

CHAIRMAN'S STATEMENT



Dear Valued Stakeholders,

SunCon delivered another year of exceptional performance in FY2023, surging ahead towards new horizons of greater growth and value creation.

Despite operating amidst sluggish economic conditions hampered by rising inflation, geopolitical tensions and post pandemic impacts, SunCon successfully delivered a record-high revenue of RM2.7 billion, profit before tax (PBT) of RM189 million and exceeded our order book replenishment target with RM2.5 billion in new orders secured.

SunCon's vertically integrated construction approach enabled by Virtual Design and Construction (VDC) has propelled the Group to the forefront of the construction landscape, setting new standards of innovation and excellence.

ANOTHER  
**RECORD SETTING  
PERFORMANCE**

**DATO' IR GOH CHYE KOON**



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Data centre construction at Sedenak Tech Park, Johor

Revenue

▲ **RM2,671 million**

Profit Before Tax

▲ **RM189 million**

**PROPELLING GROWTH THROUGH NEW NICHE SECTORS**

During the year, SunCon had embarked on a transformative journey by venturing into advanced technology facility projects. Our strategic expansion into this sector demonstrates our commitment to pushing boundaries, embracing innovation, and fostering sustainable growth, and has further reinforced our position as a leading and dynamic player in the construction industry.

As technology continues to advance, and the demand for digital services escalates, SunCon recognises the critical role that data centres play in supporting the digital economy. This strategic move aligns with our commitment to innovation and positions us as a key player in shaping the future of digital infrastructure.

During the year, SunCon successfully secured our second data centre project in Sedenak Tech Park, Johor comprising of 2 packages for a total of RM291 million, further solidifying our presence in this rapidly growing sector.

The fast track project is scheduled for completion in 9 months, and is in addition to the RM1.7 billion hyperscale data centre that we are currently constructing at the same location. This project represents a significant milestone as we leverage our construction expertise to contribute to the development of critical digital infrastructure. The facilities are designed to meet the highest industry standards for performance, security, and energy efficiency.

Another milestone in our business expansion journey is our strategic venture into the logistics infrastructure sector, where we successfully secured the design and build of the Daiso Global Distribution Centre warehouse project (RM595.4 mil) in Pulau Indah, Port Klang, Selangor through a 50 : 50 joint venture (JV) collaboration with Kajima Malaysia Sdn Bhd. The project was awarded by Daiso Malaysia Group Sdn Bhd and will be Daiso's second international hub after China. This venture underscores our expertise in delivering large-scale logistics facilities that meet the highest industry standards for efficiency, scalability, and technological integration.

Building upon our strong foundations in the civil engineering and infrastructure sector, we were successfully awarded the RM604.86 million contract from Malaysia Rapid Transit System Sdn Bhd for the Johor Bahru-Singapore Rapid Transit System (RTS) Link Package 1B and Package 5. The scope of

work for Package 1B includes the advance works for the station and viaducts, and Package 5 comprises the terrestrial viaducts and auxiliary structures.

Our Sustainable Energy segment continued to record notable achievements. This includes the 29.90 MW quota award under the Corporate Green Power Programme (CGPP) from the Energy Commission of Malaysia. We are also on track for the completion and commissioning of both the LSS4 projects, in Kapar Selangor and in Gopeng Perak, respectively, in 2024. The fact that solar module prices have declined in FY2023 augurs well for the Group. Additionally, we have started constructing the District Cooling System (DCS) in Sunway Square, Sunway City Kuala Lumpur, which is scheduled for completion in 2025.

SunCon takes great pride in its diverse portfolio of in-house projects that not only reflect our commitment to excellence but also contribute to the development of vibrant and sustainable living environments. These projects, spanning medical centres, shopping malls, mixed developments, and high-rise residential buildings, are a testament to SunCon's holistic approach to enhancing the quality of life for communities. We currently have several on-going in-house projects which are at various stages of construction. Among these is the RM1.36 billion Sunway Square mixed development, which is scheduled for completion by 2025.



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Moving on to the international front, in Vietnam, while awaiting financial close, we signed a preliminary contract for the Song Hau 2 Vietnam power plant, which included an extended notice to proceed period. Upon receiving the limited notice to proceed, SunCon will be able to carry out Phase 1 and 2 of the project.

In India, we have substantially completed the Meensurutti - Chidambaram Highway for the National Highways Authority of India (NHAI) in Tamil Nadu, India. The project is commercially operational for a 15-year concession period using the Hybrid Annuity Model (HAM). We are currently working towards the completion of the Thorapalli Agraharam - Jittandahalli Highway in Tamil Nadu, India which is expected to be commercially operational by end of 2024.

