

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 period ended 30 June 2006.

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 businesses.

There have been no significant changes in the nature of the principal activities during the financial period other than the commencement of time sharing businesses.

CHANGE OF FINANCIAL YEAR END

During the financial period, the Company changed its financial year end from 31 December to 30 June. Accordingly, the financial statements cover an 18-month period from 1 January 2005 to 30 June 2006.

RESULTS

	Group	Company
	RM'000	RM'000
Profit after taxation	328,245	75,752
Minority interests	(161,523)	-
Net profit for the period	<u>166,722</u>	<u>75,752</u>

There were no material transfers to or from reserves or provisions during the financial period 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 period were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 37 to the financial statements.

DIRECTORS' REPORT (CONT'D)

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2004 was as follows:

	RM'000
In respect of the financial year ended 31 December 2004 as reported in the directors' report of that year:	
Interim dividend of 3.5% less 28% taxation, on 411,406,500 ordinary shares, declared on 24 February 2005 and paid on 28 April 2005	10,368
Final dividend of 1.5% less 28% taxation, on 412,027,000 ordinary shares, declared on 17 May 2005 and paid on 28 July 2005	4,451
	<hr/> 14,819 <hr/>
In respect of the financial period ended 30 June 2006:	
First interim dividend of 3.5% less 28% taxation, on 413,985,500 ordinary shares, declared on 21 February 2006 and paid on 28 April 2006	10,432
	<hr/> 25,251 <hr/>

On 29 August 2006, the Company declared a second interim dividend in respect of the financial period ended 30 June 2006, of 4.0% less 28% taxation on ordinary shares in issue on 3 October 2006 being the date of entitlement and payable on 1 November 2006.

The financial statements for the current financial period do not reflect the second interim dividend in respect of the financial period ended 30 June 2006. The second interim dividend will be accounted for in equity as an appropriation of retained profit in the financial year ending 30 June 2007.

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 (resigned on 31 March 2006)
(alternate to Dato' Wong Choon Kee)

In accordance with Article 78 of the Company's Articles of Association, Dato' Wong Choon Kee, Low Siew Moi and Lim Swe Guan retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Tan Sri Dato' Ir Talha Bin Haji Mohd Hashim, being seventy one years of age, retires at the forthcoming Annual General Meeting in accordance with Section 129 of the Companies Act, 1965 (the Act) and offers himself for re-appointment in accordance with Section 129(6) of the Act to hold office until the conclusion of the next Annual General Meeting.

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

Neither at the end of the financial period, nor at any time during that period, 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' INTERESTS

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

The Company	Number of Ordinary Shares of RM1 Each			30.6.2006
	1.1.2005	Acquired	Sold	
Tan Sri Dato' Seri (Dr) Cheah Fook Ling	*167,805,917	7,800,000	(280,000)	175,325,917
	11,123,251	280,000	–	11,403,251
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	50,000	(70,000)	11,000
Ngian Siew Siong	60,000	50,000	(45,000)	65,000

* Denotes deemed interest

DIRECTORS' REPORT (CONT'D)

The Company	Number of Options over Ordinary Shares of RM1 Each			30.6.2006
	1.1.2005	Granted	Exercised	
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	–	(50,000)	650,000
Ngian Siew Siong	650,000	–	(50,000)	600,000
Ngeow Voon Yean	700,000	–	–	700,000

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

Tan Sri Dato' Seri (Dr) Cheah Fook Ling by virtue of his interest in shares in the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial period had any interests in shares and options over shares in the Company or its related corporations during the financial period.

ISSUE OF SHARES

During the financial period, the Company increased its issued and paid-up ordinary share capital from RM410,526,500 to RM414,941,500 by way of the issuance of 4,415,000 new ordinary shares of RM1 each issued to eligible employees of the Group under the Employees' Share Option Scheme at the exercise price of RM1 per share for cash.

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

EMPLOYEES' SHARE OPTION SCHEME

The Sunway City Berhad Employees' Share Option Scheme (ESOS) 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 ESOS are:

- 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 ESOS;
- Only eligible Executive Directors and employees of the Company and of the Group will be eligible to participate in the ESOS;
- The price payable upon exercise of an option granted under the ESOS 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;
- The duration of the ESOS is ten (10) years from the date of its commencement;
- The number of options to be offered to an eligible employee in accordance with the ESOS 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

DIRECTORS' REPORT (CONT'D)

EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

(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 period was as follows:

	Number of Ordinary Shares under Option
At 1 January 2005	15,874,500
Movement during the financial period:	
- forfeited	(363,000)
- exercised	(4,415,000)
At 30 June 2006	11,096,500

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

	Number of Ordinary Shares of RM1 Each	Option Price RM
First offer	9,671,500	1.00
Second offer	1,420,000	1.15
Third offer	5,000	1.86
	11,096,500	

DIRECTORS' REPORT (CONT'D)

EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

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			
	1.1.2005	Granted	Exercised	30.6.2006
Yuen Kam Wah	750,000	–	–	750,000
Ho Hon Sang	500,000	–	–	500,000

Details of options granted to Executive Directors are disclosed in the section on Directors' Interests in this report.

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.
- (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 period 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 period.
- (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 period 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 period and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial period in which this report is made.

DIRECTORS' REPORT (CONT'D)

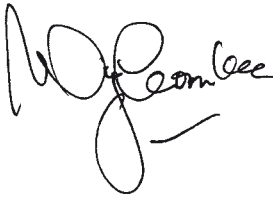
SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

Significant events during the financial period are disclosed in Note 48 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.



Dato' Wong Choon Kee

Petaling Jaya, Selangor Darul Ehsan
17 October 2006

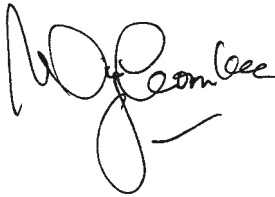


Ngian Siew Siong

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

We, Dato' Wong Choon Kee 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 97 to 164 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 30 June 2006 and of the results and the cash flows of the Group and of the Company for the period then ended.

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



Dato' Wong Choon Kee



Ngian Siew Siong

Petaling Jaya, Selangor Darul Ehsan
17 October 2006

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

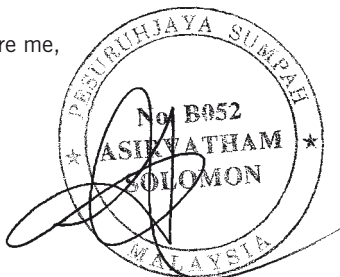
I, Koong Wai Seng, being the Officer primarily responsible for the financial management of Sunway City Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 97 to 164 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Koong Wai Seng
at Petaling Jaya in the State of Selangor
Darul Ehsan on 17 October 2006



Koong Wai Seng

Before me,



Tingkat Dua, 25-B Jalan SS15/4D
Subang Jaya, 47500 Petaling Jaya

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 97 to 164. 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.

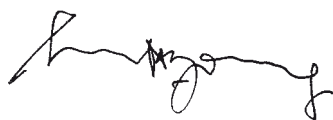
In our opinion:

- (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 30 June 2006 and of the results and the cash flows of the Group and of the Company for the period 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 47 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



Yap Seng Chong
No. 2190/12/07(J)
Partner

Kuala Lumpur, Malaysia
17 October 2006

BALANCE SHEETS

AS AT 30 JUNE 2006

	Note	Group		Company	
		30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	4	648,510	481,554	14,225	15,996
Investment properties	5	372,764	320,159	14,960	20,240
Land held for property development	6	367,495	357,324	3,239	4,505
Investments in subsidiaries	7	–	–	505,057	369,445
Amounts due from subsidiaries	8	–	–	794,904	867,763
Investments in associates	9	12,993	12,502	11,265	11,172
Investment in jointly controlled entity	10	40,822	13,540	13,456	13,456
Other non-current investments	11	466,203	466,203	–	–
Goodwill on consolidation	12	11,433	13,710	–	–
Deferred tax assets	32	28,270	12,323	3,886	–
		1,948,490	1,677,315	1,360,992	1,302,577
CURRENT ASSETS					
Property development costs	13	461,634	432,420	25,289	47,313
Inventories	14	38,607	45,129	10,597	3,174
Trade receivables	15	121,847	122,372	5,972	7,022
Other receivables	16	45,396	41,405	23,627	16,882
Amounts due from associates	17	6	4	–	–
Amount due from jointly controlled entity	18	527	–	497	–
Tax recoverable		21,149	3,596	4,980	419
Deposits with licensed financial institutions	19	166,301	65,011	18,266	11,266
Cash and bank balances	19	198,286	321,564	23,231	29,843
		1,053,753	1,031,501	112,459	115,919
CURRENT LIABILITIES					
Trade payables	20	243,648	186,953	15,438	21,945
Other payables	21	275,598	428,855	42,128	62,150
Amounts due to associates	17	2,483	–	2,483	–
Borrowings	22	104,494	54,127	17,502	–
Hire purchase and finance lease payables	23	3,529	3,603	434	128
Tax payable		15,775	8,600	–	–
		645,527	682,138	77,985	84,223
NET CURRENT ASSETS					
		408,226	349,363	34,474	31,696
		2,356,716	2,026,678	1,395,466	1,334,273

BALANCE SHEETS

AS AT 30 JUNE 2006 (CONT'D)

	Note	Group		Company	
		30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
FINANCED BY:					
Share capital	24	414,942	410,527	414,942	410,527
Share premium	25	158,406	158,406	158,406	158,406
Reserves	26	406,714	270,020	276,911	226,410
Shareholders' equity		980,062	838,953	850,259	795,343
Minority interests	27	404,570	333,833	–	–
Long term borrowings	28	556,563	631,760	358,864	382,115
Long term liabilities	29	93,618	146,166	–	–
Advances by minority shareholders of subsidiaries	30	292,328	65,945	–	–
Amounts due to subsidiaries	31	–	–	184,873	156,342
Hire purchase and finance lease payables	23	7,950	5,533	1,470	473
Deferred tax liabilities	32	21,625	4,488	–	–
		2,356,716	2,026,678	1,395,466	1,334,273

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

INCOME STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006

	Note	Group		Company	
		1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
Revenue	33	1,574,400	992,481	328,460	141,288
Cost of sales	34	(746,744)	(508,216)	(145,420)	(81,811)
Gross profit		827,656	484,265	183,040	59,477
Other operating income		52,339	26,956	33,007	30,948
Distribution costs		(44,675)	(39,174)	(1,304)	(716)
Administrative expenses		(174,242)	(105,260)	(39,781)	(8,537)
Other operating expenses		(238,890)	(197,272)	(29,893)	(20,272)
Profit from operations	35	422,188	169,515	145,069	60,900
Finance costs	36	(65,039)	(47,696)	(47,931)	(30,555)
Share of results of associates	9	498	(267)	–	–
Share of results of jointly controlled entity	10	38,181	120	–	–
Results arising from other investing activities	37	25,290	47,485	55	(3,493)
Profit before taxation		421,118	169,157	97,193	26,852
Taxation					
Company and subsidiaries		(81,874)	(42,638)	(21,441)	(5,575)
Associate	9	(100)	–	–	–
Jointly controlled entity	10	(10,899)	–	–	–
	38	(92,873)	(42,638)	(21,441)	(5,575)
Profit after taxation		328,245	126,519	75,752	21,277
Minority interests		(161,523)	(59,613)	–	–
Net profit for the period/year		166,722	66,906	75,752	21,277
Earnings per share (sen):					
Basic	40(a)	40.30	16.47		
Diluted	40(b)	39.93	15.85		
Net dividends per ordinary share in respect of the period/year (sen)	41	5.40	3.60	5.40	3.60

