

VIEWS FROM THE CHAIRMAN

“Remaining focused on delivering value”

The past year was yet another challenging year, as the resurgence of the COVID-19 pandemic continued to disrupt economic recoveries in Malaysia and beyond. The recovery momentum, which was expected to be strong in 2021, was dampened as movement restrictions were prolonged for a number of months.

With the number of COVID-19 cases steadily rising in the first half of the year, the government once again introduced movement restrictions that were tightened or eased depending on the pandemic situation in a particular state. However, by the end of May 2021, new cases rose to record levels, culminating in the government implementing a total lockdown, similar to the Movement Control Order we experienced in 2020. This resulted in an almost three-month shutdown of most economic sectors, including the construction sector, and severely affected the progress of ongoing projects as well as delayed the launch of new ones.

Construction activities were allowed to recommence under Phase 1 of the National Recovery Plan (NRP) in mid-August, based on the percentage of fully vaccinated workers on a project-to-project basis. As the restrictions eased further, we progressively ramped up operations while complying to COVID-19 SOPs. To date, close to 100% of our employees and business partners have been fully vaccinated, with the exception of those with health conditions.

Amid this extremely challenging backdrop, we continued to focus on operational excellence and cost efficiencies to deliver value to our shareholders. We also prioritised the safety of our people as extensive protocols were put in place to safeguard all our employees and workers. As a precautionary measure, we mass-tested all employees and continue to carry out periodic testing till this day.

DATO' IR GOH CHYE KOON

*Chairman Of
Sunway Construction
Group Berhad*

2021'S PERFORMANCE

Despite the pandemic, SunCon managed to deliver a resilient set of results. We achieved a turnover of RM1.729 billion and PBT of RM152.2 million, with improvement in profit margin to 8.8%. We successfully secured new contracts worth RM1.5 billion and maintained a healthy outstanding order book of RM4.8 billion as at 31 Dec 2021, which is expected to extend till 2023.

The resumption of construction activities in the later part of 2021 was crucial to supporting our business performance



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Total Revenue
RM1,729
MILLION

Total Profit After Tax
RM110.75
MILLION

The Sustainable Energy division has marked a significant milestone in 2021 with its foray into the large scale solar programme.

and more importantly, to support the nation's economy through our business activities that positively impact many others throughout our value chain. The pandemic has taught us to be agile and changed the way we operate to ensure productivity even while observing stringent SOPs and fewer workers on site.

In the year under review, I am proud to report that we have accomplished meaningful progress across all our business divisions despite the challenges of the pandemic.

We have completed the Petronas New Leadership Center (PNLC) project in Bangi, Selangor. The 4-storey building is an advanced learning facility that is designed to achieve a Platinum rating for both the Green Building Index (GBI) and Leadership in Energy and Environmental Design (LEED) systems. The successful completion of the project demonstrates our capability in delivering technically challenging facilities using innovative solutions. We have also completed the Sunway Geolake development, comprising a 44-storey condominium and 44 units of townhouses in Sunway South Quay.

Looking ahead slightly, we are expected to complete the TNB HQ Campus Phase 2 project in Kuala Lumpur as well as the LRT3 Package G07&G08 in Klang in 2022 as both projects are in the final stages of construction.

We also acknowledge that the strong pipeline of projects from our parent company, Sunway Group, has continued to cushion us from the full impact of the pandemic. In 2021, we were awarded two hospital projects from our parent company, including the Sunway Medical Centre Damansara valued at RM240 million and the Sunway Medical Centre in Ipoh valued at RM150 million.

The Sustainable Energy division has made significant progress in 2021, securing the Letter of Intent for two packages of the Large Scale Solar 4 project for the design, engineering, procurement, construction, testing and commissioning of solar photovoltaic (PV) energy generating facilities totaling RM385 million. Our foray into the large scale solar business is in addition to the multiple solar rooftop projects that we secured during the year, with total capacity of 986 kWp under implementation.