FY2023 also saw our Precast Division officially commence operations at its Integrated Construction and Prefabrication Hub (ICPH) in Pulau Punggol Barat, Singapore. The official opening of the plant was graced by Singapore's Minister for National Development, Mr Desmond Lee in July 2023. The ICPH is the largest precast production facility in Singapore to date and is able to produce 3D precast components such as Large Panel Slabs, Precast Bathroom Units (PBU), Precast Household Shelters (HHS), and Prefabricated Prefinished Volumetric Construction (PPVC). The plant incorporates energy saving and sustainable features such as a wastewater recycling function built into the tower batching plant, which enables wastewater to be reused. The fully mechanised facility will cater to the robust demand for precast components for the Housing and Development Board (HDB) flats which are in the pipeline.

### FINANCIAL AND BUSINESS PERFORMANCE

In FY2023, SunCon continued to record another year of robust financial performance. The Group has registered improvements in both revenue recognition and earnings. In FY2023, SunCon posted an all-time high revenue of RM2.7 billion and a PBT of RM189 million. As at 31 December 2023, our order

book stands at RM5.3 billion on the back of RM2.5 billion in new orders secured. This surpasses our management's internal order book replenishment target of RM2 billion, providing SunCon with revenue and earnings visibility for the next two years.

In addition, our asset position has expanded to RM3.1 billion while our cash and cash equivalents remain healthy at RM470 million. Our robust financial position remains a core strength of the Group and underpins our ability to effectively execute our business model and projects in hand as well as drive further growth.

### COMMITMENT TO SHAREHOLDERS RETURNS

The Group maintains its commitment to reward shareholders. In FY2023, the Board declared the first interim dividend payment of 3.0 sen per share on 23 August 2023 while the second interim dividend of 3.0 sen per share was declared on 20 February 2024. Total dividend payout is RM77.36 million, equivalent to 53% of profit after tax and minority interest for FY2023.

### DIVIDENDS PAYMENT SCHEDULE

**1<sup>st</sup> INTERIM DIVIDEND OF 3.00 SEN PER SHARE**

First interim single tier dividend of 3.00 sen per ordinary share for the financial year ended 31 December 2023

|   |  |   |
|---|--|---|
| <b>&gt; 23 August 2023</b><br>Announcement of the notice of entitlement and payment | <b>&gt; 12 September 2023</b><br>Date of entitlement | <b>&gt; 27 September 2023</b><br>Payment date |
|---|--|---|

**2<sup>nd</sup> INTERIM DIVIDEND OF 3.00 SEN PER SHARE**

Second interim single tier dividend of 3.00 sen per ordinary share for the financial year ended 31 December 2023

|   |  |  |
|---|--|--|
| <b>&gt; 20 February 2024</b><br>Announcement of the notice of entitlement and payment | <b>&gt; 15 March 2024</b><br>Date of entitlement | <b>&gt; 9 April 2024</b><br>Payment date |
|---|--|--|

### DIVIDEND HISTORY

|                                  | 2023    | 2022    | 2021    | 2020   | 2019    |
|----------------------------------|---------|---------|---------|--------|---------|
| Dividend per share (RM'sen)      | 6.0     | 5.50    | 5.25    | 4.00   | 7.00    |
| Dividend payout (RM'000)         | 77,362  | 70,915  | 67,691  | 51,574 | 90,256  |
| Profit After Tax and MI (RM'000) | 145,109 | 135,181 | 112,586 | 72,786 | 129,324 |
| Dividend Payout Ratio            | 53%     | 53%     | 60%     | 71%    | 70%     |
| Share price opening 1 Jan        | 1.56    | 1.56    | 1.88    | 1.91   | 1.33    |
| Dividend Yield                   | 3.8%    | 3.5%    | 2.8%    | 2.1%   | 5.3%    |

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### NOTABLE AWARDS

SunCon's outstanding achievements and excellence in the construction industry was recognised with several awards during the year.

We are honoured to be the recipient of The Edge Billion Ringgit Club Awards 2023 - Highest Return On Equity (ROE) Over Three Years in the Construction Sector. This award recognises SunCon's average ROE during the evaluation period from FY2020 to FY2022, as the highest in the industry. This year marks the fifth year that SunCon has won the coveted award, a testament to our exceptional leadership in executing the strategic plans of the Group.

Our efforts in corporate and sustainability reporting were recognised with the National Annual Corporate Reporting Awards (NACRA) 2023 where SunCon won the Platinum Excellence Award for companies with less than RM2 billion in market capitalisation. This award win reflects SunCon's commitment to upholding high standards of governance, transparency and disclosure of information to our stakeholders.

In addition, SunCon clinched the Silver award in the Governance category at the 9<sup>th</sup> Asia Integrated Reporting Awards (AIRA) 2023. The AIRA awards are dedicated to honouring reports that embody transparency, integrated thinking and value creation, and are regarded as one of the highest recognitions in integrated reporting in the region.