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2006

Group	Note	Share Capital RM'000	Share Premium RM'000	Non-distributable		Distributable	Total RM'000
				Capital Reserve RM'000	Exchange Reserve RM'000	Retained Profit RM'000	
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/(losses) not recognised in the income statement		–	–	1,172	1,815	(1,172)	1,815
Issue of ordinary shares		10,275	43	–	–	–	10,318
Net profit for the year		–	–	–	–	66,906	66,906
Dividend	41	–	–	–	–	(2,944)	(2,944)
At 31 December 2004		410,527	158,406	22,766	17,670	229,584	838,953
At 1 January 2005		410,527	158,406	22,766	17,670	229,584	838,953
Currency translation differences		–	–	–	(4,777)	–	(4,777)
Transfer to/(from) reserves		–	–	1,770	–	(1,770)	–
Net gains/(losses) not recognised in the income statement		–	–	1,770	(4,777)	(1,770)	(4,777)
Issue of ordinary shares		4,415	–	–	–	–	4,415
Net profit for the period		–	–	–	–	166,722	166,722
Dividends	41	–	–	–	–	(25,251)	(25,251)
At 30 June 2006		414,942	158,406	24,536	12,893	369,285	980,062

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2006 (CONT'D)

Company	Note	Share Capital RM'000	Share Premium RM'000	Distributable Retained Profit RM'000	Total RM'000
At 1 January 2004		400,252	158,363	208,077	766,692
Issue of ordinary shares		10,275	43	–	10,318
Net profit for the year		–	–	21,277	21,277
Dividend	41	–	–	(2,944)	(2,944)
At 31 December 2004		410,527	158,406	226,410	795,343
At 1 January 2005		410,527	158,406	226,410	795,343
Issue of ordinary shares		4,415	–	–	4,415
Net profit for the period		–	–	75,752	75,752
Dividends	41	–	–	(25,251)	(25,251)
At 30 June 2006		414,942	158,406	276,911	850,259

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

CASH FLOW STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006

	Note	Group		Company	
		1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		1,571,568	974,800	230,305	106,872
Payment to suppliers and contractors		(885,513)	(502,851)	(59,521)	(40,769)
Payment of operating expenses		(458,665)	(301,618)	(103,638)	(72,442)
Interest received					
- subsidiaries		-	-	26,517	26,320
- others		12,183	5,883	1,521	928
Dividends received from subsidiaries		-	-	35,200	1,231
Cash generated from operations		239,573	176,214	130,384	22,140
Taxes refunded		780	1,102	-	1,102
Taxes paid		(91,842)	(45,955)	(2,516)	(93)
Net cash generated from operating activities		148,511	131,361	127,868	23,149
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		1,333	147,880	495	31
Deposits paid on acquisition of land		(1,500)	(17,400)	-	(12,000)
Acquisition of property, plant and equipment	(a)	(181,827)	(102,921)	(2,092)	(388)
Addition in investment properties		(1,445)	(604)	-	-
Payment of balance consideration for the acquisition of remaining interest in an associate, thereby making it a subsidiary in a previous financial year		(7,235)	(604)	(7,235)	(604)
Acquisition of additional interests in subsidiaries		(5,448)	-	(5,448)	(500)
Subscription of additional shares in a subsidiary		-	-	(9,000)	-
Acquisition of additional interest in an associate		(93)	-	(93)	-
Acquisition of additional interest in jointly controlled entity		-	(2,584)	-	(2,584)
Investments in subsidiaries		-	-	-	(1,002)
Investment in an associate		-	(11,172)	-	(11,172)
Redemption of preference shares in a subsidiary		-	-	61,200	-
Advances/repayment from subsidiaries		-	-	18,212	109,373
Advances/repayment to subsidiaries		-	-	(86,955)	(67,759)
Advances from/(to) associates		1,888	(18)	2,483	-
Advances to a joint venture partner		(13,837)	-	(13,837)	-
Advances to jointly controlled entity		(527)	-	(497)	-
Net cash (used in)/generated from investing activities		(208,691)	12,577	(42,767)	13,395

CASH FLOW STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006 (CONT'D)

	Note	Group		Company	
		1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of term loans		153,820	214,483	49,000	–
Repayment of term loans		(128,095)	(56,748)	–	(21,857)
Repayment of revolving credits		(12,100)	(3,400)	(12,100)	(3,400)
(Repayment)/issuance of commercial papers and medium term notes		(43,000)	25,000	(43,000)	25,000
Repayment of trade bills		–	(7,153)	–	–
Repayment of hire purchase and lease financing		(5,344)	(6,212)	(419)	(65)
Interest paid		(62,388)	(35,075)	(57,358)	(26,102)
Advances from minority shareholders of subsidiaries		256,497	–	–	–
Repayment to minority shareholders of subsidiaries		(61,439)	(9)	–	–
Redemption of preference shares held by minority shareholders of subsidiaries		(108,046)	(32,620)	–	–
Proceeds received from minority shareholders arising from call in respect of partly paid ordinary shares of a subsidiary		–	1,550	–	–
Issuance of shares to minority shareholders of subsidiaries		78,283	–	–	–
Issuance of shares under the Employees' Share Option Scheme		4,415	10,318	4,415	10,318
Dividends paid		(25,251)	(2,944)	(25,251)	(2,944)
Net cash generated from/(used in) financing activities		47,352	107,190	(84,713)	(19,050)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(12,828)	251,128	388	17,494
EFFECTS OF EXCHANGE RATE CHANGES		(13,354)	(19)	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR		384,404	133,295	41,109	23,615
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	(b)	358,222	384,404	41,497	41,109

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

CASH FLOW STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006 (CONT'D)

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

	Group		Company	
	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
Cash	181,827	102,921	2,092	388
Hire purchase and finance lease arrangements	7,687	6,495	1,722	643
Deferred payment	20,378	32,598	–	–
	209,892	142,014	3,814	1,031

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

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Deposits with licensed financial institutions	166,301	65,011	18,266	11,266
Cash and bank balances	198,286	321,564	23,231	29,843
Bank overdrafts (Note 22)	(6,365)	(2,171)	–	–
	358,222	384,404	41,497	41,109

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006

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 businesses.

There have been no significant changes in the nature of the principal activities during the financial period other than the commencement of time sharing businesses.

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 period were 3,947 (2004: 3,303) and 244 (2004: 192) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 17 October 2006.

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.

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 period 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

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 period 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.

(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 period 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 cost cannot be recovered.

(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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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

30 JUNE 2006 (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 using 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(m) Income Tax

Income tax on the profit or loss for the period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period 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 Plan

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Revenue Recognition (Cont'd)

(vi) Time Share Revenue

70% of the enrolment fees from members are recognised as income upon the execution of the membership agreements and the remaining 30% is treated as deferred membership fees which are recognised over the membership period.

Annual maintenance fees are recognised on the accrual basis based on fees chargeable to members upon execution and renewal of the membership agreements, unless recoverability is in doubt, in which case, it is recognised on receipt 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.

(ii) Foreign Entities

Financial statements of foreign consolidated subsidiaries are translated at period-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:

	30.6.2006 RM	31.12.2004 RM
United States Dollar	3.675	3.825
Australian Dollar	2.722	3.005
Hong Kong Dollar	0.473	0.490
Singapore Dollar	2.313	2.326

(q) Preliminary and Pre-Operating Expenses

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

(r) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

(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.

(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 the acquisition 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 drawn down 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. Dividends on ordinary shares 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 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

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	
									30.6.2006 RM'000	31.12.2004 RM'000
Net book value										
At 1 January	112,183	5,204	142,937	792	115,785	2,196	72,841	29,616	481,554	485,553
Exchange adjustments	(968)	-	-	(13)	(162)	-	(181)	(6)	(1,330)	2,579
Additions	57	277	3,655	561	4,961	2,695	27,033	170,653	209,892	142,014
Disposals/write-offs	(197)	-	(629)	(89)	(7)	(131)	(3,969)	-	(5,022)	(94,417)
Impairment losses	-	-	(18,921)	-	-	-	-	-	(18,921)	(11,736)
Depreciation charge for the period/year	-	(151)	(4,792)	(231)	(19,711)	(1,180)	(22,566)	-	(48,631)	(41,439)
Reclassifications/adjustments	(406)	(1,848)	4	(240)	17,394	-	(9,690)	(4,847)	367	(30)
Transfers from/(to) investment properties, land held for property development and property development costs	9,096	-	(414)	-	-	-	4,814	17,105	30,601	(970)
At 30 June/31 December	119,765	3,482	121,840	780	118,260	3,580	68,282	212,521	648,510	481,554
At 30 June 2006										
Cost	119,765	5,412	178,110	1,377	240,741	8,261	176,190	218,268	948,124	-
Accumulated impairment losses	-	(1,736)	(34,847)	-	(28,771)	-	-	(5,747)	(71,101)	-
Accumulated depreciation	-	(194)	(21,423)	(597)	(93,710)	(4,681)	(107,908)	-	(228,513)	-
Net book value	119,765	3,482	121,840	780	118,260	3,580	68,282	212,521	648,510	-
At 31 December 2004										
Cost	112,183	6,983	175,782	1,185	218,699	8,248	160,392	29,616	-	713,088
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	29,616	-	481,554
At 1 January 2004										
Cost	28,002	5,267	186,458	897	297,970	6,825	108,571	89,320	-	723,310
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	89,320	-	485,553
Depreciation charge for 2004	-	43	7,507	99	17,796	826	15,168	-	-	41,439

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

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	
					30.6.2006 RM'000	31.12.2004 RM'000
Net book value						
At 1 January	1,941	11,899	758	1,398	15,996	25,753
Additions	801	–	2,268	745	3,814	1,031
Disposals/write-offs	(414)	(1)	(69)	(6)	(490)	(19)
Impairment losses	–	–	–	–	–	(7,500)
Depreciation charge for the period/ year	(91)	(3,755)	(527)	(722)	(5,095)	(3,269)
At 30 June/31 December	2,237	8,143	2,430	1,415	14,225	15,996
At 30 June 2006						
Cost	3,075	51,739	3,097	4,663	62,574	–
Accumulated impairment losses	–	(25,307)	–	–	(25,307)	–
Accumulated depreciation	(838)	(18,289)	(667)	(3,248)	(23,042)	–
Net book value	2,237	8,143	2,430	1,415	14,225	–
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
At 1 January 2004						
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
Depreciation charge for 2004	55	2,513	210	491	–	3,269

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

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

Interest expense capitalised during the financial period under capital work-in-progress of the Group amounted to RM71,200 (2004: RM Nil).

