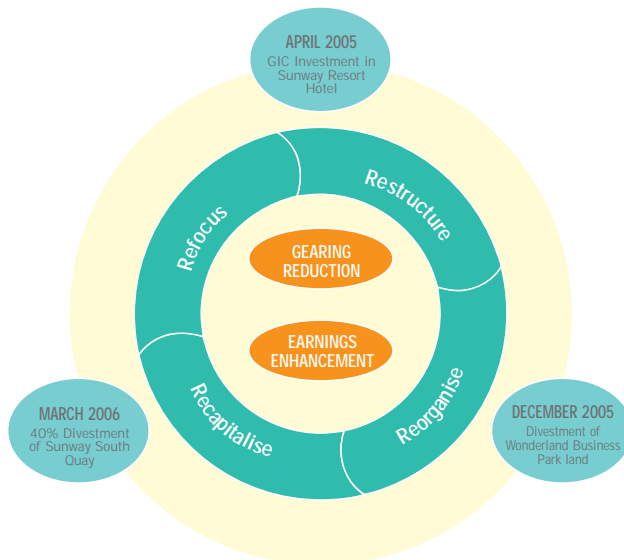
Chief Financial Officer's Review



The financial period 2006¹ was characterised by inflation due to the increase in global oil prices. This resulted in increasing interest rates, both locally and internationally. In addition, cost escalation prevailed, as a result of high fuel prices and rising commodity prices. All these led to weakening consumer sentiment. Despite these challenging economic conditions, SunCity has delivered a strong performance. The 18-month net profit is RM166.7 million (annualised: RM111.1 million), a 66% annualised growth compared to RM66.9 million in 2004.

SunCity's Rejuvenation Strategy

In line with SunCity's dual corporate objectives of earnings enhancement and gearing reduction to increase the shareholders' value, we had successfully completed several major corporate milestones.



■ GIC Investment in Sunway Resort Hotel Sdn Bhd (SRH)

In April 2005, SunCity had completed the divestment of 48% of SRH to the Government of Singapore Investment Corporation Pte Ltd (GIC). This represents GIC's second investment in SunCity Group since its 24% and 48% equity stakes in SunCity and Sunway Pyramid Sdn Bhd respectively in year 2000. With the proceed of the divestment of RM170.0 million, SunCity has reduced SRH's gearing and improved its earnings to the shareholders. This corporate initiative has strengthened SunCity's hospitality segment, with GIC's international track record complementing SunCity's hospitality expertise.

■ Divestment of Wonderland Business Park Land

On the back of the success of disposal of lands and closure of the Wonderland Sydney theme park in 2004, SunCity continued to dispose off its 50% interest in the remaining 120 hectares of Wonderland Business Park land in Sydney, Australia in 2005. Through this divestment, SunCity had unlocked value in this investment. The disposal price of RM59.1 million (AUD20.9 million) resulted in a net gain on disposal of RM14.2 million (AUD5.0 million). Concurrently, SunCity entered into a 50:50 co-venture agreement with the land purchaser, Australand, to develop the land into an industrial business park.

■ 40% Divestment of Sunway South Quay Sdn Bhd

In March 2006, SunCity had divested 40% of Sunway South Quay Sdn Bhd. Employees Provident Fund Board (EPF) and Kuwait Finance House (Malaysia) Bhd (KFH) have each taken a 20% equity stake in SunCity's newest lakeside residential development in Bandar Sunway. This divestment, with a proceed of approximately RM140.0 million in total, represented a monetisation strategy adopted by SunCity to realise the market potential of the development land while retaining interest to maximise the future earnings. The development will enhance purchasers' confidence from the participation of EPF being the country's largest institutional investor. SunCity can also tap on KFH's international connections for the marketing of this development to Middle Eastern property investors.

¹SunCity has changed its financial year end to 30 June. Therefore, SunCity's financial results were drawn up for a period of 18 months as compared to a period of 12 months in the previous financial year ended 31 December 2004.

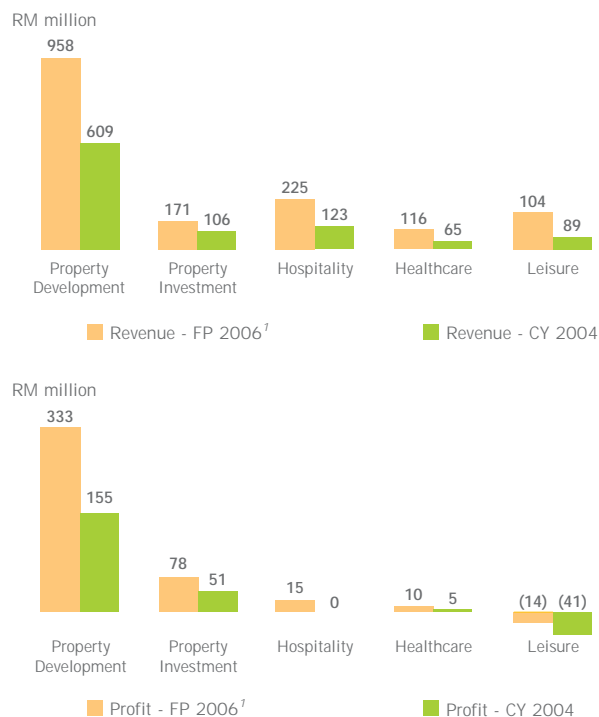
Chief Financial Officer's Review (cont'd)