Another notable achievement during the year was being awarded Country Winner in the Autodesk ASEAN Innovation Awards 2023 - Cloud Advocate of the Year Award. This award recognises companies which embrace digital technologies and integrated cloud

workflows for an end-to-end digital project delivery. We are proud to be acknowledged for our efforts in embracing digitalisation, and being a leader in innovation in the construction industry.

### PURSUING A STEADY PATH OF SUSTAINABLE DEVELOPMENT

Our capacity to maintain and increase our business' success is increasingly hinged on our ability to achieve set sustainable goals, that is specific performance driven objectives related to environmental, social and governance (ESG) considerations. No doubt, in today's new normal, post-pandemic business environment, an organisation's ability to remain relevant, competitive and resilient against inherent and emerging risks, depends on excellent management of material environmental, social and governance matters.

Hence, we continue to pursue our sustainability goals which are aligned to the United Nations Sustainable Development Goals with full cognition of how sustainability has an underlying financial impact to the Group.

We have continued to register progress on all aspects of ESG within our operations. The full details are provided in the Sustainability Statement section of this report. However, I wish to draw attention to some specific focus areas which SunCon has prioritised in FY2023. This includes addressing climate change, supply chains, talent management and corporate governance.

Recognising that the physical risks of climate change may be a looming threat to our day-to-day operations, SunCon intends to undertake a comprehensive climate risk

assessment next year, which will be reported in subsequent integrated annual reports. In addition, we will also be considering inherent and emerging opportunities which climate change may offer to the construction sector and to SunCon. These include transitioning to renewable energy (RE) to mitigate against rising electricity and other energy costs, to develop carbon credits which can be used to offset our own carbon footprint or be sold for revenue, to develop more green buildings and to also produce low embodied carbon products which are expected to increasingly see greater market interest going forward.

In FY2024, it is likely that SunCon's Scope 2 emissions may rise, attributed to the inclusion of our operations at the ICPH facility in Singapore, as well as other energy consumption from other sites, notably the inclusion of staff and workers' accommodations from various project sites. We will continue to closely monitor energy consumption and related emissions and where necessary, implement measures to address our greenhouse gas (GHG) inventory and overall carbon emissions profile. We are now assessing Scope 3 emissions, which originate from activities outside of SunCon's control, and we will set a realistic reduction target by 2024.

We remain committed to realising our net zero target by 2050 and to continue taking necessary action to progressively achieve our cumulative Scope 1 and 2 emissions reduction targets of 40% reduction by 2030, and at least 90% reduction by 2045. Review of our total Scope 3 emissions profile is presently underway and both review and related target setting is expected to be completed by 2024.

Our solar investment projects are generating green attributes which allows us to achieve carbon avoidance of about 3,305 tonnes CO<sub>2</sub>e, offsetting close to 50% from our FY2023 Scope 2 emission, placing us in good position to prematurely achieve our 2030 target. This includes offsets generated from rooftop solar panels on our assets at Sunway Enterprise Park and Sunway Precast Industries.





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Johor Bahru–Singapore Rapid Transit System (RTS) Link Package 1B and Package 5

**EXTENDING THE ESG AGENDA TO SUPPLY CHAINS**

With an increasing spotlight on ESG adoption across our entire supply chain, we have conducted social assessments on our contractors and suppliers in FY2023, particularly in relation to forced and bonded labour, as well as housing of workers. Having surveyed close to 80% of our active business partners, we have identified potential gaps in labour standards and management within the supply chain. In addition, we have also commenced to engage our major commodity suppliers to better understand their ESG transition plans, especially on its products carbon reduction strategy. Moving forward, we will continue to engage our supply chain, and ensure compliance and transparency on ESG matters.

I am proud to announce that we have continued to progress on our ESG agenda. Notably, SunCon has maintained 'AA' rating in FY2023 by the MSCI Index which benchmarks our ESG practices with both local and international peers. We are pleased to

have achieved such a positive rating, as it is a testament to the success of our leadership in managing environmental and social impact, and we will continue to strive for excellence in driving our sustainability agenda to remain competitive in the years ahead.

**DELIVERING EXCELLENCE THROUGH DIGITALISATION AND INNOVATION**

We continue to leverage on digitalisation to differentiate ourselves from the competition. With the increasing size and complexity of our projects, digitalisation helps to maintain and improve the quality, efficiency, and productivity of our work. During FY2023, we have fully implemented digitalisation in project management for all newly awarded projects, and throughout the entire project lifecycle. In addition, we have successfully implemented new communication channels and tools available within the Autodesk Construction Cloud (ACC). This facilitates smoother interaction among project stakeholders. Our digital transformation efforts will also help us to attract and retain talent, which is material to our operations given the relatively high

turnover in the construction industry. We look forward to further optimising and evolving our business processes to create greater value to our stakeholders.