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

	Group	
	30.6.2006 RM'000	31.12.2004 RM'000
Hotel properties	–	84,181
Long term leasehold land and buildings	92,785	93,868
Plant and machinery	5,044	3,834
Motor vehicles	106	181
Equipment, furniture and fittings	18,746	11,441
Capital work-in-progress	97,383	–
	214,064	193,505

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	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Motor vehicles	2,771	1,491	2,306	670
Equipment, furniture and fittings	11,375	7,591	–	–
	14,146	9,082	2,306	670

5. INVESTMENT PROPERTIES

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Long term leasehold land and buildings at cost	378,044	320,159	20,240	20,240
Less: Accumulated impairment loss	(5,280)	–	(5,280)	–
	372,764	320,159	14,960	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 RM369,091,000 (2004: RM14,960,000) and RM14,960,000 (2004: RM14,960,000) respectively are pledged to financial institutions for borrowings granted to the Company and certain subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

6. LAND HELD FOR PROPERTY DEVELOPMENT

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Cost				
At 1 January:				
Freehold land	148,120	136,805	–	–
Long term leasehold land	108,149	130,893	2,627	2,671
Development costs	104,944	80,637	1,878	1,910
	361,213	348,335	4,505	4,581
Exchange difference:				
Freehold land	(1,141)	541	–	–
Additions:				
Freehold land	44,214	61,923	–	–
Long term leasehold land	8,650	373	–	–
Development costs	11,726	30,799	–	–
	64,590	93,095	–	–
Disposal:				
Freehold land	(5,037)	–	–	–
Long term leasehold land	–	–	(1,195)	–
Development costs	–	–	(71)	–
	(5,037)	–	(1,266)	–
Transfers:				
From property, plant and equipment	414	–	–	–
To property development costs (Note 13)	(48,655)	(80,367)	–	–
	(48,241)	(80,367)	–	–
Compulsory acquisition by the government:				
Long term leasehold land	–	(315)	–	–
Write-offs:				
Long term leasehold land	–	(44)	–	(44)
Development costs	–	(32)	–	(32)
	–	(76)	–	(76)
At 30 June/31 December	371,384	361,213	3,239	4,505
Accumulated impairment losses				
Freehold land:				
At 1 January and 30 June/31 December	(3,889)	(3,889)	–	–
Carrying amount at 31 December	367,495	357,324	3,239	4,505

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

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

Interest expense capitalised during the financial period under development costs of the Group amounted to RM113,147 (2004: RM1,653,244).

Freehold land and related development costs of certain subsidiaries costing RM55,731,000 (2004: RM17,247,000) are pledged to financial institutions for revolving credit and loan facilities granted to the Company and certain subsidiaries respectively.

Long term leasehold land and related development costs of the Group and of the Company costing RM11,468,000 (2004: RM88,167,000) and RM2,408,000 (2004: RM4,758,000) respectively are pledged to financial institutions for revolving credit facilities granted to the Company.

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	30.6.2006 RM'000	31.12.2004 RM'000
Unquoted shares at cost	508,417	372,805
Less: Accumulated impairment losses	(3,360)	(3,360)
	505,057	369,445

Details of the subsidiaries are as disclosed in Note 47 to the financial statements.

The incorporation of Sunway Healthy Lifestyle Sdn Bhd, acquisition of Sunmed@Home Sdn Bhd and disposals of Le-stari Ganda Sdn Bhd and Zenith Gateway Sdn Bhd during the financial period do not have any material effect on the financial results and financial position of the Group.

8. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	30.6.2006 RM'000	31.12.2004 RM'000
Interest bearing amounts	582,751	733,509
Non interest bearing amounts	283,918	183,065
	866,669	916,574
Less: Provision for doubtful debts	(71,765)	(48,811)
	794,904	867,763

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 7.75% (2004: 1.00% to 7.00%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

9. INVESTMENTS IN ASSOCIATES

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Unquoted shares at cost	17,047	16,954	13,265	13,172
Share of post-acquisition reserves	(4,054)	(4,452)	–	–
	12,993	12,502	13,265	13,172
Less: Accumulated impairment losses	–	–	(2,000)	(2,000)
	12,993	12,502	11,265	11,172
Represented by:				
Share of net assets	12,993	12,502		

Details of the associates are as disclosed in Note 47 to the financial statements.

10. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Unquoted shares at cost	13,456	13,456	13,456	13,456
Share of post-acquisition reserves	27,366	84	–	–
	40,822	13,540	13,456	13,456

Details of the jointly controlled entity are as follows:

Name of Company	Country of Incorporation	Principal Activity	Equity Interest Held	
			30.6.2006 %	31.12.2004 %
Sunway SPK Homes Sdn Bhd	Malaysia	Property development	50	50

Analysis of the Group's share of the assets, liabilities, income and expenses of the jointly controlled entity is as follows:

	30.6.2006 RM'000	31.12.2004 RM'000
Current assets	54,096	32,964
Non-current assets	3,322	842
Current liabilities	(16,596)	(17,088)
Non-current liabilities	–	(3,178)
Net assets	40,822	13,540
Income	124,314	9,061
Expenses	(97,032)	(8,941)

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

10. INVESTMENT IN JOINTLY CONTROLLED ENTITY (CONT'D)

Included in the Group's investment in jointly controlled entity is a further investment of RM3,456,000 (2004: RM3,456,000) 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.

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 43 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) sublease 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 19 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 subleases are disclosed in Notes 29 and 45 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

12. GOODWILL ON CONSOLIDATION

	Group	
	30.6.2006 RM'000	31.12.2004 RM'000
Goodwill		
At 1 January	26,695	26,695
Arising from acquisition of remaining equity interest in subsidiaries	1,646	–
Arising from partial dilution of equity interest in a subsidiary	(2,016)	–
At 30 June/31 December	26,325	26,695
Less: Accumulated amortisation	(7,175)	(5,268)
	19,150	21,427
Negative goodwill		
At 1 January and 30 June/31 December	(7,717)	(7,717)
Total	11,433	13,710

13. PROPERTY DEVELOPMENT COSTS

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Cost				
At 1 January:				
Freehold land	242,434	164,267	–	–
Long term leasehold land	92,894	120,849	1,345	1,345
Development costs	1,029,179	928,578	134,218	138,581
	1,364,507	1,213,694	135,563	139,926
Costs incurred during the period/year:				
Freehold land	44,491	61	16,871	–
Long term leasehold land	1,665	28,276	1,629	–
Development costs	535,666	417,700	34,514	45,764
	581,822	446,037	53,014	45,764
Disposal:				
Development costs	–	–	(1,083)	–

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

13. PROPERTY DEVELOPMENT COSTS (CONT'D)

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Costs recognised in income statement:				
At 1 January	(900,427)	(859,948)	(88,250)	(103,474)
Recognised during the period/year (Note 34)	(536,206)	(390,997)	(72,282)	(33,684)
Eliminated due to completion of project	171,822	350,518	77,829	48,908
At 30 June/31 December	(1,264,811)	(900,427)	(82,703)	(88,250)
Transfers:				
To property, plant and equipment	(59,734)	–	–	–
To investment properties	(33,184)	–	–	–
From land held for property development (Note 6)	48,655	80,367	–	–
To inventories	(2,222)	(25,073)	(1,673)	(1,219)
	(46,485)	55,294	(1,673)	(1,219)
Costs eliminated during the period/year due to completion of project	(171,822)	(350,518)	(77,829)	(48,908)
At 30 June/31 December	463,211	464,080	25,289	47,313
Accumulated impairment losses				
At 1 January:				
Long term leasehold land	(1,592)	(1,592)	–	–
Development costs	(30,068)	(30,068)	–	–
	(31,660)	(31,660)	–	–
Write-back during the period/year:				
Long term leasehold land	1,592	–	–	–
Development costs	22,744	–	–	–
	24,336	–	–	–
Transfer to property, plant and equipment	5,747	–	–	–
At 30 June/31 December	(1,577)	(31,660)	–	–
Carrying amount at 30 June/31 December	461,634	432,420	25,289	47,313

Interest expense capitalised during the financial period under development costs of the Group amounted to RM2,152,141 (2004: RM1,927,377).

Freehold land of the Group and of the Company costing RM170,395,000 (2004: RM169,076,000) and RM16,871,000 (2004: RM Nil) respectively are pledged to financial institutions for loan facilities granted to certain subsidiaries and the Company in respect of its jointly controlled operations, as disclosed in Note 39 to the financial statements.

Long term leasehold land of the Group costing RM3,162,000 (2004: RM23,130,000) is pledged to financial institutions for loan facilities granted to certain subsidiaries and revolving credit facility granted to the Company.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

14. INVENTORIES

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Cost				
Properties held for sale	24,851	38,225	10,597	3,174
Trading inventories	3,734	2,816	–	–
Food and beverages	1,008	1,129	–	–
Consumables	2,039	1,763	–	–
	31,632	43,933	10,597	3,174
Net realisable value				
Properties held for sale	6,975	1,196	–	–
	38,607	45,129	10,597	3,174

15. TRADE RECEIVABLES

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Trade receivables	140,939	129,691	6,298	9,440
Accrued billings in respect of property development costs	229	–	229	–
	141,168	129,691	6,527	9,440
Less: Provision for doubtful debts	(19,321)	(7,319)	(555)	(2,418)
	121,847	122,372	5,972	7,022

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

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Sunway Holdings Incorporated Berhad Group (SunInc Group)	2,971	2,951	591	897
PRK Builders Sdn Bhd (PRK)	–	197	–	95
Sunway Enterprise (1988) Sdn Bhd (SWESB)	525	447	525	442
Sunway College Sdn Bhd Group (SCSB Group)	624	281	–	16
Dekon Sdn Bhd Group (DSB Group)	87	7	–	–

The amounts due from related parties are unsecured and interest free. The relationship with the related parties is as disclosed in Note 43 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

15. TRADE RECEIVABLES (CONT'D)

The Group and the Company's normal trade credit term ranges from 14 days 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	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Deposits	7,891	23,048	1,478	13,414
Prepayments	3,897	4,396	411	158
Sundry receivables	39,700	20,802	25,641	7,880
	51,488	48,246	27,530	21,452
Less: Provision for doubtful debts	(6,092)	(6,841)	(3,903)	(4,570)
	45,396	41,405	23,627	16,882

Included in sundry receivables are the following:

(a) amounts due from related parties, as follows:

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Sunway Holdings Incorporated Berhad Group (SunInc Group)	5,653	352	5,645	350
PRK Builders Sdn Bhd (PRK)	286	–	286	–
Sunway College Sdn Bhd (SCSB Group)	390	–	384	–
Dekon Sdn Bhd Group (DSB Group)	37	–	–	–

The amounts due from related parties are unsecured, interest free and have no fixed terms of repayment except for RM4,845,000 (2004: RM122,000) due from SunInc Group to the Group and the Company which bears interest at 7% (2004: 7%) per annum, in respect of the joint venture arrangement undertaken with Sunway Construction Sdn Bhd (SunCon), a member company of SunInc Group. Details of the joint venture arrangement are as disclosed in Note 39 to the financial statements. The relationship with the above related parties is as disclosed in Note 43 to the financial statements.

(b) advances to a joint venture partner of RM13,837,000 (2004: RM Nil) which are unsecured, interest free and have no fixed terms of repayment. Details of the joint venture arrangement are as disclosed in Note 39 to the financial statements.

Deposits of the Group and of the Company include deposits paid amounting to RM1,500,000 (2004: RM17,400,000) and RM Nil (2004: RM12,000,000) 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 other than as disclosed above.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

17. AMOUNTS DUE FROM/(TO) ASSOCIATES

The amounts due from/(to) associates of the Group and of the Company are unsecured, interest free and have no fixed terms of repayment. The amounts due from associates of the Group are stated net of provision for doubtful debts of RM2,529,000 (2004: RM1,963,000).