As a continuation of our efforts to diversify our business, we will be commencing the development of our maiden District Cooling System project in Commercial Precinct 2 (CP2), Sunway South Quay following the memorandum of understanding we signed with ENGIE South East Asia in 2020. ENGIE Group is the European leader in energy and value-added energy solutions with the requisite expertise that SunCon will be able to leverage on to pursue other district cooling opportunities in Malaysia.

Meanwhile, the Precast Division is expected to complete the construction of the Integrated Construction and Prefabrication Hub (ICPH) in Singapore in the second half of 2022. As an automated precast plant, its completion will be significant as it gives the Group added capacity that can help us increase our order book. With operations expected to commence at the end of 2022, we look forward to strengthening our presence in Singapore on the back of our strong track record in securing government and private projects.

For our regional projects, we have commenced construction of the two highway projects in Tamil Nadu, India as we obtained the start work order for the RM315 million Meensurutti-Chidambaran project on 8 August 2021 and the RM508 million Thorapalli Agraharam-Jittandahalli project on 7 December 2021.



Petronas New Leadership Centre

VIEWS FROM THE CHAIRMAN

In 2021, we are proud to have successfully completed the PNLC project in which we implemented full BIM standards together with facility management parameters. The project is certified to BSI (British Standards Institution) Level 2, demonstrating our capability to deliver projects that adhere to international BIM standards.

EMBEDDING DIGITALISATION TO IMPROVE EFFICIENCY

In the year under review, SunCon has paid particular attention to strengthening its Building Information Modelling (BIM) capabilities in order to improve productivity, reduce costs and speed up project delivery. For instance, as part of our digital transformation, we rolled out the SunCon Project Management Dashboard, an in-house developed platform to enable our project teams to be able to visualise 3D BIM models remotely that helped our teams to collaborate more effectively during the pandemic.

We also conducted workshops and training sessions continuously to strengthen our BIM capabilities, making project execution faster, better and more precise ensuring that we were able to meet the needs of a very competitive market. In addition, we introduced a tool that contains 360 degree as-built photos for our project teams to have an all-round view of the project virtually, and enabling as-built drawings to be updated without the need to be physically based at site.

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Internally, technology has played an important role in helping us to transition to remote working arrangements. For example, we successfully implemented e-learning using the SAP system whereby employee learning programmes were carried out virtually and learning materials were made available anytime and accessible anywhere. We have also implemented several Robotic Process Automation initiatives to improve our day-to-day operations, including one that automatically matches purchase orders, delivery orders as well as the corresponding electronic transfer forms to improve record keeping while reducing the use of paper.

SUSTAINABILITY

Over the years, our sustainability efforts have evolved to become more deliberate and cohesive as we aspire to create sustainable impacts that is guided by a robust ESG governance structure. Following the launch of our SunCon Future Value Goals 2030 which took place in 2020, we spent the year under review further refining our goals to:



The Future Value Goals serve as the cornerstone of our sustainability journey, keeping us in check on the commitments we have made and provides a clear pathway to decarbonisation. To further strengthen our sustainability governance position and to advance our sustainability agenda, we have established a Board Sustainability Committee, which is currently led by Dato' Dr. Johari bin Basri, Senior Independent Non-Executive Director. The committee shall assist the Board to provide oversight of the Group's sustainability objectives, goals, strategies and implementation of initiatives.

Our decarbonisation plan is aligned with Sunway Group's goal of achieving Net Zero Carbon Emissions by 2050, responding to the country's call to action in transitioning to a low carbon, resource-efficient and socially inclusive economy. At SunCon, we find that our values resonate strongly with the quote "Think big, start small", where we strive to be a good corporate citizen by contributing in areas which we can make a difference.

We recognise that we are living in times where climate risks are inevitable, yet we strongly believe that in every crisis lies opportunities. With prudent risk management strategies and the sustained implementation of recommendations by the Task Force on Climate-related Financial Disclosures (TCFD), we will be able to mitigate the effects of climate change and remain resilient in the face of climate adversity. The Group is committed to advancing climate-related risks adaptation to meet the expectations of our stakeholders and shareholders.

