

# Corporate Governance Statement

The Board is committed to ensure that good corporate governance is practised throughout the Group with the ultimate objective of protecting and enhancing shareholders' value and the financial performance of the Company and of the Group.

The Board is committed to implementing the Malaysian Code on Corporate Governance ("the Code") wherever applicable in the best interest of the shareholders of the Company.

## A. DIRECTORS

### THE BOARD AND ITS RESPONSIBILITIES

The Board leads and controls the Group. It regularly meets to perform its main functions, amongst others, as follows:-

- Setting the objectives, goals and strategic plans for the Group with a view to maximising shareholders' value.
- Adopting and monitoring progress of the Company's strategies, budgets, plans and policies.
- Overseeing the conduct of the Group's businesses to evaluate whether the businesses are properly managed.
- Identifying principal risks of the Group and ensuring the implementation of appropriate systems to mitigate and manage these risks. The Board through the Risk Management Committee, sets, where appropriate, objectives, performance targets and policies to manage the key risks faced by the Group.
- Considering Management's recommendations on key issues including acquisitions, divestments, restructuring, funding and significant capital expenditure.
- Human resources planning and development.
- Reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
- The Board through the Strategic Direction Committee, decides on the appropriate strategic direction for the Group, particularly to manage the Group from a Strategy Driven Perspective, with clear objectives and targets for proactive decision-making.

The Board delegates certain responsibilities to the Board Committees, all of which operate within defined terms of reference.

### BOARD COMPOSITION

Following the demise of Tan Sri Dato' Seri Dr Md Noordin Bin Md Sophe on 29 December 2005, the number of independent directors has fallen below the minimum size of one-third (1/3). The Board had sought the Exchange's approval for extension of time to comply

with Paragraph 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and was granted three (3) months until 31 March 2006 to comply with the said Paragraph. Subsequently on 13 March 2006, Datuk Abdul Malek Bin Abdul Aziz was appointed to the Board as Independent Non-Executive Director. On 26 April 2006, Tan Ler Chin had resigned from the Board as Non-Independent Non-Executive Director.

As at the financial period ended 30 June 2006, the Board consisted of nine (9) members, three (3) or one-third (1/3) are Independent Non-Executive Directors.

The composition reflects a balance of Executive and Non-Executive Directors with a mix of suitably qualified and experienced professionals in the fields of accountancy, economics, finance, civil engineering and real estate development. This combination of different professions and skills working together enables the Board to effectively lead and control the Company. The Board composition also fairly reflects the investment in the Company by shareholders other than the significant shareholder.

There is clear segregation of responsibilities between the Executive Chairman and the Managing Director to ensure a balance of power and authority. The Managing Director is subject to the control of the Board of Directors. He is responsible for the day-to-day management of the business in accordance with the objectives and strategies established by the Board.

Wong Chin Mun is the Senior Independent Non-Executive Director, to whom concerns relating to the affairs of the Group may be conveyed.

A brief profile of each Director is presented on pages 24 to 27 of the Annual Report.

### MEETINGS AND SUPPLY OF INFORMATION

Unless there are urgent matters, the Board normally meets quarterly to review financial, operational and business performances. Notices and agenda of meetings duly endorsed by the Executive Chairman together with the relevant board papers are normally given at least one (1) week prior to the meetings for the Directors to study and evaluate the matters to be discussed.

The board papers provided include inter alia, financial results, business plan and budget, progress report on the Company's developments, minutes of meetings of Board Committees, regulatory/statutory updates and other operational and financial issues for the Board's information and/or approval.

All Directors are entitled to information pertaining the Company. In addition, all Directors have direct access to the advice and services of the Company Secretaries. They are also permitted to seek independent advice whenever deemed necessary, at the Company's expense.

# Corporate Governance Statement *(Cont'd)*

There is a formal procedure approved by the Board for all Directors, whether as a full Board or in their individual capacity, to obtain independent professional advice, when necessary, at the Company's expense.

The Board met eight (8) times during the financial period from 1 January 2005 to 30 June 2006 and the attendance of the respective Directors was as follows:-

Name of Directors	Number of Meetings Attended	Percentage of Attendance (%)
Tan Sri Dato' Seri (Dr) Cheah Fook Ling	7/8	88
Dato' Chew Chee Kin	8/8	100
Yau Kok Seng	8/8	100
Mark Victor Rozario	8/8	100
Dato' Tan Kia Loke	8/8	100
Kwan Foh Kwai	7/8	88
Tan Ler Chin <i>(Resigned on 26 April 2006)</i>	7/7*	100
Wong Chin Mun	8/8	100
Tan Sri Dato' Seri Dr Md Noordin Bin Md Sopiee <i>(Passed away on 29 December 2005)</i>	2/6*	33
Datuk Low Seng Kuan	8/8	100
Datuk Abdul Malek Bin Abdul Aziz <i>(Appointed on 13 March 2006)</i>	1/1*	100

\* Reflects the number of Board Meetings attended during the time the Director held office.

