

SUNWAY CITY BERHAD (Company No : 87564-X)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2007

THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2007

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/12/2007	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2006	CURRENT YEAR TO DATE 31/12/2007	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2006
	RM'000	RM'000	RM'000	RM'000
REVENUE	373,809	265,217	732,859	563,911
OPERATING EXPENSES	(269,081)	(204,231)	(545,630)	(431,133)
OTHER OPERATING INCOME	326,409	7,414	333,125	12,674
PROFIT FROM OPERATIONS	<u>431,137</u>	<u>68,400</u>	<u>520,354</u>	<u>145,452</u>
FINANCE COSTS	(18,814)	(15,475)	(35,317)	(30,176)
SHARE OF PROFIT FROM ASSOCIATES AND JOINTLY CONTROLLED ENTITY	4,525	6,882	7,595	10,738
PROFIT BEFORE TAX	<u>416,848</u>	<u>59,807</u>	<u>492,632</u>	<u>126,014</u>
INCOME TAX EXPENSE	(106,799)	(13,930)	(117,820)	(28,146)
PROFIT FOR THE PERIOD	<u>310,049</u>	<u>45,877</u>	<u>374,812</u>	<u>97,868</u>
ATTRIBUTABLE TO:				
- EQUITY HOLDERS OF THE COMPANY	169,730	30,835	214,685	62,101
- MINORITY INTERESTS	140,319	15,042	160,127	35,767
	<u>310,049</u>	<u>45,877</u>	<u>374,812</u>	<u>97,868</u>
EARNINGS PER SHARE				
(i) BASIC (sen)	<u>36.34</u>	<u>7.42</u>	<u>45.97</u>	<u>14.94</u>
(ii) DILUTED (sen)	<u>35.85</u>	<u>7.28</u>	<u>45.57</u>	<u>14.76</u>

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2007)

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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	AS AT END OF CURRENT QUARTER 31/12/2007	AS AT PRECEDING FINANCIAL YEAR END 30/06/2007
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	726,789	1,160,214
Prepaid land lease payments	27,656	27,836
Biological assets	734	437
Investment properties	2,538,869	1,334,370
Land held for property development	276,963	251,008
Investment in associates	44,278	12,420
Investment in jointly controlled entity	37,449	47,532
Goodwill	23,852	23,852
Deferred tax assets	7,846	8,931
	<u>3,684,436</u>	<u>2,866,600</u>
Current assets		
Properties development costs	359,524	497,001
Inventories	52,787	34,243
Receivables, deposits & prepayments	279,695	260,654
Deposits, bank & cash balances	559,538	531,416
Tax recoverable	38,627	32,817
Non-current asset classified as held for sale	17,295	17,295
	<u>1,307,466</u>	<u>1,373,426</u>
TOTAL ASSETS	<u>4,991,902</u>	<u>4,240,026</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	469,910	463,444
Warrants	23,000	-
Share premium	308,700	298,559
Reserves	845,509	667,910
	<u>1,647,119</u>	<u>1,429,913</u>
Minority interests	<u>681,004</u>	<u>553,141</u>
Total equity	<u>2,328,123</u>	<u>1,983,054</u>
Non-current liabilities		
Long term bank borrowings	1,131,270	740,605
Other long term liabilities	340,273	332,092
Deferred taxation	227,893	151,213
	<u>1,699,436</u>	<u>1,223,910</u>
Current liabilities		
Payables, accruals & other current liabilities	625,464	561,023
Bank borrowings	304,534	461,124
Taxation	34,345	10,915
	<u>964,343</u>	<u>1,033,062</u>
Total liabilities	<u>2,663,779</u>	<u>2,256,972</u>
TOTAL EQUITY AND LIABILITIES	<u>4,991,902</u>	<u>4,240,026</u>

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 30 June 2007)

SUNWAY CITY BERHAD (Company No : 87564-X)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2007
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 DECEMBER 2007