18. AMOUNT DUE FROM JOINTLY CONTROLLED ENTITY

The amount due from jointly controlled entity of the Group and of the Company is unsecured, interest free and has no fixed term of repayment.

19. CASH AND CASH EQUIVALENTS

Included in deposits with licensed financial institutions of the Group and of the Company is an amount of RM8,266,000 (2004: 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.

Included in cash and bank balances of the Group are amounts of RM113,170,000 (2004: RM123,799,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore restricted from use in other operations.

20. TRADE PAYABLES

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

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Sunway Holdings Incorporated Berhad Group (SunInc Group)	42,827	27,398	2,876	7,679
PRK Builders Sdn Bhd (PRK)	2,444	4,640	–	9
Perbadanan Kemajuan Negeri Selangor Group (PKNS Group)	147	584	–	–
Dekon Sdn Bhd Group (DSB Group)	17,551	29,245	784	3,512

The amounts due to related parties are unsecured and interest free except for RM4,201,000 (2004: RM11,878,000) and RM2,774,000 (2004: RM6,212,000) due to SunInc Group by the Group and the Company respectively which bear interest at rates ranging from 7.0% to 8.5% (2004: 7.0% to 8.0%) per annum.

The relationship with the above related parties is as disclosed in Note 43 to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

21. OTHER PAYABLES

	Note	Group		Company	
		30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Sundry payables	(a)	78,336	122,016	13,242	25,086
Amounts due to contractors and consultants	(a)	48,836	141,258	21,939	28,997
Redeemable preference shares issued by a subsidiary	29	33,043	32,789	–	–
Accruals		45,551	61,124	6,281	5,207
Refundable deposits		28,242	13,914	666	1,359
Progress billings in respect of property development costs		10,091	57,754	–	1,501
Dividends payable to minority shareholders of subsidiaries		3,304	–	–	–
Deferred income	(b)	4,383	–	–	–
Balance consideration for acquisition of land		23,812	–	–	–
		275,598	428,855	42,128	62,150

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

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Sunway Holdings Incorporated Berhad Group (SunInc Group)	21,906	129,798	11,565	20,657
PRK Builders Sdn Bhd (PRK)	2,036	2,638	20	–
Dekon Sdn Bhd Group (DSB Group)	1,294	3,450	13	–

The amounts due to contractors and consultants are unsecured and interest free except for RM8,235,000 (2004: RM117,980,000) and RM4,088,000 (2004: RM13,422,000) due to SunInc Group by the Group and the Company respectively which bear interest at 7.0% to 8.5% (2004: 7.0% to 8.0%) per annum.

Included in the amounts due to SunInc Group by the Group and the Company in the previous financial year was balance consideration for the acquisition of remaining equity interest in Menara Sunway Sdn Bhd Group amounting to RM7,235,000 which was unsecured and bore interest at 3% per annum. The amount was fully settled during the current financial period.

The relationship with the above related parties is as disclosed in Note 43 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

21. OTHER PAYABLES (CONT'D)

(b) Included in deferred income of the Group are:

	Group	
	30.6.2006 RM'000	31.12.2004 RM'000
Unbilled sale of property under development	4,232	-
Deferred timeshare membership fees (Note 29)	118	-

22. BORROWINGS

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Bank overdrafts				
- secured	5,624	1,543	-	-
- unsecured	741	628	-	-
	6,365	2,171	-	-
Current portion of commercial paper (Note 28)				
- unsecured	14,952	-	14,952	-
Current portion of term loans (Note 28)				
- secured	70,041	47,896	2,550	-
- unsecured	13,136	4,060	-	-
	83,177	51,956	2,550	-
	104,494	54,127	17,502	-

The bank overdrafts bear interest at rates ranging from 6.75% to 8.50% (2004: 1.25% to 8.50%) per annum.

Details of the assets on which the secured bank borrowings are secured are as disclosed in Note 28 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

23. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Minimum lease payments:				
Not later than 1 year	4,306	4,779	545	162
Later than 1 year and not later than 2 years	3,392	2,888	514	167
Later than 2 years and not later than 5 years	5,443	2,957	1,119	359
Later than 5 years	–	10	–	–
	13,141	10,634	2,178	688
Less: Future finance charges	(1,662)	(1,498)	(274)	(87)
Present value of finance lease liabilities	11,479	9,136	1,904	601
Present value of finance lease liabilities:				
Not later than 1 year	3,529	3,603	434	128
Later than 1 year and not later than 2 years	2,907	2,773	434	142
Later than 2 years and not later than 5 years	5,043	2,751	1,036	331
Later than 5 years	–	9	–	–
	11,479	9,136	1,904	601
Analysed as:				
Due within 12 months	3,529	3,603	434	128
Due after 12 months	7,950	5,533	1,470	473
	11,479	9,136	1,904	601

RM12,524,000 (2004: RM9,148,000) and RM1,677,000 (2004: RM Nil) of the gross amounts of the hire purchase and finance lease payables of the Group and of the Company respectively are due to a subsidiary of SunInc, Sunway Credit & Leasing Sdn Bhd. The relationship with the related party is as disclosed in Note 43 to the financial statements.

The hire purchase and lease liabilities bear interest at rates ranging from 2.43% to 10.99% (2004: 3.25% to 8.41%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

24. SHARE CAPITAL

	Group/Company		Group/Company	
	Number of Shares of RM1 Each		Amount	
	30.6.2006 000	31.12.2004 000	30.6.2006 RM'000	31.12.2004 RM'000
Authorised				
Ordinary shares of RM1 each	800,000	800,000	800,000	800,000
6.6% Cumulative Convertible Preference Shares of RM1 each	200,000	200,000	200,000	200,000
	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid				
Ordinary shares of RM1 each:				
At 1 January	410,527	400,252	410,527	400,252
Issued during the period/year pursuant to the Employees' Share Option Scheme	4,415	10,275	4,415	10,275
At 30 June/31 December	414,942	410,527	414,942	410,527

During the financial period/year, the Company increased its issued and paid-up share capital from RM410,526,500 (2004: RM400,252,000) to RM414,941,500 (2004: RM410,526,500) by way of the issuance of 4,415,000 (2004: 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 price of RM1 (2004: RM1 and RM1.15) per share for cash. In the previous financial year, the share premium arising amounting to RM43,500 had been credited to the share premium account as disclosed in Note 25 to the financial statements.

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

25. SHARE PREMIUM

	Group/Company	
	30.6.2006 RM'000	31.12.2004 RM'000
At 1 January	158,406	158,363
Arising from issuance of new ordinary shares pursuant to the Employees' Share Option Scheme	–	43
At 30 June/31 December	158,406	158,406

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

26. RESERVES

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Non-distributable reserves:				
Capital reserve	24,536	22,766	–	–
Exchange reserve	12,893	17,670	–	–
Total non-distributable reserves	37,429	40,436	–	–
Distributable reserve:				
Retained profit	369,285	229,584	276,911	226,410
Total reserves	406,714	270,020	276,911	226,410

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 30 June 2006, the Company has tax exempt profits available for distribution of approximately RM143,231,000 (2004: RM143,231,000), 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 30 June 2006.

27. 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 (2004: 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 (2004: 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) Redeemable convertible preference shares issued to minority shareholders of Sunway Resort Hotel Sdn Bhd amounting to RM566,000 (2004: RM Nil). These shares rank in priority to ordinary shares and are redeemable at a premium of RM0.99 per share or convertible into ordinary shares at the option of the subsidiary at any time.
- (d) 5% non-cumulative redeemable preference shares issued to minority shareholders of Sunway Lagoon Sdn Bhd amounting to RM Nil (2004: RM588,000). These shares were fully redeemed at premium of RM0.99 per share during the current financial period.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

28. LONG TERM BORROWINGS

	Note	Group		Company	
		30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Revolving credits					
- secured		90,900	133,000	90,900	133,000
- unsecured		30,000	-	30,000	-
Total revolving credit	(a)	120,900	133,000	120,900	133,000
Commercial paper					
- unsecured	(b)	14,952	-	14,952	-
Medium term notes					
- unsecured	(b)	191,514	249,115	191,514	249,115
Term loans - secured					
- Type 1		-	2,998	-	-
- Type 2		24,254	29,660	-	-
- Type 3		-	60,000	-	-
- Type 4		-	26,557	-	-
- Type 5		35,000	35,000	-	-
- Type 6		10,345	16,000	-	-
- Type 7		27,000	17,541	-	-
- Type 8		21,290	38,000	-	-
- Type 9		-	13,303	-	-
- Type 10		47,437	49,000	-	-
- Type 11		11,000	-	11,000	-
- Type 12		15,850	-	-	-
- Type 13		12,000	-	-	-
- Type 14		22,700	-	-	-
- Type 15		6,655	-	-	-
- Type 16		10,500	-	-	-
- Type 17		27,361	-	-	-
- Type 18		7,640	12,542	-	-
- Type 19		-	1,000	-	-
- Type 20		38,000	-	38,000	-
- Type 21		294	-	-	-
- Type 22		10,000	-	-	-
Total term loans	(c)	327,326	301,601	49,000	-
Total borrowings		654,692	683,716	376,366	382,115
Less: Amounts repayable within 1 year (Note 22)					
- commercial paper		(14,952)	-	(14,952)	-
- term loans		(83,177)	(51,956)	(2,550)	-
Amounts repayable after 1 year		556,563	631,760	358,864	382,115

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

28. LONG TERM BORROWINGS (CONT'D)

- (a) The revolving credits bear interest at rates ranging from 5.50% to 6.65% (2004: 4.60% to 8.00%) per annum. Revolving credits which are due to be repaid within the next twelve (12) months but are rolled over subsequent to the financial period end are treated as long term borrowings.
- (b) The unsecured commercial paper (CP) bears interest at 4.50% (2004: 4.75% to 5.75%) per annum. In the previous financial year, the unsecured CPs were fully converted to unsecured medium term notes (MTNs) by the end of the financial year. The unsecured CP at the end of the current financial period has been repaid subsequent to the end of the financial period and has not been converted to MTN. Accordingly, the CP is classified as a short term borrowing.

The unsecured MTNs bear interest at rates ranging from 5.75% to 6.95% (2004: 6.30% to 7.30%) 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 three (3) years. Accordingly, the MTNs are classified as long term borrowings.

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.