## DIRECTORS' TRAINING

All the Directors had attended the Mandatory Accreditation Programme and Continuous Education Programme ("CEP") as prescribed by Bursa Securities.

As the CEP has been repealed by Bursa Securities with effect from 1 January 2005, the Board will assess the training needs of the Directors and ensure fulfillment of such training deemed appropriate by the Board. During the financial period, the Directors had attended various training programmes and seminars organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in law, regulations and the business environment.

The training programmes, seminars and workshops attended by the Directors during the financial period are, inter alia, on areas relating to corporate governance, risk management and financial reporting.

## Training Programmes, Seminars and Workshops Attended by Directors

Course Title / Organiser	Date
Making Corporate Boards more effective <i>(Harvard Club of Malaysia)</i>	10-11 March 2005
S&P REIT Seminar 2005 - Asian REITS : Directions, Insights and Global Context * <i>(Standard &amp; Poor's)</i>	15 March 2005
2005 CFO Conference - Driving Profitability in Today's Economy <i>(Federation of Public Listed Companies Berhad &amp; NTP World Forum Sdn Bhd)</i>	10-11 May 2005
Board's Role in Risk Management and Strategy <i>(The Institute of Internal Auditors Malaysia)</i>	14 June 2005
The 2nd Annual Asia Pacific Bond Congress <i>(Euromoney)</i>	16-17 June 2005
Workshop on "Managing Country Risk" <i>(CPA Australia)</i>	22 June 2005
Explore Latest Developments and Profitable Opportunities for Real Estate Investment Trusts in Malaysia * <i>(The Asia Business Forum)</i>	30 June-1 July 2005

# Corporate Governance Statement (Cont'd)

## Training Programmes, Seminars and Workshops Attended by Directors (Cont'd)

Course Title / Organiser	Date
Strategic Brand Management (Harvard Club of Malaysia)	1 July 2005
Michael E. Porter - Winning Competitive Strategies (Leading Minds)	12 July 2005
The 3rd Asia Economic Summit - Asia on the Move : Enhancing Competitiveness Expanding Opportunities (Asian Strategy & Leadership Incorporated Sdn Bhd)	28-29 July 2005
MICPA Business Forum 2005 # (The Malaysian Institute of Certified Public Accountants)	5-6 September 2005
PricewaterhouseCoopers Seminar 2005 - Tax & Finance Developments (PricewaterhouseCoopers)	3 October 2005
Strategic Positioning for Brand Power (Dr Paul Temporal)	9 March 2006
Robert S. Kaplan - Live in Malaysia : Turning Execution into Competitive Advantage (Global Leaders)	29 March 2006
9th Malaysia Plan : Impact and Implications for Businesses (RAM Consultancy Services Sdn Bhd & TEC Asia Centre Sdn Bhd)	25 April 2006
Managers' Conference (Sunway Construction Sdn Bhd)	27 April 2006
Topgrading your Organisation (Pritchett Rummler Brache Asia)	2 May 2006
Conference on "Excellent in Manufacturing" (FMM Institute)	27 June 2006
5th Real Estate Investment World Conference (Terrapinn)	27-28 June 2006

\* Attendance by the Finance Director as a Speaker at the Seminars held.

# Attendance by the Finance Director as a Panelist at the Forum held.

All Directors were also constantly updated by the Company Secretary on changes to the relevant guidelines on the regulatory and statutory requirements.

## RETIREMENT BY ROTATION AND RE-ELECTION

The Company's Articles of Association provides that one-third (1/3) of the Board is subject to retirement by rotation at each Annual General Meeting. Each Director shall retire at least once every three (3) years but shall be eligible for re-election. The Directors to retire in each year are those who have been longest in office since their last election or appointment.

To assist the shareholders in their decision, sufficient information such as personal profile, attendance of meetings and the shareholdings of each Director standing for re-election are disclosed in the Statement Accompanying Notice of Annual General Meeting.

## BOARD COMMITTEES

The Board has set up the following Committees and will periodically review their terms of reference and operating procedures. The Committees are required to report to the Board on all their deliberations and recommendations and such reports are incorporated in the minutes of the Board Meetings.

### 1. Audit Committee

The Audit Committee is set up to play an active role in assisting the Board in discharging its governance responsibilities. The composition of the Audit Committee, its terms of reference, attendance of meetings and a summary of its activities are set out on pages 55 to 59 of the Annual Report.