This year, while we had made good progress towards achieving our SunCon Future value Goals 2030, we acknowledge that further improvement on our business operations are required as we are falling short in one of our interim targets. On this note, the Group will intensify its efforts to address these shortcomings to ensure better performance in coming years. The Group has also heightened its efforts in supporting clean energy for all through its Sustainable Energy arm, where RM8.77 million has been spent on installing rooftop solar panels as part of our solar investment for green energy, and is on its journey to initiate its maiden District Cooling System project in 2022. Our continued inclusion in the MSCI, where we

VIEWS FROM THE CHAIRMAN

maintained a score of "BBB", demonstrates the recognition of our efforts in addressing ESG risks.

Moving forward, our sustainability agenda will be very much focused on the circular economy, where we aspire to explore sustainable alternatives within our supply chain while actively seeking feasible channels to divert our waste from landfills which will enhance the value-chain economy. The path towards decarbonisation will also continue, in both optimising our operations through sustainable consumption strategies and capitalising on our strength as a producer of sustainable energy in carbon offsetting.

DIVIDENDS

Despite the challenging year, the Group remains committed in maintaining our dividend policy. Our ability to continuously create shareholder value is attributed to the Group's financial strength and prudent risk management culture. We have been consistently paying dividends since our listing to reward shareholders for their long-standing support and we aim to uphold this commitment moving forward.

In FY2021, the Board has declared 5.25 sen in dividends (amounting to RM67.7 million) and paid 1.25 sen (amounting to RM16.117 million). The balance of 4.00 sen is payable in financial year ending 2022.

STRENGTHENING CORPORATE GOVERNANCE

The Group remains committed to maintaining high standards of corporate governance in line with our core values of integrity, humility and

excellence. In the year under review, we have conducted independent assessments of the Anti-Bribery and Corruption Policy that was rolled out in 2020 to assess the effectiveness of its implementation and to identify areas for improvement. We regularly review and strengthen our approach to governance to reflect best practices and the changing environment, to help us deliver on our vision.

In line with the call for greater diversity on the Boards of public listed companies, we have strengthened our Board leadership and diversity mix with the appointment of Ms Cindy Tan Ler Chin as the Group's Independent Non-Executive Director. Ms Tan brings vast experience and extensive knowledge in finance, investment and risk management to the Group. With 25% of women on our Board, this also reinforces our commitment to gender diversity, an integral component of good corporate governance.

We have also appointed Dato' Tan Kia Loke as Alternate Director to Mr Evan Cheah. Dato' Tan was formerly one of the pioneers in spearheading the formation of the construction arm with the Sunway Group. With the appointments of the new directors on our Board, we are confident that we will be able to further improve our performance and maximise shareholder value.

AWARDS



Minority Shareholders Watch Group (MSWG)

ASEAN Corporate Governance Awards 2020 – Construction category
(4th time SunCon has won this award)

ARC Awards 2021

Bronze Award for SunCon's Annual Report 2020

The Edge Billion Ringgit Club Award 2021

Highest Return on Equity over three years for the Construction Sector
(third consecutive award)

OUTLOOK & PROSPECTS

Going into 2022, we are cognisant of the effects of the COVID-19 pandemic which may lead to new waves of infections, especially with the emergence of the Omicron variant, the latest variant of concern. It is therefore crucial for us to remain agile and to understand that new operating norms will be here to stay for some time while also considering the possibility that operations may be disrupted again. Concurrently, it is SunCon's top priority to continue providing a safe working environment to our employees and workers at all of our premises.

However, we are adopting a cautiously optimistic view given the reopening of the economy in the fourth quarter of 2021 that has seen most businesses rebound as the nation transitions towards the endemic phase. The construction industry is expected to be on a recovery path in line with the gradual economic recovery and the Group is well positioned to capitalise on the post-pandemic recovery.