Details of the outstanding CP and MTNs are as follows:

	Group/Company	
	30.6.2006 RM'000	31.12.2004 RM'000
CP - unsecured:		
Par value issued	15,000	–
Less: Discount on issuance, net of amortisation	(48)	–
	14,952	–
MTNs - unsecured:		
Par value issued	192,000	250,000
Less: Coupon on issuance, net of amortisation	(486)	(885)
	191,514	249,115

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

28. LONG TERM BORROWINGS (CONT'D)

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

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Not later than 1 year	83,177	51,956	2,550	–
Later than 1 year and not later than 2 years	91,639	121,238	46,450	–
Later than 2 years and not later than 5 years	89,288	92,276	–	–
Later than 5 years	63,222	36,131	–	–
	327,326	301,601	49,000	–

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 (Ipoh) Sdn Bhd	7.75%	–*	–
Type 2	Sunway Medical Centre Berhad	8.40%	8 years	January 2002
Type 3	Sunway Resort Hotel Sdn Bhd	6.50%	–*	–
Type 4	Sunway Resort Hotel Sdn Bhd	7.50%	3 years	April 2004
Type 5	Sunway Resort Hotel Sdn Bhd	3.75%	7 years	July 2007
Type 6	Sunway City Properties Sdn Bhd (formerly known as Syarikat Shoib Properties Sdn Bhd)	8.40%	3 years - by way of redemption	June 2004
Type 7	Sunway Lagoon Water Park Sdn Bhd	3.75%	10 years	February 2007
Type 8	Sunway D'Mont Kiara Sdn Bhd	7.50%	2 years - by way of redemption	August 2004
Type 9	Sunway Rahman Putra Sdn Bhd	7.50%	–*	–
Type 10	Sunway Bukit Gambier Sdn Bhd	7.25%	45 months - by way of redemption	March 2004
Type 11	Sunway City Berhad	8.75%	13 months	April 2007
Type 12	Peluang Klasik (M) Sdn Bhd	6.00%	10 years	May 2006
Type 13	Sunway Carnival Sdn Bhd (formerly known as Lancar Gemilang Sdn Bhd)	5.69%	Bullet repayment	June 2009
Type 14	Sunway Pyramid Sdn Bhd	4.95% - 5.25%	Bullet repayment	April 2016
Type 15	Sunway Melawati Sdn Bhd (formerly known as Casa Mujur Sdn Bhd)	8.00%	10 months	December 2008

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

28. LONG TERM BORROWINGS (CONT'D)

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

Loan	Name of Companies	Effective Interest Rate	Repayment Terms	Commencement of Repayment
Type 16	Sunway Crest Sdn Bhd (formerly known as Esteem Crest Sdn Bhd)	5.90%	18 months	March 2007
Type 17	Platinum Success Sdn Bhd	5.40% - 5.56%	Bullet repayment	June 2009
Type 18	Sunway Hotel Phnom Penh Ltd.	2.52% - 2.92%	9 years	March 2001
Type 19	Sunway Medical Centre Berhad	8.00%	—*	—
Type 20	Sunway City Berhad	6.65%	Bullet repayment	May 2008
Type 21	Sunway Lagoon Water Park Sdn Bhd	9.00%	2 years	January 2006
Type 22	Sunway Resort Hotel Sdn Bhd	7.50%	3 years	April 2004

* Term loans were fully repaid during the financial period.

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 RM823,911,000 (2004: RM506,085,000) and RM34,239,000 (2004: RM19,718,000) respectively as disclosed in Notes 4, 5, 6 and 13 to the financial statements.

The unsecured term loans of Sunway Medical Centre Berhad and Sunway Lagoon Water Park Sdn Bhd were obtained from a subsidiary of SunInc, Sunway Credit & Leasing Sdn Bhd. The relationship with the related party is as disclosed in Note 43 to the financial statements.

29. LONG TERM LIABILITIES

	Note	Group	
		30.6.2006 RM'000	31.12.2004 RM'000
Redeemable preference shares issued by a subsidiary:	(a)		
At 30 June/31 December		113,340	162,586
Redeemable within 1 year (Note 21)		(33,043)	(32,789)
Redeemable after 1 year		80,297	129,797
Deferred income:	(b)		
At 30 June/31 December		3,421	—
To be recognised within 1 year (Note 21)		(118)	—
To be recognised after 1 year		3,303	—
Refundable deposits	(c)	10,018	16,369
		93,618	146,166

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

29. LONG TERM LIABILITIES (CONT'D)

- (a) 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 AREB 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% (2004: 0.72%) per annum. The redemption schedule of the CRPS is as follows:

	Group	
	30.6.2006 RM'000	31.12.2004 RM'000
Not later than 1 year	33,043	32,789
Later than 1 year and not later than 2 years	33,308	32,957
Later than 2 years and not later than 5 years	46,989	96,840
	113,340	162,586

- (b) Deferred income represents deferred timeshare membership fees which are to be recognised over the membership period.
- (c) The refundable deposits are in respect of deposits received by subsidiaries for tenancy contracts for a tenure of two (2) to three (3) years.

30. ADVANCES BY MINORITY SHAREHOLDERS OF SUBSIDIARIES

Included in advances by minority shareholders of subsidiaries is contribution of RM127,502,000 (2004: RM Nil) by minority shareholders of a subsidiary, Sunway South Quay Sdn Bhd (SSQSB) pursuant to a Musyarakah Shareholders' Agreement entered into with its shareholders, details of which are as disclosed in Note 48(b) to the financial statements.

Under the Musyarakah Shareholders' Agreement, Musyarakah Profit equivalent to shareholders profit yield of not less than 5.5% per annum shall be paid from the Distributable Profits of SSQSB to the extent practicable.

The contribution shall be repaid from Distributable Profits of SSQSB commencing from 31 December 2007 over a period of six (6) years as and when any cash surplus is available.

The other advances by minority shareholders of subsidiaries are unsecured, interest free and have no fixed terms of repayment. These advances are stated net of certain minority shareholders' share of losses and exchange reserve in a subsidiary of RM4,589,000 (2004: RM39,589,000).

31. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, have no fixed terms of repayment and bear interest at rates ranging from 3.35% to 6.50% (2004: 3.50% to 6.50%) per annum except for RM54,030,000 (2004: RM42,774,000) which is interest free.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

32. DEFERRED TAX

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
At 1 January	(7,835)	(4,799)	–	–
Recognised in income statement (Note 38)	1,190	(3,036)	(3,886)	–
At 30 June/31 December	(6,645)	(7,835)	(3,886)	–
Presented after appropriate offsetting as follows:				
Deferred tax assets	(28,270)	(12,323)	(3,886)	–
Deferred tax liabilities	21,625	4,488	–	–
	(6,645)	(7,835)	(3,886)	–

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

Deferred Tax Liability of the Group:

	Property, Plant and Equipment	
	30.6.2006 RM'000	31.12.2004 RM'000
At 1 January	38,569	23,580
Recognised in income statement	(3,464)	14,989
At 30 June/31 December	35,105	38,569

Deferred Tax Assets of the Group:

	At 1 January 2004 RM'000	Recognised in income statement RM'000	At 1 January 2005 RM'000	Recognised in income statement RM'000	At 30 June 2006 RM'000
Progress billings	(2,656)	(3,600)	(6,256)	2,679	(3,577)
Provisions for liabilities	(111)	67	(44)	44	–
Tax losses and unabsorbed capital allowances	(25,487)	(13,202)	(38,689)	20,009	(18,680)
Unrealised profit	(113)	113	–	(17,992)	(17,992)
Accumulated impairment losses	–	(486)	(486)	385	(101)
Inventories	–	(451)	(451)	451	–
Receivables/payables	(12)	(466)	(478)	(922)	(1,400)
	(28,379)	(18,025)	(46,404)	4,654	(41,750)

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

32. DEFERRED TAX (CONT'D)

Deferred Tax Liability of the Company:

	Property, Plant and Equipment	
	30.6.2006 RM'000	31.12.2004 RM'000
At 1 January	3,983	6,580
Recognised in income statement	(1,384)	(2,597)
At 30 June/31 December	2,599	3,983

Deferred Tax Assets of the Company:

	At 1 January 2004 RM'000	Recognised in income statement RM'000	At 1 January 2005 RM'000	Recognised in income statement RM'000	At 30 June 2006 RM'000
Unabsorbed capital allowances	(6,580)	2,771	(3,809)	3,809	–
Receivables/payables	–	(174)	(174)	(6,311)	(6,485)
	(6,580)	2,597	(3,983)	(2,502)	(6,485)

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

	Group		Company	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Unused tax losses	97,316	157,592	–	–
Unabsorbed capital allowances	125,329	182,236	–	33,768
Other deductible temporary differences	16,023	21,435	–	–
	238,668	361,263	–	33,768

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the subsidiaries and the Company in which those items arose is subject to no substantial changes in shareholdings of the respective companies under Section 44(5A) and 5(B) of the Income Tax Act, 1967. Deferred tax assets have not been recognised in respect of these items as 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

33. REVENUE

	Group		Company	
	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
Sale of properties under development	850,935	597,856	84,815	48,845
Sale of land	78,860	–	66,141	–
Sale of property stocks	24,795	8,260	–	1,901
Rental income	146,857	105,263	79,747	54,808
Sale of goods and services	453,783	275,135	–	–
Subscription fees and others	10,046	5,967	–	4
Time sharing fees	9,124	–	–	–
Gross dividends from subsidiaries	–	–	97,757	35,730
	1,574,400	992,481	328,460	141,288

34. COST OF SALES

	Group		Company	
	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
Property development costs (Note 13)	536,206	390,997	72,282	33,684
Cost of land sold	5,380	–	2,763	–
Cost of property stocks sold				
- current period/year	14,848	5,933	–	1,327
- under/(over) recognition of costs in prior year	688	(1,129)	–	–
Cost of services rendered	8,273	4,762	–	–
Cost of theme park operations	7,347	9,789	–	–
Cost of hotel operations	93,118	53,954	–	–
Cost of healthcare operations	44,182	23,805	–	–
Cost of travel and tour business operations	30,704	18,494	–	–
Cost of time sharing business operations	5,563	–	–	–
Operating lease rentals	–	–	70,200	46,800
Write down in value of property stocks	435	1,611	–	–
Others	–	–	175	–
	746,744	508,216	145,420	81,811

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

35. PROFIT FROM OPERATIONS

	Group		Company	
	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
Profit from operations is stated after charging/(crediting):				
Auditors' remuneration - audit				
- current period/year	726	674	138	93
- under provision in prior year	26	60	1	4
Auditors' remuneration - non-audit	247	9	-	-
Amortisation/write-off of goodwill	1,907	1,332	-	-
Bad debts written off	223	393	-	142
Depreciation of property, plant and equipment	48,631	41,439	5,095	3,269
Development costs written off in respect of land held for property development	-	76	-	76
Directors' emoluments payable to				
- executive directors of the Company	6,172	4,210	6,172	4,210
- non-executive directors of the Company	43	33	43	33
Directors' fees payable to non-executive directors of the Company	153	102	153	102
Inventories written off	-	5,223	-	-
Liquidated damages payable	993	1,467	-	-
Operating lease rentals	70,200	46,800	70,200	46,800
Provision for doubtful debts				
- due from subsidiaries	-	-	22,954	375
- due from associates	593	101	-	-
- others	1,551	2,000	518	301
Rental expense				
- land and buildings	881	730	1,484	972
- equipment, plant and machinery	1,121	483	659	221
- others	3	32	-	-
Interest income				
- from subsidiaries	-	-	(26,517)	(26,320)
- others	(12,183)	(5,883)	(1,521)	(928)
Liquidated damages receivable	(893)	(1,531)	-	-

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

35. PROFIT FROM OPERATIONS (CONT'D)

	Group		Company	
	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
Profit from operations is stated after charging/(crediting) (cont'd):				
Provision for doubtful debts no longer required				
- due from subsidiaries	-	-	-	(4)
- others	-	(152)	-	-
Rental income				
- equipment	(6,597)	(4,379)	-	-
- others	(9,466)	(4,352)	-	-
Realised exchange gain	(292)	(68)	-	-
(Write-back of)/provision for slow moving inventories	(233)	6	-	-
Staff costs:				
Wages and salaries	114,876	84,122	14,258	8,267
Pension costs				
- defined contribution plan	14,352	9,735	2,399	1,329
Other staff related expenses	52,576	35,149	8,971	5,413
	181,804	129,006	25,628	15,009