# Corporate Governance Statement (Cont'd)

## 2. Management Committee

The Management Committee comprises Tan Sri Dato' Seri (Dr) Cheah Fook Ling, Dato' Chew Chee Kin, Dato' Tan Kia Loke, Yau Kok Seng, Mark Victor Rozario and Puan Sri Datin Seri (Dr) Susan Cheah Seok Cheng. Its primary role is to assist the Board in overseeing and dealing with operational matters of the Group. The terms of reference of the Management Committee are set out on page 48 of the Annual Report.

## 3. Nomination Committee

The Nomination Committee comprises three (3) wholly Independent Non-Executive Directors. The Chairman of this Committee is Wong Chin Mun. The other members of the Committee are Datuk Low Seng Kuan and Datuk Abdul Malek Bin Abdul Aziz.

The Nomination Committee is responsible for identifying and making recommendations for any appointments and re-election of Board members. The Committee also assesses the effectiveness of the Board as a whole as well as the performance of each Director. The terms of reference of the Nomination Committee are set out on page 49 of the Annual Report.

During the financial period, four (4) meetings were held for the following purposes:-

- (a) to endorse the proposed re-election of Directors retiring by rotation at the Company's Annual General Meeting, subject to the approval of shareholders;
- (b) to discuss the evaluation on the effectiveness of Audit Committee and Management Committee; and
- (c) to recommend to the Board, the appointment of Datuk Abdul Malek Bin Abdul Aziz as Independent Non-Executive Director of the Company.

## 4. Remuneration Committee

The Remuneration Committee comprises mainly Non-Executive Directors namely Wong Chin Mun as Chairman, Datuk Low Seng Kuan and Tan Sri Dato' Seri (Dr) Cheah Fook Ling.

The Remuneration Committee recommends to the Board the remuneration for Directors and the renewal of the terms of Employment Contracts for Executive Directors, with the aim of ensuring that the Company attracts and retains the Directors needed to run the Group successfully. The terms of reference of the Remuneration Committee are set out on page 50 of the Annual Report.

The Remuneration Committee will meet as and when required. For the financial period, two (2)

meetings were held to evaluate the performance of the Executive Directors and to determine their annual increments and bonuses. The Executive Director of Human Resources attended the said meetings on the invitation of the Committee.

## 5. Employees' Share Option Scheme ("ESOS") Committee

The ESOS Committee comprising Tan Sri Dato' Seri (Dr) Cheah Fook Ling, Dato' Chew Chee Kin, Dato' Tan Kia Loke and Yau Kok Seng, is responsible for implementing, allocating and administering the ESOS in accordance with such powers and duties conferred upon it under the Bylaws of the ESOS. The terms of reference of the ESOS Committee are set out on pages 51 and 52 of the Annual Report.

During the financial period, four (4) meetings were held for the following purposes:-

- (a) to consider and approve the allocation of options over ordinary shares to the employees of the Group;
- (b) to discuss on the basis for the allocation of options; and
- (c) to consider and approve the applications made by employees to continue holding their options upon attaining retirement and due to transfer to a company which is outside the Group.

## 6. Risk Management Committee

The Risk Management Committee comprises Yau Kok Seng as Chairman, Mark Victor Rozario, Kwan Foh Kwai, Wong Fook Chai, Ng Boon Liang, Leong Kai Hong, Yap Chin Leong, Teh Quen Chang, Wong Siew Hoong and Ng Eng Lee.

The Risk Management Committee is tasked with the responsibility to oversee the risk management activities of the Group, approving appropriate risk management procedures and measurement methodologies across the organisation as well as identification and management of strategic business risks of the Group. The terms of reference of the Risk Management Committee are set out on page 53 of the Annual Report.

During the financial period, seven (7) meetings were held for the following purposes:-

- (a) to identify and evaluate new and existing strategic risks;
- (b) to review the status of implementation of management action plan; and
- (c) to review the effectiveness of overall risk management at enterprise level.

The Risk Management Committee reports directly to the Board on a quarterly basis on its deliberations and recommendations.

# Corporate Governance Statement (Cont'd)

## 7. Strategic Direction Committee

The Strategic Direction Committee which was formed on 20 April 2005, comprises Dato' Chew Chee Kin as Chairman, Dato' Tan Kia Loke, Yau Kok Seng, Mark Victor Rozario, Kwan Foh Kwai, Wong Fook Chai, Ng Boon Liang, Leong Kai Hong, Yap Chin Leong, Teh Quen Chang and Wong Siew Hoong.

The Strategic Direction Committee has the overall responsibility for deciding on appropriate strategic direction for the Group, particularly to manage the Group from a Strategy Driven Perspective, with clear objectives and targets for proactive decision-making. This is to promote transparency, accountability and set a formal platform for communicating the Group's strategic direction in line with enhancing Corporate Governance within the Group. The terms of reference of the Strategic Direction Committee are set out on page 54 of the Annual Report.

