

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

Board Composition

During the period under review, the Board consists of ten (10) 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, banking and finance, architecture, civil engineering, real estate development and property management. 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 Senior Managing Director to ensure a balance of power and authority. The Senior Managing Director and the Managing Directors are subject to the control of the Board of Directors. They are responsible for the day-to-day management of the business in accordance with the objectives and strategies established by the Board.

Tan Sri Dato' Ir Talha Bin Haji Mohd Hashim 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 26 to 29 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.

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.

Corporate Governance Statement *(cont'd)*

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	8/8	100
Datuk Razman M Hashim	8/8	100
Dato' Wong Choon Kee	8/8	100
Ngian Siew Siong	7/8	88
Ngeow Voon Yean	8/8	100
Low Siew Moi	7/8	88
Lim Swe Guan	8/8	100
Tan Sri Dato' Ir Talha Bin Haji Mohd Hashim	8/8	100
Teo Tong How	6/8	75
Tan Siak Tee	8/8	100

Directors' Training

All the Directors had attended the Mandatory Accreditation Programme and Continuous Education Programme (CEP) as prescribed by Bursa Malaysia Securities Berhad (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
Real Estate Investment Trusts (REITS) - Is it an Alternative Investment? <i>(Alpha Asia Financial Learning & Malaysian Rating Corporation Berhad)</i>	11 March 2005
Organising and Influencing at Board Level <i>(Asian Academy for Corporate Administration Sdn Bhd)</i>	25 April 2005
Awareness of UK Construction (Design and Management) Regulations <i>(Land Transport Authority)</i>	19 May 2005
Business Continuity Planning <i>(Rating Agency Malaysia Berhad)</i>	26 May 2005
Real Estate Investment Trusts (REITS) : Broadening Investment Opportunities in Malaysia <i>(Securities Commission)</i>	2 June 2005
Combating Fraud and White Collar Crime - Are we winning the Battle? <i>(KPMG Corporate Services Sdn Bhd)</i>	14 June 2005
Strategic Brand Management <i>(Harvard Club of Malaysia)</i>	1 July 2005
Michael E. Porter - Winning Competitive Strategies <i>(Leading Minds)</i>	12 July 2005
From Good Governance to Great Branding <i>(Rating Agency Malaysia Berhad)</i>	20 July 2005

Corporate Governance Statement *(cont'd)*

Course Title / Organiser	Date
Latest Trends in Corporate Governance, Internal Audit, Detection and Prevention of Fraud and Credit Rating <i>(Rating Agency Malaysia Berhad)</i>	17 August 2005
Asian Conference of Shopping Centres 2005 : Asian Shopping Centres, Evolution to Revolution - A Dynamic Growth Story <i>(Malaysian Association for Shopping & Highrise Complex Management)</i>	24-26 August 2005
The Value of Integrity : Understanding the hidden value of Business Intangibles <i>(The Chartered Institute of Management Accountants)</i>	6 September 2005
Global Leadership Forum : Leadership, Innovation and Branding - The Way Forward <i>(Foundation for the Future)</i>	6-7 September 2005
Financial Reporting Standards Forum <i>(Bursa Malaysia Berhad and Malaysian Accounting Standards Board)</i>	14 October 2005
Finance for Non-Finance Directors <i>(Rating Agency Malaysia Berhad)</i>	14 November 2005
The Malaysian Code on Take-overs and Mergers : Issues and Challenges <i>(Bursatra Sdn Bhd)</i>	16 November 2005
Managing Corporate Turnaround and Change Management <i>(Bursatra Sdn Bhd)</i>	23-24 November 2005
Strategic Risk Management Workshop for Board of Directors and Senior Management <i>(Smart Business Consulting)</i>	1-2 December 2005
Effective Controlling of Organisation as part of Corporate Governance <i>(Asian Academy for Corporate Administration Sdn Bhd)</i>	13 December 2005
Impact of Financial Reporting Standards on Corporate Malaysia <i>(Ernst & Young)</i>	16 December 2005
Boardroom Briefing for Directors/Chief Executive Officers <i>(Smart Business Consulting)</i>	19 December 2005
Enterprise Governance & CIMA Strategic Scorecard - Getting the Balance Right <i>(The Chartered Institute of Management Accountants)</i>	26 June 2006

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

Re-Appointment, 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.