Strengthened Financial Performance Despite Tough Operating Environment

Property Development being the key earnings driver

SunCity strengthened its performance from the growth of all the 5 business segments – property development, property investment, leisure, hospitality and healthcare. Property development continues to be the key earnings driver contributing 61% to revenue and 79% to earnings while other business segments have shown remarkable improvement in providing a stable income base for the Group results.

Segmental Revenue and Profit



Higher Profits Contributed by Higher Profit Margins and Share of Profit from a Jointly Controlled Entity

Consolidated Income Statement	FP 2006 ¹ 18 months RM million	CY 2005 12 months RM million	CY 2004 12 months RM million	Increase/ (Decrease) %	1H 2006 6 months RM million	1H 2005 6 months RM million	Increase/ (Decrease) %
Revenue	1,574	1,139	992	15	435	562	(23)
Profit from operations	422	303	170	78	119	139	(14)
Finance costs	(65)	(45)	(48)	(6)	(20)	(23)	(13)
Results arising from other investing activities	25	11	47	(77)	14	11	27
Share of results in associates and jointly controlled entity	39	15	(0)	100	24	5	380
Profit before taxation	421	284	169	68	137	132	4
Taxation	(93)	(81)	(43)	88	(12)	(38)	(68)
Profit after taxation	328	203	127	60	125	94	33
Minority interests	(161)	(93)	(60)	55	(68)	(34)	100
Net profit for the period/year	167	110	67	64	57	60	(5)
Basic earnings per share (sen)	40.30	26.61	16.47	62	13.69	14.59	(6)
Gross Dividends per share (%)	7.50		5.00				
Operating profit margin	27%	27%	17%	59	27%	25%	8
Profit before tax margin	27%	25%	17%	47	31%	23%	35
Net profit margin	11%	10%	7%	43	13%	11%	18

Note: FP – Financial Period, CY – Calendar Year, 1H – First Half

SunCity's CY 2005 12-month revenue grew 15% year on year. The corresponding net profit grew an impressive

64% buoyed by margin growth and higher share of profits from a jointly controlled entity, Sunway SPK Homes.

Chief Financial Officer's Review (cont'd)

61% Growth in Net Profit

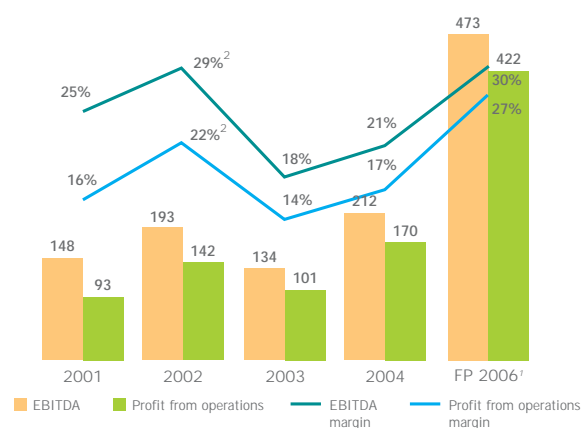
RM million	Reporting Results			Non-core Items*		Core Business Results		
	1H 2006	1H 2005	Growth	1H 2006	1H 2005	1H 2006	1H 2005	Growth
Revenue	435	562	(23%)	0	24	435	538	(19%)
Net profit for the period	57	60	(5%)	6	23	51	37	38%

* In 1H 2005, the non-core items include part of the revenue from disposal of business park land in Australia amounted to RM20 million. In 1H 2006, the non-core activities include reversal of previous years' provision for diminution of Sunway Carnival Shopping Mall in Penang as the mall is expected to commence operation in 2007. The non-core items for the same period also include the gain on divestment of 40% equity stake in Sunway South Quay Sdn Bhd.

Despite a drop of 19% in revenue due to higher property development revenue recognition for certain key projects in 2005, the core business results for 1H 2006 show a net profit growth of 38% compared to 1H 2005. This is mainly due to the strong property development margin from Sunway Damansara and Kiara Hills and the strong profit contribution from Sunway SPK Damansara.

The basic earnings per share is 40.30 sen (annualised: 26.87 sen) as compared to 16.47 sen in 2004. Gross dividend per share is 7.5% compared to 5% in 2004. This represents a gross dividend payout ratio of 13%.

Operating profit and margin trends continued their upward trend despite the tough operating environment. In the financial period 2006, the high margins arise from gain on disposal of 50% interest in Wonderland Business Park land. Excluding these non-core items, SunCity's profit margin had increased due to contribution from high-end property development of Kiara Hills and Sunway SPK Damansara.