During the financial period, four (4) meetings were held for the following purposes:-

(a) to review and adopt the terms of reference;

- (b) to establish the preferred industries for expansion, preferred countries for capital investment and investment criteria;
- (c) to assess the current investment portfolio of the Group; and
- (d) to discuss on divisional divestment and growth strategies.

## B. DIRECTORS' REMUNERATION

Information prepared by independent consultants and survey data on the remuneration practices of comparable companies are taken into consideration in determining the remuneration packages for Executive and Non-Executive Directors. The remuneration of the Executive Directors is structured on the basis of linking rewards to corporate and individual performance. For Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities.

The Board as a whole resolves on the fees for the Non-Executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration. The fees payable to the Non-Executive Directors are subject to the approval of shareholders.

The breakdown of the Directors' remuneration during the financial period is as follows:-

	Executive Directors RM	Non-Executive Directors RM	Total RM
Fees	-	84,000	84,000
Other Emoluments	-	36,500	36,500
Salaries and other Remuneration	3,268,292	1,694,745	4,963,037
Bonus	368,391	299,280	667,671
Benefits-in-kind	275,882	80,269	356,151
<b>Total:</b>	<b>3,912,565</b>	<b>2,194,794</b>	<b>6,107,359</b>

The number of Directors whose remuneration falls under the following bands:-

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
Below RM50,000	-	4	4
RM700,001 to RM750,000	2	-	2
RM900,001 to RM950,000	1	1	2
RM1,100,001 to RM1,150,000	-	1	1
RM1,550,001 to RM1,600,000	1	-	1
<b>Total:</b>	<b>4</b>	<b>6*</b>	<b>10#</b>

\* Include Directors' Remuneration in respect of two (2) Non-Executive Directors who are Executive Directors of a subsidiary of the Company.

# Include Director's Fee payable to a Non-Independent Non-Executive Director who resigned on 26 April 2006.

The movement of Directors' options over ordinary shares during the financial period ended 30 June 2006 is set out on page 75 of the Annual Report.

# Corporate Governance Statement (Cont'd)

## C. SHAREHOLDERS

### DIALOGUE BETWEEN THE COMPANY AND INVESTORS

The Board values constant dialogue and is committed to clear communication with its shareholders and investors. In this respect, as part of the Group's active investor relations programme, discussions and dialogues are held with fund managers, financial analysts, shareholders and the media to convey information about the Group's performance, corporate strategy and other matters affecting shareholders' interests.

In addition to published Annual Report and Quarterly Reports announced to Bursa Securities, the Group has established a website at <http://www.sunway.com.my> from which investors and shareholders can access for information.

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. To achieve this, the Board had approved and adopted a Corporate Disclosure Policy which outlines the Company's approach toward the determination and dissemination of material information, the circumstances under which the confidentiality of information will be maintained, response to market rumours and restrictions on insider trading. This Policy also provides guidance and structure in disseminating corporate information to, and in dealing with, investors, analysts, media and the investing public.

### ANNUAL GENERAL MEETING

The annual general meeting of the Company provides the principal forum for dialogue and interaction between the Board and the shareholders. The participation of shareholders, both individuals and institutional at general meetings on clarifications of pertinent and relevant information is encouraged.

## D. ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

In presenting the annual financial statements, annual report and quarterly announcement of results to shareholders, the Board aims to provide a balanced and understandable assessment of the Group's financial position, performance and prospects. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

## INTERNAL CONTROL

The Statement on Internal Control set out on pages 60 and 61 of the Annual Report provides an overview of the state of internal controls within the Group.

## RELATIONSHIP WITH THE AUDITORS

The Board maintains, via the Audit Committee, an active, transparent and professional relationship with its Auditors. The role of the Audit Committee in relation to the External Auditors is disclosed in the Audit Committee Report set out on pages 55 to 59 of the Annual Report.

## E. DIRECTORS' RESPONSIBILITY STATEMENT ON ANNUAL AUDITED FINANCIAL STATEMENTS

The Directors are responsible in the preparation of the Annual Audited Financial Statements to give a true and fair view of the state of affairs, results and cash flows of the Company and of the Group at the end of the financial period.

In preparing the financial statements, the Directors will ensure that suitable accounting policies have been applied consistently, and that reasonable and prudent judgments and estimates have been made. All applicable approved accounting standards and provisions of the Companies Act, 1965 have been complied with.

The Directors are also responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy, the financial position of the Company and of the Group and which enables them to ensure that the financial statements comply with the relevant statutory requirements.

## F. COMPLIANCE WITH THE CODE

The Group has complied substantially with the principles and best practices outlined in the Code.

This Corporate Governance Statement was approved by the Board of Directors on 24 August 2006.



**Tan Sri Dato' Seri (Dr) Cheah Fook Ling**  
Executive Chairman