Our outstanding order book of RM4.8 billion remains strong and will be able to sustain the Group for at least two years. We are focusing on supporting the in-house pipeline of projects from our parent company, Sunway Group, while we explore new opportunities to grow our order book. With our strong balance sheet and solid track record, we are ready to seize opportunities in Private Public Partnership (PPP) projects in Malaysia such as the Klang Valley Mass Rapid Transit Line 3 (MRT3), which is one of the projects being earmarked for development in 2022. We are also working diligently to grow our business in the sustainable energy sector and will continue to focus on regional expansion to uncover opportunities for infrastructure development in India and the ASEAN region. At the same time, we remain focused on strengthening our sustainability efforts, automation and digitalisation initiatives to build on our industry leadership and to deliver value to our stakeholders.

The Group's long-term fundamentals remain strong and we anticipate that we will benefit from the long-term market trend of urbanisation and infrastructure growth through sustainable construction. As Malaysia's largest pure play construction company, our core values, business objectives and strategy built on our strong track record of over 40 years have laid a solid foundation for us to forge ahead as we navigate the headwinds to emerge stronger from the crisis and deliver sustainable shareholder value.

ACKNOWLEDGEMENT

As we celebrate our 40-year anniversary, on behalf of the Board, I would like to express our sincere appreciation to our management team and employees for their commitment and dedication. I would also like to thank our clients, business partners and shareholders for their continued support and trust in SunCon. Reaching this significant milestone would not have been possible without the strong support from all of you. We look forward to building many more years of sustainable growth and success together.



Long span bridge at Simpang Lima Roundabout, LRT3 Package GS07&08

VIEWES FROM THE CHAIRMAN

DIVIDENDS

1st Interim Dividend of 1.25 Sen Per Share

First interim single tier dividend of 1.25 sen per ordinary share for the financial year ended 31 December 2021

19 August 2021
Announcement of the notice of entitlement and payment

10 September 2021
Date of entitlement

29 September 2021
Date of payment

2nd Interim Dividend of 4.00 Sen Per Share

Second interim single tier dividend of 4.00 sen per ordinary share for the financial year ended 31 December 2021

23 February 2022
Announcement of the notice of entitlement and payment

15 March 2022
Date of entitlement

7 April 2022
Date of payment

DIVIDEND POLICY

	2021	2020	2019	2018	2017
Dividend per share (RM'sen)	5.25	4.00	7.00	7.00	7.00
Dividend payout (RM'000)	67,691	51,574	90,256	90,457	90,457
Profit After Tax and MI (RM'000)	112,586	72,786	129,324	144,426	132,296
Dividend Payout Ratio	60%	71%	70%	63%	68%
Share price opening 1 Jan	1.88	1.91	1.33	2.51	1.70
Dividend Yield	2.8%	2.1%	5.3%	2.8%	4.1%

SunCon's dividend policy is to distribute at least 35% of our net profit for the year back to our esteemed shareholders. The Board's intention is to continuously pay good dividends to our shareholders in appreciation on their support towards the company's growth.

During the year, SunCon declared a total dividend of 5.25 sen per share. We have consistently delivered higher dividend payouts since our listing in 2015.

We are committed to delivering satisfactory results backed by strong fundamentals and sound balance sheet to reward shareholders more than the Group's dividend payout policy of 35% of net profit.