The estimated monetary value of benefits-in-kind received by executive directors of the Company is RM770,000 (2004: RM171,000).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

36. FINANCE COSTS

	Group		Company	
	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
Dividends on redeemable preference shares issued by a subsidiary	1,076	930	–	–
Interest expense:				
- hire purchase and finance lease arrangements	1,310	731	119	16
- inter-company balances	–	–	8,991	4,490
- related party balances	5,474	9,694	4,054	2,588
- bank overdrafts	1,982	66	5	5
- revolving credits	9,951	6,484	9,951	6,484
- commercial papers and medium term notes	24,534	16,708	24,534	16,708
- term loans	20,712	13,083	277	264
	65,039	47,696	47,931	30,555

37. RESULTS ARISING FROM OTHER INVESTING ACTIVITIES

	Group		Company	
	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
Gain on disposal of property, plant and equipment				
- current period/year	1,017	53,572	420	18
- under recognition in prior year	–	4,057	–	–
Gain on compulsory acquisition of land by the government	–	1,701	–	–
Impairment losses on				
- property, plant and equipment	(18,921)	(11,736)	–	(7,500)
- investment properties	(5,280)	–	(5,280)	–
Write-back of impairment losses on				
- property development costs	24,336	–	–	–
- investment in a subsidiary	–	–	–	3,995
Property, plant and equipment written off	(4,706)	(109)	(1)	(6)
Deemed gain on partial dilution of interest in subsidiaries	23,928	–	–	–
Gain on settlement agreement in respect of joint venture operation terminated in a prior year	4,916	–	4,916	–
	25,290	47,485	55	(3,493)

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

38. TAXATION

	Group		Company	
	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
Malaysian income tax				
- current	75,973	45,402	25,327	7,648
- under/(over) provided in prior years	865	(2,478)	-	(2,073)
	76,838	42,924	25,327	5,575
Foreign tax				
- current	6,531	2,750	-	-
- over provided in prior years	(2,685)	-	-	-
	3,846	2,750	-	-
Deferred tax (Note 32):				
- relating to origination and reversal of temporary differences	1,366	(1,444)	(3,886)	-
- over provided in prior years	(176)	(1,592)	-	-
	1,190	(3,036)	(3,886)	-
Share of taxation of:				
- associate	100	-	-	-
- jointly controlled entity	10,899	-	-	-
	10,999	-	-	-
	92,873	42,638	21,441	5,575

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

38. TAXATION (CONT'D)

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the period except for the tax incentive of 8% (2004: 8%) exempted by the Inland Revenue Board for the first RM500,000 (2004: RM500,000) taxable profit of certain subsidiaries. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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:

Group	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
Profit before taxation	421,118	169,157
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	117,913	47,364
Effect of income subject to tax rate of 20% (2004: 20%)	(430)	(361)
Effect of different tax rates in other jurisdictions	97	410
Effect of income subject to real property gains tax	–	(476)
Effect of income not subject to tax	(13,843)	(1,600)
Effect of expenses not deductible for tax purposes	24,681	9,748
Effect of utilisation of capital allowances claimed on non-depreciable investment properties	–	(1,287)
Effect of utilisation of previously unrecognised tax losses, unabsorbed capital allowances and other deductible temporary differences	(35,809)	(15,697)
Deferred tax assets not recognised in respect of current period/year's tax losses, unabsorbed capital allowances and other deductible temporary differences	4,388	13,451
Deferred tax assets recognised on previously unrecognised tax losses, unabsorbed capital allowances and other deductible temporary differences	(2,128)	(4,844)
Over provision of income tax in prior years	(1,820)	(2,478)
Over provision of deferred tax in prior years	(176)	(1,592)
Tax expense for the period/year	92,873	42,638
Company		
Profit before taxation	97,193	26,852
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	27,214	7,519
Effect of income not subject to tax	–	(2,799)
Effect of expenses not deductible for tax purposes	3,682	470
Effect of utilisation of previously unrecognised unabsorbed capital allowances	(9,455)	–
Deferred tax asset not recognised in respect of current period/year's unabsorbed capital allowances	–	2,458
Over provision of income tax in prior years	–	(2,073)
Tax expense for the period/year	21,441	5,575

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

38. TAXATION (CONT'D)

Tax savings during the financial period arising from:

	Group	
	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
Utilisation of current period/year tax losses	12	83
Utilisation of previously unrecognised tax losses	15,914	3,012

39. JOINTLY CONTROLLED OPERATIONS

- (i) A joint venture arrangement has been established by the Company and Medallion Development Sdn Bhd, a company incorporated in Malaysia, involving equal participation by both parties to undertake property development activities.

The contribution and share of assets, liabilities and expenses of the Group and of the Company in the jointly controlled operations has been accounted for separately in the financial statements as follows:

	Group/Company	
	30.6.2006 RM'000	31.12.2004 RM'000
Contribution/share of:		
Property development costs - freehold land and development costs	18,238	-
Other receivables	8	-
Borrowings - term loan	(11,000)	-
Expenses	90	-

- (ii) The Company is also involved in a joint venture arrangement with SunCon. Under the joint venture arrangement, the Company is entitled to a 50% share of the net profit arising from the jointly controlled operations while SunCon will undertake all the assets, liabilities and losses of the jointly controlled operations.

40. EARNINGS PER SHARE

- (a) Basic

The calculation of the basic earnings per share of the Group is based on net profit for the period/year of RM166,722,000 (2004: RM66,906,000) and the weighted average number of ordinary shares in issue as at 30 June 2006 of RM413,745,000 (2004: RM406,324,000).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

40. EARNINGS PER SHARE (CONT'D)

(b) Diluted

The calculation of the diluted earnings per share of the Group is based on net profit for the period of RM166,722,000 (2004: RM66,906,000) divided by the number of ordinary shares that would have been in issue calculated as follows:

	30.6.2006 '000	31.12.2004 '000
Weighted average number of ordinary shares in issue	413,745	406,324
Adjustment for assumed conversion of share options under the Employees' Share Option Scheme	3,834	15,875
Adjusted weighted average number of ordinary shares that would have been in issue	417,579	422,199

41. DIVIDENDS

	Group/Company	
	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
Final dividend of 1.0% less 28% taxation, on 408,916,000 ordinary shares (0.72 sen net per share) in respect of financial year ended 31 December 2003, declared on 29 June 2004 and paid on 28 July 2004	–	2,944
Interim dividend of 3.5% less 28% taxation, on 411,406,500 ordinary shares (2.52 sen net per share) in respect of financial year ended 31 December 2004, declared on 24 February 2005 and paid on 28 April 2005	10,368	–
Final dividend of 1.5% less 28% taxation, on 412,027,000 ordinary shares (1.08 sen net per share) in respect of financial year ended 31 December 2004, declared on 17 May 2005 and paid on 28 July 2005	4,451	–
First interim dividend of 3.5% less 28% taxation, on 413,985,500 ordinary shares (2.52 sen net per share) in respect of financial period ended 30 June 2006, declared on 21 February 2006 and paid on 28 April 2006	10,432	–
	25,251	2,944

On 29 August 2006, the Company declared a second interim dividend in respect of the financial period ended 30 June 2006, of 4.0% less 28% taxation on ordinary shares in issue on 3 October 2006 being the date of entitlement and payable on 1 November 2006.

The financial statements for the current financial period do not reflect the second interim dividend in respect of the financial period ended 30 June 2006. The second interim dividend will be accounted for in equity as an appropriation of retained profit in the financial year ending 30 June 2007.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

42. SIGNIFICANT INTER-COMPANY TRANSACTIONS

	Company	
	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
Interest receivable from subsidiaries	(26,517)	(26,320)
Rental receivable from subsidiaries	(72,285)	(47,965)
Sale of properties to a subsidiary	(45,473)	–
Sale of land to a subsidiary	(66,141)	–
Accounting services fees payable to a subsidiary	1,382	368
Interest payable to subsidiaries	8,991	4,490
Rental payable to a subsidiary	1,193	675

43. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the period/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	
		1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
(a) Sunway Holdings Incorporated Berhad Group (SunInc Group)	Construction costs	217,749	107,921
	Interest expense	5,474	9,547
	Management fees	2,807	580
	Insurance premium	5,965	3,483
	Lease rental	2,484	5,374
	Purchase of building materials	298	1,498
	Rental of construction machineries	920	–
	Rental of premises	–	26
	Rental income	(7,422)	(5,382)
	Hotel and related services	(2,030)	(862)
	Recreational services	(447)	(124)
	Ticketing and tour sales	(2,621)	(688)
	Medical services	(618)	(757)
Property management services	(232)	(56)	

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Name of Companies	Nature of Transactions	Group	
		1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
(b) PRK Builders Sdn Bhd (PRK)	Construction cost	1,340	12,454
	Hotel and related services	(7)	–
	Rental income	(125)	–
	Property management services	(8)	–
(c) Koperasi Tunas Muda Sungai Ara Berhad Group (KTM Group)	Construction costs	–	1,204
(d) Sunway Technology Sdn Bhd Group (STSB Group)	Information systems products and consultancy fees	1,352	302
	Hotel and related services	(9)	(3)
	Ticketing and tour sales	(110)	(37)
	Medical services	(40)	(30)
	Rental income	(471)	(335)
	Recreational services	(3)	–
	Property management services	(10)	–
(e) Perbadanan Kemajuan Negeri Selangor Group (PKNS Group)	Construction costs	12,027	–
	Purchase of building materials	–	17,179
	Land and land related services	–	10,629
(f) Sunway Enterprise (1988) Sdn Bhd (SWESB)	Hiring of machinery	32	–
	Purchase of building materials	–	13
	Rental income	(169)	(55)
	Ticketing and tour sales	(64)	–
	Medical services	(25)	–
	Recreational services	(4)	–
(g) Adasia (M) Sdn Bhd (Adasia)	Advertising fees	2,871	2,194
	Medical services	(5)	(5)
	Rental income	(3)	(4)
	Recreational services	(3)	–
(h) CCM Chemicals Sdn Bhd (CCM)	Purchase of chemicals and related products	527	332

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Name of Companies	Nature of Transactions	Group	
		1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
(i) Sunway College Sdn Bhd Group (SCSB Group)	Conference and seminar	17	11
	Rental income	(16,212)	(10,260)
	Recreational services	(31)	(17)
	Hotel and related services	(541)	(66)
	Ticketing and tour sales	(1,403)	(212)
	Medical services	(334)	(230)
(j) Asian Strategy & Leadership Incorporated Sdn Bhd (ASLI)	Conference and seminar	–	17
	Ticketing and tour sales	(1)	(35)
	Medical services	(18)	(21)
	Recreational services	(4)	(1)
	Rental income	(2)	(1)
(k) Sunway Hydraulic Industries Sdn Bhd (SHISB)	Ticketing and tour sales	(25)	(10)
	Medical services	(2)	(2)
	Rental income	(47)	(2)
	Recreational services	(3)	–
(l) Dekon Sdn Bhd Group (DSB Group)	Construction costs	177,665	128,503
	Landscaping services	3,253	1,738
	Renovation works	4,861	–
	Interior design works	249	–
	Ticketing and tour sales	(29)	(5)
	Medical services	(23)	(8)
	Recreational services	(44)	(2)
	Rental income	(222)	(54)
	Hotel and related services	(124)	–
	Property management services	(10)	–
(m) Akitek Akiprima Sdn Bhd (AASB)	Architectural consultancy	1,611	1,211
	Ticketing and tour sales	(4)	–
(n) Jef-San Enterprise Sdn Bhd (Jef-San)	Rental of properties	396	198
	Medical services	(17)	(16)
	Ticketing and tour sales	–	(2)

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

43. 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) 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.
- (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 substantial shareholdings in a corporation which has interest in CCM. They also have direct interests in Sunway Lagoon Sdn Bhd, a 51% owned subsidiary of the Company. Oh Kim Sun is a director of CCM.
- (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 Education 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.
- (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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

- (n) 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.