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY							MINORITY INTEREST	TOTAL EQUITY
	NON-DISTRIBUTABLE			DISTRIBUTABLE					
	SHARE CAPITAL	WARRANTS	SHARE PREMIUM	CAPITAL RESERVE	EXCHANGE RESERVE	REVENUE RESERVE	TOTAL		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
FINANCIAL YEAR ENDED 30 JUNE 2007									
At 1 July 2006	414,942	-	158,406	24,536	12,893	369,285	980,062	404,570	1,384,632
Effects of adopting IC Interpretation 112	-	-	-	-	-	(124,361)	(124,361)	(41,305)	(165,666)
At 1 July 2006 (restated)	414,942	-	158,406	24,536	12,893	244,924	855,701	363,265	1,218,966
Effects of adopting:									
- FRS 3	-	-	-	-	-	7,717	7,717	-	7,717
- FRS 140	-	-	-	-	-	241,968	241,968	131,329	373,297
	414,942	-	158,406	24,536	12,893	494,609	1,105,386	494,594	1,599,980
Currency translation differences	-	-	-	-	683	-	683	(226)	457
Transfer to/(from) reserves	-	-	-	1,187	-	(1,187)	-	-	-
Net income/(expenses) recognised directly in equity	-	-	-	1,187	683	(1,187)	683	(226)	457
Profit for the year	-	-	-	-	-	147,150	147,150	79,916	227,066
Loss for the year recognised directly in advances by minority shareholders of a subsidiary	-	-	-	-	-	-	-	345	345
Total recognised income and expense for the year	-	-	-	1,187	683	145,963	147,833	80,035	227,868
Dividend	-	-	-	-	-	(11,961)	(11,961)	-	(11,961)
Exercise of Employees' Share Option Scheme	6,464	-	-	-	-	-	6,464	-	6,464
Issue of ordinary shares pursuant to private placement	42,038	-	142,927	-	-	-	184,965	-	184,965
Transactions costs	-	-	(2,774)	-	-	-	(2,774)	-	(2,774)
Acquisition of additional equity interest in a subsidiary	-	-	-	-	-	-	-	(416)	(416)
Issue of ordinary shares by a subsidiary	-	-	-	-	-	-	-	1,284	1,284
Dividends paid by subsidiaries	-	-	-	-	-	-	-	(22,356)	(22,356)
At 30 June 2007	463,444	-	298,559	25,723	13,576	628,611	1,429,913	553,141	1,983,054
QUARTER ENDED 31 DECEMBER 2007									
At 1 July 2007	463,444	-	298,559	25,723	13,576	628,611	1,429,913	553,141	1,983,054
Currency translation differences	-	-	-	-	101	-	101	16	117
Transfer from/(to) reserves	-	-	-	597	-	(597)	-	-	-
Net expenses recognised directly in equity	-	-	-	597	101	(597)	101	16	117
Profit for the period	-	-	-	-	-	214,685	214,685	160,127	374,812
Total recognised income and expense for the period	-	-	-	597	101	214,088	214,786	160,143	374,929
Dividend	-	-	-	-	-	(37,187)	(37,187)	-	(37,187)
Issue of Warrants	-	23,370	-	-	-	-	23,370	-	23,370
Exercise of Employees' Share Option Scheme	3,998	-	217	-	-	-	4,215	-	4,215
Exercise of Warrants	2,468	(370)	9,924	-	-	-	12,022	-	12,022
Dividends paid by subsidiaries	-	-	-	-	-	-	-	(32,280)	(32,280)
At 31 December 2007	469,910	23,000	308,700	26,320	13,677	805,512	1,647,119	681,004	2,328,123

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 June 2007)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE QUARTER ENDED 31 DECEMBER 2007