TNB HQ Campus Phase 2, Kuala Lumpur

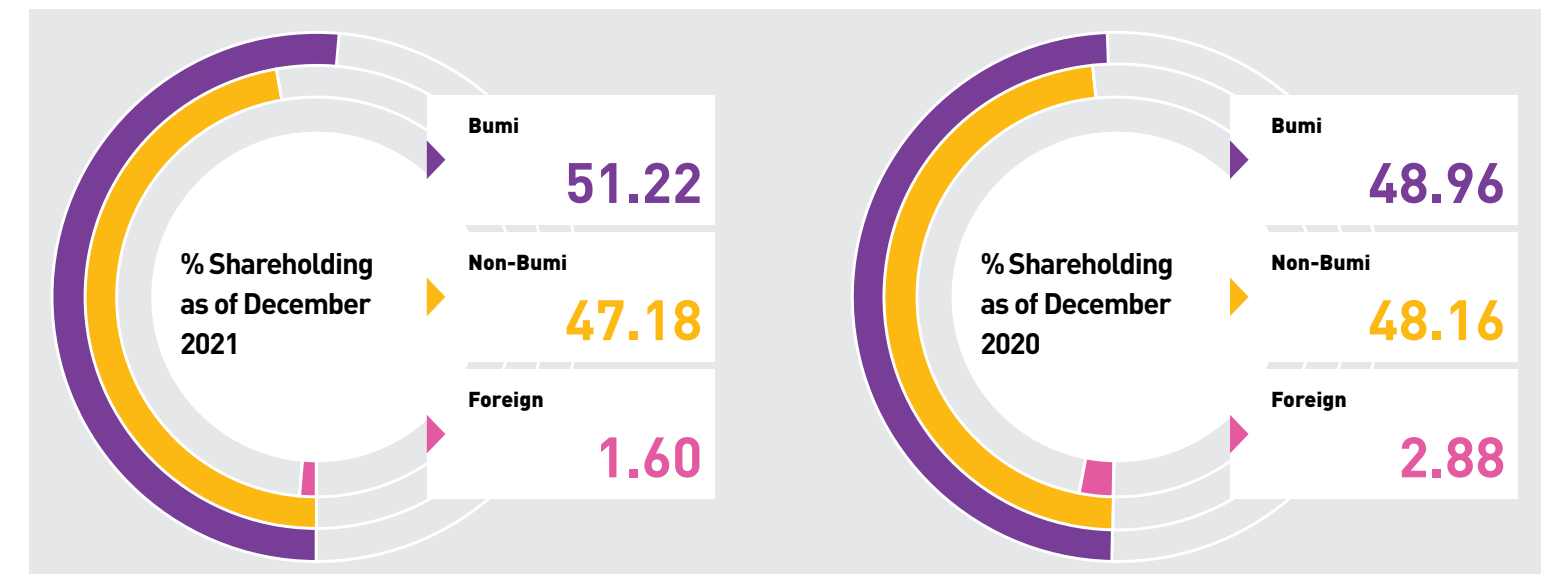
VIEWES FROM THE CHAIRMAN



Parcel CP2, Sunway City

REVIEW OF SHARE PERFORMANCE

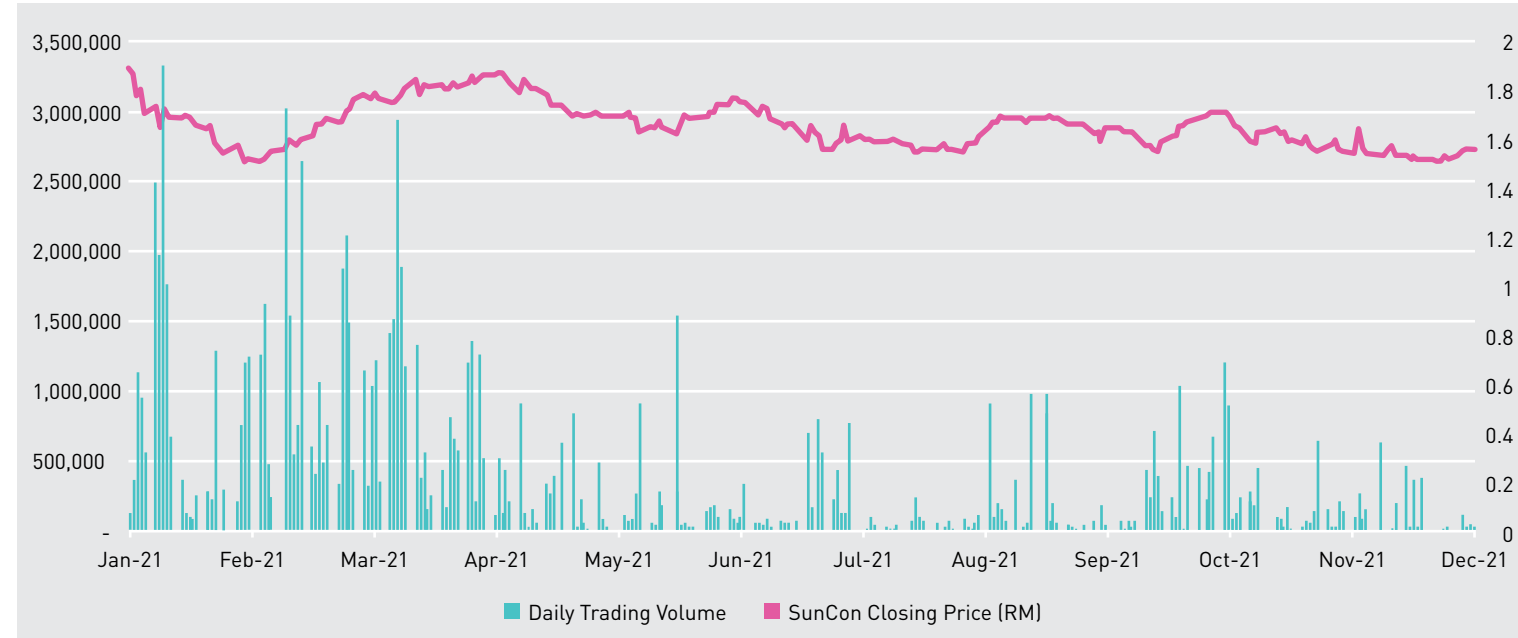
Sunway Construction Group Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad.



	Year Ended				
	2021	2020	2019	2018	2017
Market Capitalisation (RM'000)	2,016,924	2,423,995	2,462,676	1,718,687	3,244,308
Year End Closing Price (RM)	1.56	1.88	1.91	1.33	2.51
Dividend Per Share (RM'sen)	5.25	4.00	7.00	7.00	7.00
Basic EPS (RM'sen)	8.73	5.64	10.02	11.18	10.24

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SUNCON SHARE PRICE & VOLUME PERFORMANCE IN 2021



OPENING PRICE	SunCon 1.88	KLCI 1,627.21	KLCON 186.67
CLOSING PRICE	SunCon 1.56 ▼ 17.0%	KLCI 1,567.53 ▼ 3.7%	KLCON 153.88 ▼ 17.6%

1Q Close 31-Mar		2Q Close 30-Jun		3Q Close 30-Sep		4Q Close 31-Dec	
SunCon	1.80	SunCon	1.66	SunCon	1.63	SunCon	1.56
KLCI	1,573.51	KLCI	1,532.63	KLCI	1,537.80	KLCI	1,567.53
KLCON	180.94	KLCON	167.66	KLCON	164.55	KLCON	153.88

SunCon started the new year under the Recovery Movement Controlled Order (RMCO) phase in which construction activities were allowed to operate at a normal capacity, at RM1.88. The trading volume remained high in 1Q2021 and we eventually closed the quarter at RM1.80.

With rising COVID-19 infections, the government implemented MCO 3.0 from 6 May 2021 to 20 May 2021 in several states namely Selangor, Wilayah Persekutuan Kuala Lumpur and Johor. Subsequently, a nationwide lockdown was imposed on 12 May 2021. During these periods, selected industries were permitted to operate with the Ministry of International Trade and Industry's (MITI) approval albeit only at 60% capacity. On 1 June 2021 to 28 June 2021, Malaysia entered a full nationwide lockdown where only essential industries were permitted to operate under MITI's stringent approval. SunCon's share performance traded sideways in the first half of 2Q 2021 and subsequently closed at RM1.66.