44. CAPITAL COMMITMENTS

	Group	
	30.6.2006 RM'000	31.12.2004 RM'000
Capital expenditure		
- contracted but not provided for Property, plant and equipment and investment properties	671,309	55,781
- approved but not contracted for Property, plant and equipment and investment properties	294,688	389,905
Freehold land	23,700	-
	318,388	389,905
	989,697	445,686

45. LEASE COMMITMENTS

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

	Group/Company	
	30.6.2006 RM'000	31.12.2004 RM'000
Less than 1 year	46,800	46,800
Between 1 and 5 years	15,134	85,334
	61,934	132,134

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 43 to the financial statements. Sublease income of the Group and of the Company of RM10,260,000 and RM28,800,000 respectively is expected to be received during the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

46. CONTINGENT LIABILITIES

	Company	
	30.6.2006 RM'000	31.12.2004 RM'000
Guarantees given to licensed financial institutions for banking facilities granted to subsidiaries	217,677	257,176

All the above contingent liabilities are unsecured.

47. SUBSIDIARIES AND ASSOCIATES

Details of the subsidiaries and associates are as follows:

Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
			30.6.2006 %	31.12.2004 %
(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
Sunway City (Penang) Sdn Bhd	Malaysia	Property development and investment holding	100	75
Konsep Objektif (M) Sdn Bhd	Malaysia	Investment holding	70	70
Sunway Pyramid Sdn Bhd	Malaysia	Shopping mall operator	52	52
Sunway City Properties Sdn Bhd (formerly known as 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	52	100
Sunway Lagoon Club Berhad	Malaysia	Recreational club facilities	83.6	83.6
Sunway Travel Sdn Bhd	Malaysia	Travel and tour agent	100	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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

47. SUBSIDIARIES AND ASSOCIATES (CONT'D)

Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
			30.6.2006 %	31.12.2004 %
(a) Subsidiaries of Sunway City Berhad (Cont'd)				
Sunway Monorail Sdn Bhd	Malaysia	Monorail operator	100	100
Sunway Grand Sdn Bhd	Malaysia	Property development	100	100
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
Sunway Facility Management Sdn Bhd	Malaysia	Building facilities management	100	100
Sunway SLR Facility Management Sdn Bhd (formerly known as SLR Facility Management Sdn Bhd)	Malaysia	Building facilities management	100	100
Sunway Melawati Sdn Bhd (formerly known as Casa Mujur Sdn Bhd)	Malaysia	Property development	100	100

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

47. SUBSIDIARIES AND ASSOCIATES (CONT'D)

Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
			30.6.2006 %	31.12.2004 %
(a) Subsidiaries of Sunway City Berhad (Cont'd)				
Sunway Bukit Gambier Sdn Bhd	Malaysia	Property development	100	100
Menara Sunway Sdn Bhd	Malaysia	Management and letting of property	100	100
Sunway Crest Sdn Bhd (formerly known as Esteem Crest Sdn Bhd)	Malaysia	Property development	100	100
Sunway International Vacation Club Berhad	Malaysia	Time sharing businesses	100	100
Lambang Mujur Sdn Bhd	Malaysia	Dormant	100	100
Platinum Success Sdn Bhd	Malaysia	Property investment	100	–
Sunway Healthy Lifestyle Sdn Bhd	Malaysia	Medical tourism	100	–
Splendid Crest Sdn Bhd	Malaysia	Management and letting of properties	100	–
Sunway Security Services Sdn Bhd (formerly known as Digital Splendour 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
Sunway Carnival Sdn Bhd (formerly known as Lancar Gemilang Sdn Bhd)	Malaysia	Property investment	100	100
Prime Delight Sdn Bhd	Malaysia	Dormant	100	100
Sejati Pesona Sdn Bhd	Malaysia	Dormant	100	100
Associated Circle Sdn Bhd	Malaysia	Dormant	100	100
Alliance Parade Sdn Bhd	Malaysia	Dormant	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 Sunway City Properties Sdn Bhd (formerly known as Syarikat Shoib Properties Sdn Bhd)				
Pena Enterprise Sdn Bhd	Malaysia	Property development	100	100

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

47. SUBSIDIARIES AND ASSOCIATES (CONT'D)

Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
			30.6.2006 %	31.12.2004 %
(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
Lavender Acres Sdn Bhd	Malaysia	Dormant	100	100
Perpetual Summer Sdn Bhd	Malaysia	Dormant	100	100
Sunway South Quay Sdn Bhd	Malaysia	Property development	60	100
Frontier Acres Sdn Bhd	Malaysia	Investment holding	100	100
Sunway Security Services Sdn Bhd (formerly known as Digital Splendour Sdn Bhd)	Malaysia	Dormant	–	100
Lestari Ganda Sdn Bhd	Malaysia	Dormant	–	100
Logic Square Sdn Bhd	Malaysia	Dormant	–	100
Platinum Success Sdn Bhd	Malaysia	Property investment	–	100
Splendid Crest Sdn Bhd	Malaysia	Dormant	–	100
Zenith Gateway Sdn Bhd	Malaysia	Dormant	–	100
(g) Subsidiaries of Allson International Holdings Limited				
* Allson International Hotels & Resorts (H.K.) Limited	Hong Kong	In members' voluntary liquidation	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

30 JUNE 2006 (CONT'D)

47. SUBSIDIARIES AND ASSOCIATES (CONTD.)

Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
			30.6.2006 %	31.12.2004 %
(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	In members' voluntary liquidation	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
Sunway Hotel Services (Ipoh) Sdn Bhd (formerly known as Bandar Sunway (Melaka) Sdn Bhd)	Malaysia	Property investment	100	100
# Permata Aktiviti (M) Sdn Bhd	Malaysia	In members' voluntary liquidation	100	100
# Lagoon Café Sdn Bhd	Malaysia	In members' voluntary liquidation	100	100
Objektif Ekuiti (M) Sdn Bhd	Malaysia	Dormant	100	100
Peluang Klasik (M) Sdn Bhd	Malaysia	Property investment	100	100
(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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

47. SUBSIDIARIES AND ASSOCIATES (CONT'D)

Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
			30.6.2006 %	31.12.2004 %
(l) Subsidiaries of Sunway Damansara Sdn Bhd (Cont'd)				
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
(n) Subsidiary of Sunway SLR Facility Management Sdn Bhd (formerly known as SLR Facility Management Sdn Bhd)				
Sunway Galaxy Management Services Sdn Bhd	Malaysia	Dormant	52	52
(o) Subsidiary of Pena Enterprise Sdn Bhd				
Logic Square Sdn Bhd	Malaysia	Dormant	100	–
(p) Subsidiaries of Eastern Glory Enterprises Limited				
Estonia Enterprises Limited	British Virgin Islands	Investment holding	100	100
*Hartford Lane Pty. Ltd.	Australia	Trustee	100	100
(q) Subsidiaries of Estonia Enterprises Limited				
* International Theme Park Pty. Ltd.	Australia	Dormant	100	100
* Sunway Australia Unit Trust	Australia	Unit trust	100	100
(r) Subsidiary of International Theme Park Pty. Ltd.				
* Sydney Theme Park Pty. Limited	Australia	Theme park licence holder	100	100
(s) Subsidiary of Sunway Medical Centre Berhad				
Sunmed@Home Sdn Bhd	Malaysia	Nursing care and allied healthcare services	51	–

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

47. SUBSIDIARIES AND ASSOCIATES (CONT'D)

Name of Companies	Country of Incorporation	Principal Activities	Equity Interest Held	
			30.6.2006 %	31.12.2004 %
(t) Associates of Sunway City Berhad				
Aktif-Sunway Sdn Bhd	Malaysia	Retailer	20	20
# Sunway Cana City Development Ltd.	Cambodia	Property development	49	49
(u) Associates of Sunway Lagoon Sdn Bhd				
# Sunway Sayang Restaurant Sdn Bhd	Malaysia	In creditors' voluntary liquidation	50	50
# Shochiku Sunway Lagoon Sdn Bhd	Malaysia	Dormant	50	50
# Pyramid Bowl Sdn Bhd	Malaysia	Bowling alley operator	–	40
(v) Associate of Sunway Travel Sdn Bhd				
# OSC First Holidays Co. Ltd.	Socialist Republic of Vietnam	Travel and tour agent	20	20
(w) Associate of Sunway Damansara Sdn Bhd				
Sunway D'Mont Kiara Sdn Bhd	Malaysia	Property development	30	30
(x) Associate of Sunway Pyramid Sdn Bhd				
# Pyramid Bowl Sdn Bhd	Malaysia	Bowling alley operator	40	–

Audited by firms of auditors other than Ernst & Young

* Audited by another member firm of Ernst & Young Global

48. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

Completed Events

(a) 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 an investment of 48% equity interest in SRH by Reco.

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 had assumed all rights, benefits, liabilities, duties and obligations of Reco under the Subscription Agreement and Reco-M was substituted in place of Reco.

SRH is a company incorporated in Malaysia and was then 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

48. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD (CONT'D)

Completed Events (Cont'd)

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

The Subscription Agreement was completed on 20 April 2005.

The investment of 48% equity interest in SRH by Reco-M for a total consideration of RM170.139 million, had been satisfied by cash via the following:

- (i) 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) 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) shareholder's loan of RM103.895 million to SRH.

The Company, on the other hand, has:

- (i) subscribed 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 an issue price and premium of RM2.95 and RM2.94 per share respectively; by way of capitalisation of the amount owing by SRH to the Company; and
- (ii) assumed 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).

The new ordinary shares rank *pari passu* with the existing shares of SRH in issue. The RPS rank in priority to ordinary shares.

Furthermore, the Company has undertaken such that, *inter alia*:

- (i) an amount of RM132.553 million comprising RM112.553 million being 52% of total shareholders' loan and RM20 million representing future profit arising from the sale of Resort Suites, shall be set aside to remain owing to the Company;
- (ii) the Company shall also make advances to SRH for the purpose of working capital in respect of the Resort Suites;
- (iii) the sublease agreement between the Company and SRH as disclosed in Note 11 to the financial statements shall not be terminated. However, no further sums shall be due or payable by SRH to the Company in relation to rent payments under the sublease agreement; and
- (iv) the Company shall exercise the purchase options within the option period under the ABS exercise as disclosed in Note 11 to the financial statements. In respect of Sunway Lagoon Resort Hotel (the Hotel), the Company shall nominate SRH as the purchaser whereby SRH shall be required to contribute a sum of RM70,543,665 plus the total redemption amount on its 191,895,770 SCDN towards the purchase price of the Hotel.