**BUILDING A WORKFORCE THROUGH VERTICAL INTEGRATION**

SunCon recognises that capacity and capability building is essential to future-proof our workforce. Beyond technical skills, SunCon leverages a unique vertical integration strategy by fostering the strategic deployment of talents across core businesses. This approach provides employees with exposure to diverse projects, builds capabilities across different business units and develops leadership capabilities across different types of projects. This strengthens the Group's ability to execute non-conventional projects like data centres, semiconductor plants, warehouses, and power plants.

By eliminating functional silos within operational groups, we create a collaborative environment where expertise seamlessly

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flows throughout the organisation. This cross-pollination strengthens our overall skillset and fosters excellence in delivering strategic values to our clients and stakeholders.

Further empowering our workforce, SunCon champions Virtual Design and Construction (VDC) as a key technology enabler. This integrated 3D modelling process fosters collaboration, streamlines workflows, and allows for optimised design and construction – all contributing to project success.

SunCon's approach to talent management emphasises a professional and meritocratic culture that recognises diversity, equality and inclusion (DEI) principles. This ensures a high-performing workforce where staff are empowered and are given equal opportunities to contribute their skills and perspectives.

*Further information on our approach to talent management is provided on pages 103 to 107 in the Sustainability Statement section of this report.*

**OUTLOOK**

The construction sector is expected to expand further in 2024, driven by the rising demand for advanced technology facilities such as data centres, warehouses and semiconductor plants, and by the mega infrastructure projects in the pipeline.

In line with the government's aim to make Malaysia the data centre hub in the Asian region, the data centre sector in Malaysia is undergoing substantial growth. It is expected that new and emerging investments of over 800-megawatt (MW) capacity will come on stream in phases over the next five years. This is due to lower land and energy costs, as well as supportive government policies. In addition, Malaysia continues to remain a favoured alternative destination by multinational companies as many choose to diversify their manufacturing bases away from China.

Another facilitating factor is the establishment of the Green Lane Pathway by TNB, which provides efficient and environmentally responsible solutions for data centre operators. The Green Lane Pathway also streamlines the on-boarding process for data centres, expedites approvals and facilitates a smooth setup of data centre operations in Malaysia. SunCon is keen to develop our portfolio in this sector as we explore opportunities for long term growth. Our present track record in data centre construction is advantageous when sourcing for opportunities in this fast growing niche sector.

Beyond data centres, Malaysia is experiencing a surge in foreign direct investments, including in logistics warehouses and semiconductor manufacturing. The semiconductor industry is expected to recover in 2024 and industry players are expanding their capacity to meet the demand, which presents potential opportunities for SunCon. SunCon is actively exploring collaborations with new and existing JV partners to expand our order book in these sectors. JVs will facilitate knowledge transfer that enables a swifter and more successful entry into these niche market segments, which involve new MEP capabilities and services such as back-up and redundancies capabilities, cleanroom processes and more.

Prospects for the Sustainable Energy industry remain positive with the ongoing acceleration of renewable energy (RE) adoption in line with Malaysia's aspirations to achieve an RE target mix of 70% by 2050. The strong government support for RE and sustainability is backed by favourable policies and measures, such as the NETR, lifting of RE energy export ban and the Bursa Carbon Exchange (BCX) programmes, among others. SunCon is well positioned to participate as an EPCC contractor for large scale solar power plants and rooftop solar projects for both public and private sector projects going forward.

In tandem with the further recovery in economic activities, we are anticipating the rollout of new and on-going mega infrastructure projects in the year ahead,

which have been reinvigorated following the conclusion of the state elections in 2023. A total of RM90 billion in development expenditure was announced in the Malaysia Budget 2024, including the MRT3 and Penang LRT projects. SunCon is poised to ride on the wave of recovery with our full-fledged integrated capabilities ranging from turnkey, design and build, EPCC, to private funding initiatives (PFI). The Group maintains a healthy order book of RM5.3 billion extending into 2025 and is actively working towards securing new contracts. We will also continue to explore new construction business opportunities in the ASEAN region and India.

At the same time, we are cognisant of the inflationary pressures and on-going geopolitical tensions which may affect the pace of economic growth. Nevertheless, we are cautiously optimistic of registering positive growth in 2024 and are well positioned to adapt our strategy to the challenges and opportunities that may arise in a highly dynamic industry.

**APPRECIATION**

On behalf of the Board of Directors, I wish to express my sincere thanks to the many stakeholders, clients and business partners for your support, and to our employees who have contributed immensely to the Group's performance and progress in FY2023. I also wish to convey my appreciation to my fellow Board members for their counsel, the Management for steering the Group to continued success amidst challenging operating conditions and to our shareholders for their confidence in the Group.

May we continue to aspire to greater heights of success and to achieve greater accomplishments in the year ahead.

**DATO' IR GOH CHYE KOON**  
Chairman