	6 MONTHS CURRENT YEAR TO DATE 31/12/2007 RM'000	12 MONTHS PRECEDING YEAR TO DATE 30/06/2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	694,583	1,137,942
Payment to suppliers and contractors	(359,882)	(532,628)
Payment of operating expenses	(150,027)	(208,008)
Interest received	6,471	12,292
Dividend received from jointly controlled entity	20,002	10,220
Cash generated from operations	211,147	419,818
Taxation paid	(22,418)	(81,451)
Net cash generated from operating activities	188,729	338,367
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits paid on acquisition of land and investment property	-	(36,500)
Acquisition of property, plant & equipment and biological assets	(178,206)	(395,843)
Subsequent expenditure of investment property	(156,830)	(46)
Proceeds from disposal of property, plant & equipment	-	292
Proceeds from disposal of land held for property development	-	8,800
Acquisition of subsidiaries	-	1
Investment in associates	(30,086)	-
Partial repayment of balance consideration for the acquisition of land in previous financial period	-	(10,876)
Advances to associates, jointly controlled entity and joint venture partners	(402)	(34,359)
Net cash used in investing activities	(365,524)	(468,531)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net bank and other borrowings	501,883	260,931
Issuance of warrants	23,370	-
Issuance of ordinary shares to minority shareholders of subsidiaries	-	1,284
Employees' Share Option Scheme	4,215	6,464
Issue of ordinary shares pursuant to private placement	-	184,965
Issue of ordinary shares pursuant to exercise of warrants	12,022	-
Share issuance expense	-	(2,774)
Redemption of preference shares held by minority shareholders in subsidiary companies	(8,117)	(15,905)
Redemption of Secured Senior Notes	(272,141)	(43,502)
Advances from/(repayment to) minority shareholders of subsidiary companies	14,661	(6,941)
Interest paid	(42,720)	(55,482)
Dividend paid to shareholders of the Company	-	(11,961)
Dividend paid to minority shareholders of the subsidiaries	(31,820)	(23,904)
Net cash generated from financing activities	201,353	293,175
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,558	163,011
EFFECTS OF EXCHANGE RATE CHANGES	58	90
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR	528,660	365,559
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD/YEAR	553,276	528,660
Cash and cash equivalents at end of financial period/year comprise the following :		
Deposits, bank & cash balances	559,538	531,416
Bank overdrafts	(6,262)	(2,756)
	553,276	528,660
(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 30 June 2007)		

NOTES TO FINANCIAL STATEMENTS :**A1 Accounting Policies**

The interim financial report has been prepared in accordance with FRS134 " Interim Financial Reporting " and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements, and should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2007.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2007.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 30 June 2007 except for the adoption of the new/revised FRSs that are effective for the financial period beginning 1 July 2007.

The adoption of the new/revised FRSs did not have significant impact on the Group except for the following: -

(a) FRS 117 - Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid land lease payments and are amortised on a straight-line basis over the lease term. A lease of land and building is apportioned into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. Prior to 1 July 2007, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses.

Upon the adoption of the revised FRS 117 at 1 July 2007, the unamortised revalued amount of leasehold land is retained as the surrogate carrying amount of prepaid land lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively and certain comparative amounts as at 30 June 2007 have been restated as follows:

Balance Sheet as at 30 June 2007	As previously reported RM '000	Effects RM '000	As restated RM '000
Property, plant and equipment	1,188,050	(27,836)	1,160,214
Prepaid land lease payments	-	27,836	27,836
		-	

A2 Report of the Auditors

The report of the auditors of preceding annual financial statements was not subject to any qualification.

A3 Seasonal or Cyclical Factors

The results for the current quarter under review were not materially affected by seasonal or cyclical factors except for the leisure and hospitality industries which usually enjoyed higher patronage/occupancy during the period from July to December which coincides with the Middle East and local school holiday seasons.

A4 Unusual Items

There were no material unusual items affecting the amounts reported for the 2nd quarter ended 31 December 2007 except as mentioned in Note A9 below.

A5 Changes in Estimates

There were no changes in estimates that have a material effect on the amounts reported for the 2nd quarter ended 31 December 2007.