Operational Cash Flow Generated and Invested in Major Investment Projects

Consolidated Cash Flow Statement	FP 2006 ¹ 18 months RM million	CY 2004 12 months RM million	Increase/ (Decrease) %
Cash generated from operations	240	176	36
Taxation	(91)	(45)	102
Net cash flow from operating activities	149	131	14
Net cash flow from investing activities	(209)	13	(1,708)
Net cash flow from financing activities	47	107	(56)
(Decrease)/Increase in cash and cash equivalents	(13)	251	(105)
Closing balance	358	384	(7)

Note: FP - Financial Period, CY - Calendar Year

Net cash generated from operating activities has increased to RM148.5 million from RM131.4 million in 2004. This is in line with the growth in operating profit. In the 18-month financial period 2006, the net cash flow from operations was partially used for investing activities and also to repay some long-term liabilities.

The increase in net cash flow from investing activities is primarily due to capital expenditure, which amounted to RM181.8 million. The major investments included

expansion of Sunway Pyramid Shopping Mall, Sunway Carnival Shopping Mall, the new Monash University Sunway Malaysia campus and Giant hypermarket in Ipoh.

Net cash flow from financing activities decreased mainly as a result of repayment of borrowings of RM188.5 million. SunCity's net gearing ratio has also improved from 0.52 times shareholders' funds at end 2004 to 0.33 times.

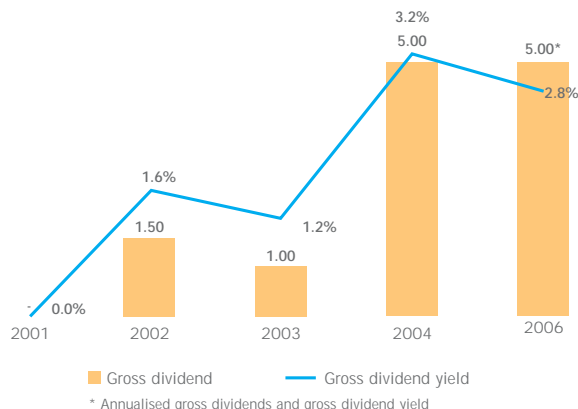
² Arises from non-core activities, including gain on disposal of 40 hectares of Wonderland Business Park land. Excluding non-core items, EBITDA margin is 25% and Profit from operations margin is 17%.

Chief Financial Officer's Review (cont'd)

Return to Shareholders

The growth trend of gross dividend per share was backed by profit growth. SunCity had announced a second interim dividend of 4% per share. This together with the first interim dividend, will result in total gross dividend for the financial period 2006 of 7.5% per share.

The cumulative average dividend yield growth per annum over the past 5 years, based on average annual share price was 12%. This shows that SunCity rewards shareholders in line with its earnings growth.



Treasury and Corporate Finance Management

The primary objective of treasury management is to ensure that SunCity is able, at all times to meet its financial commitments as they fall due.

SunCity actively manages the debt portfolio according to the economic conditions and its business operations. All borrowings take into account the nature and holding period of SunCity's developments. Investment horizons are matched to the timeframe of borrowings. SunCity balances the sources of fund between the capital market and financial institution financing to achieve optimal cost effectiveness.

In June 2006, Rating Agency Malaysia reaffirmed SunCity's short and long term ratings of P2 and A2 respectively, for the Commercial Papers/Medium Term Notes (CP/MTN).

SunCity has a pool of valuable investment properties including major developments under construction – Sunway Pyramid Shopping Mall expansion, Sunway Carnival Shopping Mall, Monash University Sunway Malaysia campus and Sunway Medical Centre expansion – valued approximately at RM3 billion. SunCity will continue to evaluate various proposals, including the Real Estate Investment Trust (REIT), to unlock the value of these assets. We are confident this asset value realisation will further enhance SunCity's growth potential and provide returns to shareholders.

Develop and Reinvent Finance Leaders

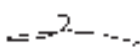
SunCity has outsourced its finance processing to Sunway Finance Shared Services Centre (FSSC) since year 2002. With the maturing service from FSSC, the finance leaders in the respective business units are facing challenges to reinvent their roles to be the strategic business partners to the operation team.

The finance leaders in the business units are now undertaking the roles of financial advisers, risk regulators and change managers, who provide decision support and strategy management that link key performance indicators to the strategic achievements in maximising shareholder returns.

Maximising Long Term Shareholder Returns

Against the backdrop of challenging economic landscape and the operating environment, SunCity is cautiously optimistic entering into financial year 2007. We are determined to enhance and enlarge the earnings capability of property development business through various land acquisitions and development joint ventures in prime locations, locally and regionally.

We look forward to increase returns of property investment segment with the 4 major investment expansions – Sunway Pyramid Shopping Mall, Sunway Carnival Shopping Mall, Monash University Sunway Malaysia campus and Sunway Medical Centre – in the next 2 years.


Koong Wai Seng
Chief Financial Officer