

Enterprise Risk Management Framework

With SunInc Group emphasising on growing its core businesses to achieve greater heights, Enterprise Risk Management (“ERM”) is utilised to identify all potential risks that need to be addressed to ensure that the Group will be able to achieve its goal.

The Group embarked on risk management initiatives in December 2002, in line with the increasing focus of shareholders on Corporate Governance. In November 2003, the Board of Directors (“the Board”) adopted the risk management oversight structure and risk management policy.

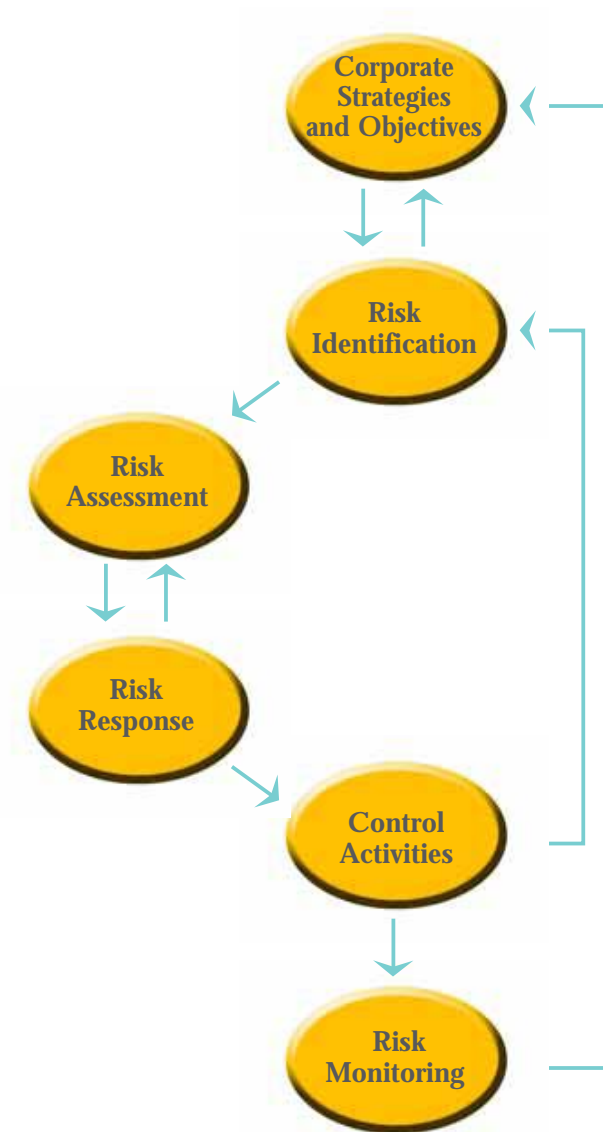
The Group has an integrated ERM structure that enables the Group to identify, evaluate, monitor and manage all key risks pertaining to the business and its environment. The Group strives to maximise every opportunity, and thus seeks to minimise all potential risks through proactive management.

RISK MANAGEMENT PROCESS

It is the Board’s view that the Group’s objectives, its internal organisation and the environment in which it operates continuously evolve; and as a result, the risks that it faces also change. A sound system of internal control therefore depends on a thorough and regular evaluation of the nature and extent of the risks to which the Group is exposed to.

To ensure effective risk management within the Group, the following risk management framework has been identified and implemented throughout the Group. It is acknowledged that risks are very closely integrated with opportunities and returns, and thus has to be managed to ensure that the Group is able to achieve its corporate strategies and objectives.

Below is a chart that depicts the basics of the ERM Framework for the Group.

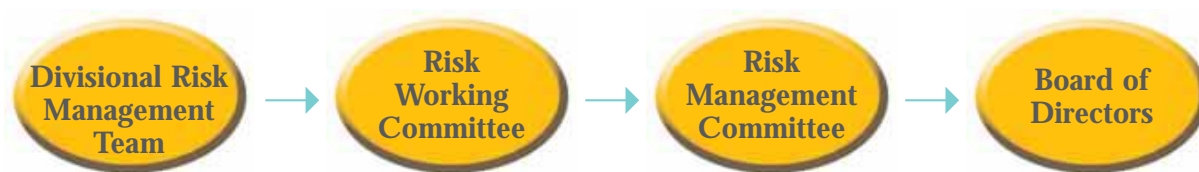


Enterprise Risk Management Framework (Cont'd)

RISK MANAGEMENT STRUCTURE

Strategic and effective risk management is performed through a centralised reporting and managing structure that has been put into place. 4 major levels have been identified to promote accountability and responsibility of managing risks within the Group.

In addition, the RWC is responsible to deliberate on risks presented by other DRMT representatives and to contribute towards identifying new risks that have yet to be brought to the attention of RWC by the respective divisions. Pertinent risk issues, with proposed resolutions, are then identified and escalated to the Risk Management Committee.



(a) Divisional Risk Management Team (“DRMT”)

The DRMT consists of divisional management teams that work towards effective identification and mitigation of the day-to-day risks at the operational level. The DRMT works closely with all operational staff and ensures that risk management techniques are applied and practised in all facets of the management and operation within the division. The DRMT is also responsible for highlighting all foreseeable risks that could hinder the division from achieving its strategic objectives.

Risk reporting and management at the divisional level is integrated with the monthly management meetings of respective subsidiaries to ensure effective management.

(b) Risk Working Committee (“RWC”)

The RWC consists of representatives from the DRMT and also includes the head of Group Internal Audit as the independent observer. The RWC meets quarterly, where representatives from the respective divisions have the overall responsibility to report key risks to the attention of the RWC.

(c) Risk Management Committee (“RMC”)

The key responsibilities of the RMC are to provide routine quarterly reporting and update the Board on key risk management issues as well as ad-hoc reporting and evaluation on investment proposals. The RMC is also responsible to champion and promote the ERM and to ensure that the risk management process and culture are embedded throughout the Group.

(d) Board of Directors

The Board of Directors serves as an oversight to the risk management process of the entire Group. Roles of the Board include identifying principal risks of the Group and ensuring the implementation of appropriate systems to mitigate and manage these risks. The Board, through the RMC sets, where appropriate, objectives, performance targets and policies to manage the key risks faced by the Group.