A6 Issuances, Cancellations, Repurchases, Resale and Repayments of Debts and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities except for the following:-

(a) During the quarter ended 31 December 2007, the Company issued 2,573,000 , 1,420,000 and 5,000 new ordinary shares of RM1.00 each for cash pursuant to the Employees' Share Option Scheme at exercise prices of RM1.00 , RM1.15 and RM1.86 per ordinary share respectively.

(b) On 5 October 2007, the Company issued 155,805,276 warrants at an issue price of RM0.15 per warrant for cash on the basis of one (1) warrant for every three (3) ordinary shares of RM1.00 each held in the Company.

The warrants entitle the registered holder, at any time within a period of 10 years commencing on and including the issue date, to subscribe for 1 new ordinary share of RM1.00 each in the Company at an exercise price of RM4.87 per ordinary share for every warrant held.

As at 31 December 2007, 2,468,699 new ordinary shares of RM1.00 each were issued for cash pursuant to the exercise of warrants at an exercise price of RM4.87.

A7 Dividend Paid

There was no dividend paid during the 2nd quarter ended 31 December 2007.

A8 Segmental Reporting

Segmental results for the financial period ended 31 December 2007 are as follows:

	Property Development RM'000	Property Investment RM'000	Leisure RM'000	Hospitality RM'000	Healthcare RM'000	Eliminations RM'000	Consolidated RM'000
BY BUSINESS SEGMENTS							
REVENUE AND EXPENSES							
Revenue							
External sales	425,880	90,204	61,612	97,361	57,802	-	732,859
Inter-segment sales	-	17,232	-	2,846	28	(20,106)	-
Total Revenue	425,880	107,436	61,612	100,207	57,830	(20,106)	732,859
Results							
Operating segment results	107,714	366,051	16,508	26,254	3,827	-	520,354
Finance costs							(35,317)
Share of results of associated companies and jointly controlled entity							7,595
Taxation							(117,820)
Profit for the period							374,812
Attributable to:							
Equity holders of the parent							214,685
Minority interest							160,127
							374,812

A9 Valuation of Property, Plant and Equipment and Investment Properties

The Group has adopted the fair value model for its investment properties with effect from 1 July 2006 and there is no significant and indicative change in value of the said investment properties since the last balance sheet date except the revaluation of the Sunway Pyramid Shopping Mall upon completion of its expansion to RM1.6 billion which gave rise to a fair value gain of RM315.7 million (net impact after tax and minority interest was RM123.1 million). The fair value gain is reflected in other operating income.

A10 Material events

There were no material events subsequent to the end of the financial quarter reported on except as mentioned in B8 below.

A11 Changes in the Composition of the Group

There was no material change in the composition of the Group for the 2nd quarter ended 31 December 2007.

A12 Contingent Liabilities and Assets

There were no material changes in contingent liabilities since the last annual balance sheet date.
There were no contingent assets.

B1 Review of Performance

The Group posted a revenue of RM373.8 million representing an increase of 41% from last corresponding quarter's revenue of RM265.2 million due to better performance from all segments. The Group's profit before tax of RM416.8 million included a fair value gain of RM315.7 million as explained in Note A9 above. Core profit before tax, excluding the fair value gain, of RM101.1 million was RM37.4 million higher than last corresponding quarter's profit before tax of RM63.7 million mainly contributed by the Property Development and Property Investment Segments. The Property Development Segment registered strong earnings from Sunway Damansara's shopoffice development and Sunway D'Mont Kiara's bungalow and high-end terrace link-houses development. The Property Investment Segment's results were significantly boosted by the completion and opening of the Sunway Pyramid Shopping Mall expansion during the quarter.

B2 Material Changes in the Quarterly Results

The current quarter recorded a revenue of RM373.8 million compared to last quarter's revenue of RM359.0 million. The current quarter's profit before tax, excluding the fair value gain of RM315.7 million as mentioned above, of RM 101.1 million was 33% higher than the last quarter's profit before tax of RM75.8 million.