Upon completion of the Subscription Agreement, the Company and Reco-M hold 52% and 48% of the enlarged issued and paid-up share capital of SRH respectively, while the total shareholders' loan extended to SRH is in the proportion of 52:48 between the Company and Reco-M, resulting in a deemed gain of RM16.524 million to the Group.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

48. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD (CONT'D)

Completed Events (Cont'd)

(b) Investment of 40% Equity Interest in Sunway South Quay Sdn Bhd by Kuwait Finance House (Malaysia) Berhad and Employees' Provident Fund Board of Malaysia

On 22 November 2005, Sunway South Quay Sdn Bhd (SSQSB), then a wholly-owned subsidiary of Sunway Lagoon Sdn Bhd (SLSB) which in turn is a 51% owned subsidiary of Sunway City Berhad, had entered into a Subscription Agreement with SLSB and Kuwait Finance House (Malaysia) Berhad (KFHMB) (SLSB-KFHMB Subscription Agreement) in relation to the investment of 20% equity interest in SSQSB by KFHMB and subscription of additional ordinary shares by SLSB in SSQSB's enlarged issued and paid-up ordinary share capital.

On even date, SSQSB had also entered into a Musyarakah Shareholders' Agreement with SLSB and KFHMB to set out the terms and conditions of their joint venture and their mutual rights and obligations as shareholders of SSQSB.

It was also agreed by the parties in the SLSB-KFHMB Subscription Agreement that SLSB had prior to that, invited the Employees' Provident Fund Board of Malaysia (EPF) to acquire a 20% equity interest in SSQSB (EPF Shares).

KFHMB, a company incorporated in Malaysia and a subsidiary of Kuwait Finance House, is an Islamic Bank licensed under the Islamic Banking Act, 1983. EPF is a body corporate established under the Employees' Provident Fund Act, 1991.

Pursuant to the SLSB-KFHMB Subscription Agreement:

- (i) SLSB has subscribed for 95,000 new ordinary shares of RM1 each in SSQSB at an issue price of RM1 per share, by way of capitalisation of part of its existing shareholder's loan to SSQSB; and
- (ii) KFHMB has subscribed for 30,000 new ordinary shares of RM1 each in SSQSB at an issue price and premium of RM195.33 and RM194.33 per share respectively, by way of cash.

The Musyarakah Shareholders' Agreement was entered into between the parties on the basis of the Islamic Shariah principle of Musyarakah (joint venture profit sharing) whereby, concurrent with the subscription of shares in SSQSB, SLSB and KFHMB will invest in the development projects of SSQSB and contribute capital (Musyarakah Capital) as follows:

- (i) KFHMB shall provide RM63,751,000 or 20% of the Musyarakah Capital, by way of cash;
- (ii) SLSB shall:
 - (a) in the event that EPF subscribes for the EPF Shares, provide RM191,254,504 or 60% of the Musyarakah Capital; or
 - (b) in the event that EPF does not subscribe for the EPF Shares, provide RM260,835,504 or 80% of the Musyarakah Capital;by way of capitalisation of part of its existing shareholder's loan to SSQSB; and
- (iii) EPF shall, in the event that EPF subscribes for the EPF Shares, provide RM63,751,000 or 20% of the Musyarakah Capital, by way of cash.

Subsequently on 20 February 2006, SSQSB had entered into a Subscription Agreement with SLSB, KFHMB and EPF (SLSB-KFHMB-EPF Subscription Agreement) in relation to the investment of 20% equity interest in SSQSB by EPF and subscription of additional ordinary shares by SLSB and KFHMB in SSQSB's enlarged issued and paid-up ordinary share capital.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

48. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD (CONT'D)

Completed Events (Cont'd)

(b) Investment of 40% Equity Interest in Sunway South Quay Sdn Bhd by Kuwait Finance House (Malaysia) Berhad and Employees' Provident Fund Board of Malaysia (Cont'd)

EPF had also, on even date, executed a New Musyarakah Shareholder Deed of Adherence to the Musyarakah Shareholders' Agreement whereby EPF has agreed to become a party to the Musyarakah Shareholders' Agreement and to assume the same obligations, and become entitled and bound to the same rights, as if it had been an original party to the Musyarakah Shareholders' Agreement.

Pursuant to the SLSB-KFHMB-EPF Subscription Agreement:

- (i) SLSB has subscribed for 30,000 new ordinary shares of RM1 each in SSQSB at an issue price of RM1 per share, by way of capitalisation of part of its existing shareholder's loan to SSQSB;
- (ii) KFHM B has subscribed for 20,000 new ordinary shares of RM1 each in SSQSB at an issue price of RM1 per share, by way of cash; and
- (iii) EPF has subscribed for 50,000 new ordinary shares of RM1 each in SSQSB at an issue price and premium of RM117.60 and RM116.60 respectively, by way of cash.

The new ordinary shares rank pari passu with the existing shares of SSQSB.

In addition to the above subscription of shares, EPF has provided RM63,751,000 or 20% of the Musyarakah Capital, by way of cash. SLSB has in turn provided RM191,254,504 or 60% of the Musyarakah Capital, as specified in the Musyarakah Shareholders' Agreement.

The above internal restructuring of SSQSB was completed on 24 March 2006 and resulted in a deemed gain of RM3.776 million to the Group.

49. 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 30 June 2006 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 30 June 2006, which comprise deposits at call, bear interest at 2.63% to 4.00% (2004: 2.71% to 3.30%) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

49. FINANCIAL INSTRUMENTS (CONT'D)

(c) Foreign Exchange Risk (Cont'd)

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 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.

(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 other than as disclosed in Note 16 to the financial statements.

(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:

	Group			
	Carrying Amount		Fair Value	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
Financial Assets				
Other Non-Current Investments				
- SCDN	466,203	466,203	466,203	466,203
Financial Liabilities				
Refundable deposits				
- long term portion	10,018	16,369	8,450	14,255

The fair value of the SCDN has been determined by the fair value of the assets held by AREB 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

49. FINANCIAL INSTRUMENTS (CONT'D)

(f) Fair Values (Cont'd)

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 CP 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 CP 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 and payable and other short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

It is not practical to determine the fair values of:

- (i) non-current unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.
- (ii) amounts due from/to subsidiaries, associates and jointly controlled entity, amounts due to contractors and consultants and advances by minority shareholders of subsidiaries 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.
- (iii) redeemable 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 of the Company as at 30 June/ 31 December are not materially different from their carrying values.

50. 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 malls and letting of properties;
- (iii) Leisure - operation of theme parks, rendering recreational club facilities, travel agent and time sharing businesses;
- (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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

50. SEGMENT INFORMATION (CONT'D)

(a) Business Segments (Cont'd)

	Property Development		Property Investment		Leisure		Hospitality		Healthcare		Eliminations		Consolidated	
	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	
REVENUE AND EXPENSES														
Revenue														
External sales	958,297	609,112	171,186	106,364	103,907	88,897	224,598	122,692	116,412	65,416	-	-	1,574,400	992,481
Inter-segment sales	49,402	1,702	51,274	33,778	-	-	206	1,902	71	42	(100,953)	(37,424)	-	-
Total revenue	1,007,699	610,814	222,460	140,142	103,907	88,897	224,804	124,594	116,483	65,458	(100,953)	(37,424)	1,574,400	992,481
Results														
Operating segment results	339,937	159,012	81,972	53,044	(13,719)	(40,365)	16,161	(220)	10,557	4,809	(8,906)	(5,239)	426,002	171,041
Unallocated corporate expenses													(3,814)	(1,526)
Profit from operations													422,188	169,515
Finance costs													(65,039)	(47,696)
Share of results of associates	250	-	-	-	248	(267)	-	-	-	-	-	-	498	(267)
Share of results of jointly controlled entity	38,181	120	-	-	-	-	-	-	-	-	-	-	38,181	120
Results arising from other investing activities	37,121	1,696	(5,152)	(7,489)	(19,830)	49,221	13,127	4,057	24	-	-	-	25,290	47,485
Profit before taxation													421,118	169,157
Taxation													(92,873)	(42,638)
Profit after taxation													328,245	126,519
Minority interests													(161,523)	(59,613)
Net profit for the period/year													166,722	66,906

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

50. SEGMENT INFORMATION (CONT'D)

(a) Business Segments (Cont'd)

	Property Development		Property Investment		Leisure		Hospitality		Healthcare		Eliminations		Consolidated	
	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000	30.6.2006 RM'000	31.12.2004 RM'000
ASSETS AND LIABILITIES														
Segment assets	1,360,660	1,201,109	982,882	722,161	136,833	360,618	525,105	464,886	91,334	78,480	(197,805)	(160,950)	2,899,009	2,666,304
Investments in associates	12,993	11,172	-	-	-	1,330	-	-	-	-	-	-	12,993	12,502
Investment in jointly controlled entity	40,822	13,540	-	-	-	-	-	-	-	-	-	-	40,822	13,540
Unallocated corporate assets													49,419	16,470
Consolidated total assets	637,011	573,824	230,466	123,295	139,289	199,384	303,021	452,710	60,046	51,758	(881,033)	(920,014)	488,800	480,957
Segment liabilities													1,128,811	1,055,073
Unallocated corporate liabilities													1,617,611	1,536,030
Consolidated total liabilities														
	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
OTHER INFORMATION														
Capital expenditure	5,284	7,067	170,919	25,759	8,164	44,504	10,734	60,872	16,236	4,416			211,337	142,618
Amortisation/write off of goodwill	39	2	683	456	-	-	999	750	186	124			1,907	1,332
Depreciation	1,046	586	20,239	12,347	8,608	15,698	11,289	4,686	7,449	8,122			48,631	41,439
Impairment losses	-	-	5,280	7,500	18,921	4,236	-	-	-	-			24,201	11,736
Write-back of impairment losses	(24,336)	-	-	-	-	-	-	-	-	-			(24,336)	-
Non-cash expenses/(income) other than depreciation, amortisation and impairment losses	1	727	450	(75)	1,346	6,210	3,519	188	1,524	705			6,840	7,755

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006 (CONT'D)

50. SEGMENT INFORMATION (CONT'D)

(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	
	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000	1.1.2005 to 30.6.2006 RM'000	1.1.2004 to 31.12.2004 RM'000
Total revenue from external customers	1,481,163	950,761	14,369	11,323	78,868	30,397	1,574,400	992,481
Operating segment results	359,769	205,396	(3,756)	243	69,989	(34,598)	426,002	171,041
Segment assets	2,844,387	2,471,772	43,225	41,886	11,397	152,646	2,899,009	2,666,304
Capital expenditure	210,931	142,438	406	180	-	-	211,337	142,618

51. COMPARATIVES

The year end of the Company was changed from 31 December to 30 June. Accordingly, comparative amounts for the income statements, statements of changes in equity, cash flow statements and the related notes are not in respect of comparable periods.

The following comparative amounts have been restated to conform with current period's presentation:

	As Previously Stated RM'000	Adjustments RM'000	As Restated RM'000
At 31 December 2004:			
Group			
Property, plant and equipment	473,386	8,168	481,554
Land held for property development	358,690	(1,366)	357,324
Property development costs	465,042	(32,622)	432,420
Deposits with licensed financial institutions	56,745	8,266	65,011
Cash and bank balances	329,830	(8,266)	321,564
Trade payables	(182,327)	(4,626)	(186,953)
Other payables	(459,301)	30,446	(428,855)
Company			
Deposits with licensed financial institutions	3,000	8,266	11,266
Cash and bank balances	38,109	(8,266)	29,843