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are of or over the age of seventy (70) years shall retire at every annual general meeting of the Company and subject to approval being obtained from the shareholders, may offer themselves for re-appointment to hold office until the next annual general meeting in accordance with Section 129(6) of the Companies Act, 1965. Tan Sri Dato' Ir Talha Bin Haji Mohd Hashim is subject to such retirement and re-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.

Corporate Governance Statement *(cont'd)*

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 Committee, its terms of reference, attendance of meetings and a summary of its activities are set out on pages 69 to 73 of the Annual Report.

2. Executive Committee of the Board (EXCO)

The EXCO comprises six (6) members headed by the Senior Managing Director and its primary role is to assist the Board in overseeing the financial and business affairs of the Group. The terms of reference of the EXCO are set out on pages 59 to 61 of the Annual Report.

During the financial period, the EXCO met six (6) times. All deliberations and recommendations of the EXCO were reported to the Board for approval.

3. Nomination Committee

The Nomination Committee comprises three (3) wholly Independent Non-Executive Directors. The Chairman of this Committee is Tan Sri Dato' Ir Talha Bin Haji Mohd Hashim. The other members of the Committee are Teo Tong How and Tan Siak Tee.

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 62 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 EXCO; and
- (c) to recommend to the Board, the appointment of Koong Wai Seng as a member of the EXCO (as Alternate to Yau Kok Seng) and a member of the Group Risk Management Committee in place of Wang Yeong Khang.

4. Remuneration Committee

The Remuneration Committee comprises mainly Non-Executive Directors namely Tan Sri Dato' Ir Talha Bin Haji Mohd Hashim as Chairman, Teo Tong How 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 pages 63 and 64 of the Annual Report.

The Remuneration Committee will meet as and when required. During the financial period, a meeting was held to evaluate the performance of the Executive Directors and to determine their annual increments and bonuses, as well as to consider the renewal of Employment Contracts for the Deputy Executive Chairman and Senior Managing Director. The Executive Director of Human Resources attended the said meeting 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, Datuk Razman M Hashim and Dato' Wong Choon Kee, is responsible for implementing, allocating and administering the ESOS in accordance with such powers and duties conferred upon it under the Bye-laws of the ESOS. The terms of reference of the ESOS Committee are set out on pages 65 and 66 of the Annual Report.

During the financial period, two (2) meetings were held to consider and approve the applications made by employees to continue holding their options upon renewal of employment contract and due to transfer to a company which is outside the Group.

Corporate Governance Statement (cont'd)

6. Group Risk Management Committee (GRMC)

The GRMC comprises Dato' Wong Choon Kee as Chairman, Ngian Siew Siong, Ngeow Voon Yean, Yuen Kam Wah, Lee Weng Keng and Koong Wai Seng.

The GRMC 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 GRMC are set out on pages 67 and 68 of the Annual Report.

During the financial period, six (6) meetings were held for the following purposes:-

- (a) to review the enterprise risk profile and divisional risk scorecard for effectiveness of risk management;
- (b) to review the status of implementation of action plans to manage and mitigate the identified risks;
- (c) to discuss the key changes in the business environment and key risk management issues/strategic business risks;
- (d) to update on fraud issues and proposed key recommendations on the fraud issues; and
- (e) to deliberate on key enterprise-wide risks and the Governance Scorecard.

The GRMC reports directly to the Board on a quarterly basis on its deliberations and recommendations.

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	-	153,000	153,000
Other emoluments	-	43,000	43,000
Salaries and other remuneration	4,816,986	-	4,816,986
Bonus	1,355,230	-	1,355,230
Benefits-in-kind	770,138	-	770,138
Total:	6,942,354	196,000	7,138,354

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
RM50,000 to RM100,000	-	1	1
RM100,001 to RM200,000	1	-	1
RM200,001 to RM300,000	1	-	1
RM300,001 to RM400,000	1	-	1
RM400,001 to RM500,000	1	-	1
RM500,001 to RM600,000	1	-	1
RM600,001 to RM700,000	1	-	1
Total:	5	5	10

The movement of Directors' options over ordinary shares during the financial period ended 30 June 2006 is set out on page 91 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.

During the financial period, the Company had conducted briefings and held fifty seven (57) meetings with investors, research analysts and fund managers. The Company had also participated in an overseas investor conference held in Singapore.

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/suncity> 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 74 and 75 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 69 to 73 of the Annual Report.

Corporate Governance Statement *(cont'd)*

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 29 August 2006.



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