The higher profit before tax for the quarter was attributable to Sunway Damansara's high margin shopoffice development and the opening of the Sunway Pyramid Shopping Mall expansion.

B3 Current Year Prospects

Despite the current weak sentiments in the global equity and credit market caused by the subprime crisis and concerns over slowdown in the U.S. economy, the fundamentals of the Malaysian economy remain sound.

The Board maintains its positive outlook for the Group for the financial year ending 30 June 2008, backed by record unbilled sales of RM964million as at 31 December 2007 and RM219million for the enbloc sales of Palazzo Condominium which was signed in Jan 2008. The completion and opening of Sunway Pyramid Shopping Mall expansion in October 2007 and the better hotel performance derived from Visit Malaysia Year 2007/2008 will continue to support the Group's performance.

B4 Variance of Actual Profit from Profit Forecast

Not applicable.

B5 Taxation

The lower effective tax rate for the current year-to-date was mainly due to utilisation of unabsorbed capital allowances and reversal of deferred taxation liability due to the decrease in the tax rate from 26% to 25% effective year of assessment 2009.

	Individual Quarter 31/12/2007 RM'000	Cumulative To Date 31/12/2007 RM'000
Current taxation	22,949	42,026
Deferred taxation	83,850	75,794
	106,799	117,820

B6 Profits/(Losses) on Sale of Unquoted Investments and/or Properties

There were no sale of investments and/or properties of investment nature for the 2nd quarter ended 31 December 2007.

B7 Purchase or Disposal of Quoted Securities

There were no purchase or disposal of quoted securities for the 2nd quarter ended 31 December 2007.

B8 Status of Corporate Proposal Announced

Since the release of the 1st quarter interim results on 27 November 2007, the following corporate proposal had been announced:

Proposed Real Estate Investment Trust ("REIT")

On 17 January 2008, the Board of Directors announced that the Company has appointed RHB Investment Bank Berhad ("RHB Investment Bank"), Goldman Sachs (Singapore) Pte ("Goldman Sachs"), UBS Investment Bank and CIMB Investment Bank Berhad as joint lead managers and joint bookrunners for the initial public offering of the Company's proposed REIT. The Company has further appointed RHB Investment Bank and Goldman Sachs as joint global coordinators, as well as RHB Investment Bank as financial adviser for the proposed REIT.

B9 Group Borrowings and Debt Securities

The Group borrowings as at 31 December 2007 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings	96,534	208,000	304,534
Long term borrowings	902,235	229,035	1,131,270
	998,769	437,035	1,435,804

Included in the above are foreign currency borrowings as follows:

	Secured USD'000	Unsecured USD'000	Total USD'000
US Dollar (USD1 = RM3.3065)	-	600	600

B10 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 31 December 2007.

B11 Changes in Material Litigation

As at 31 December 2007, there were no material litigations since the last balance sheet date.

B12 Dividend

No dividend has been proposed by the Board of Directors for the 2nd quarter ended 31 December 2007.

B13 Earnings per share

The calculation of the earnings per share for the Group is based on profit after taxation and minority interests on the weighted average number of ordinary shares in issue during the period.

	Individual Quarter 31/12/2007 RM'000	Cumulative To Date 31/12/2007 RM'000
Basic earnings per share		
Profit attributable to members of the Company	169,730	214,685
Weighted Average Number of Ordinary Shares	467,026	467,026
Earnings per share (Basic) (sen)	36.34	45.97
Diluted earnings per share		
Profit attributable to members of the Company	169,730	214,685
Weighted Average Number of Ordinary Shares	473,445	471,071
Earnings per share (Diluted) (sen)	35.85	45.57

B14 Comparative figures

Comparative figures, where applicable, have been modified to conform with the current quarter's presentation.

By Order of the Board

Puan Sri Datin Seri (Dr) Susan Cheah Seok Cheng
Tan Kim Aun
Lee Suan Choo

Secretaries