In 3Q2021, Malaysia's COVID-19 cases reached another high point with most of the cases originating in Selangor and Kuala Lumpur. The Government then implemented an Enhanced Movement Control Order (EMCO) in many areas of Selangor and Kuala Lumpur. Our operations were halted as the majority of our construction projects are located in Selangor. Although the EMCO was lifted on 17 July 2021, only a few sites with Centralised Labour Quarters (CLQ) and on-site accommodation were allowed to restart operations and the operating capacity was determined by the percentage of workforce being fully vaccinated. The construction industry was only allowed to resume operations on 16 August 2021. SunCon's share price has been hovering within the range of RM1.60 to RM1.70 and subsequently we closed 3Q2021 at RM1.63.

With muted spending on large infrastructure in Malaysia under the 12th Malaysia Plan and Budget 2022, the Bursa Malaysia KL Construction Index has been trending downwards, trading 17.6% lower from the start of the year at 186.67 and closed the year at 153.88. SunCon saw a similar trend where we traded 17% lower during the year where trading volume has also reduced during the year.

MARKET LANDSCAPE

The Malaysian economic recovery in 2021 was derailed with the emergence of the third wave of COVID-19 infections, impacting the first three quarters of the year. The economy grew at a lower rate of 3.1% (BNM) compared to a previously higher forecasted figure largely attributed to the strict containment measures under Phase 1 of the National Recovery Plan (NRP). The sharp rise in daily cases led to multiple localised lockdowns which further impacted businesses as well as the economic situation.

The construction sector was one of the hardest hit due to temporary suspension of projects and operating capacity limits as a result of the lockdown measures, and recorded a contraction of 5% in 2021 (BNM). The industry faced challenges including delay in rollout of large public infrastructure projects, escalating prices of construction materials, slowdown in private sector spending, shortage of skilled workers due to border closures and uncertainties in COVID-19 containment measures such as quarantine protocols and compulsory sporadic fortnightly testing. Stringent requirements on centralised workers' accommodations in line with Act 446 also continues to be a challenge for the construction industry.

During the year, the prices of construction materials and bottlenecks in supply chain have increased in tandem with the reopening of the economy, impacting construction revenue. These issues together with labour shortages are anticipated to persist in 2022 and drive up construction costs as the recovery momentum picks up.

Economic activity subsequently picked up in the 4th quarter of 2021 as the National COVID-19 Immunisation Programme (PICK) gained



Long span bridge across Klang River, LRT3 Package GS07&08

momentum while infection rates have slowed, allowing more states to shift towards Phase 4 of the National Recovery Plan with less restrictive containment measures. The construction industry was allowed to resume operations in August 2021 with the capacity based on workers' vaccination rates. Construction activities have since bounced back to pre-pandemic levels and the industry is set for a positive recovery in the year ahead. The pickup in construction activities, an improved labour market, strong external demand and the resumption in international travel together with an expansionary Budget 2022 have boosted the economy for a strong recovery in the 4th quarter of 2021. Malaysia is expected to be on the road to recovery in 2022 with growth outlook projected at 5.8% (World Bank).

In Singapore, the economy grew by 7.6% in 2021 (Ministry of Trade and Industry), a rebound from the contraction of 4.1% in the previous year. During the year, the rising number of infections led the Singapore Government to tighten restrictions in accordance with its zero-transmission policy, which weighed heavily on economic activity.

Performance of the construction sector was weighed down by declines in both public and private sector construction works. The sector was also badly impacted by significant manpower shortages, supply chain constraints, and escalating construction costs all attributable to the global pandemic. Despite this, the construction industry was recorded to bounce back with a growth of 20.1% in 2021 due to the low base effect in 2020.

Following the rollout of vaccines, Singapore was the first among several countries in Asia that had successfully transitioned to the endemic phase. A pipeline of projects is gradually building up as the economy recovers steadily, underpinned by the recovery in domestic economic activities and robust exports, as well as the continued easing of domestic and border restrictions which will help to alleviate labour shortage issues.

AVERAGE PRICE FOR THE YEAR

