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Sierramas West



Statement on Corporate Governance



STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ('Board') is pleased to report on the application by the Company of the principles contained in the Malaysian Code of Corporate Governance ('Code') and the extent of compliance with the best practices of the Code as required under the Listing Requirements of the Kuala Lumpur Stock Exchange ('Listing Requirements'). These principles and best practices have been applied throughout the year ended 31 December 2002 and are regularly audited and reviewed to ensure transparency and accountability. The only area of non-compliance with the Code is the recommended disclosure of details of the remuneration of each director. Details of the Directors' remuneration are set out by applicable bands of RM50,000, which complies with the disclosure requirements under the Listing Requirements. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' remuneration are appropriately served by the band disclosure made.

THE BOARD

(a) Board Responsibility

The Board has always recognized the need for good corporate governance to protect and enhance long term shareholder value and the financial performance of the Company. An indication of the Board's commitment is reflected in the conduct of regular Board meetings and the incorporation of various processes and systems as well as the establishment of relevant committees which also meet regularly.

(b) Board Balance

The Board, led by an independent non-executive Chairman, has eight members, comprising four non-executive Directors and four executive Directors, with three of the four non-executive Directors being independent Directors. The Board comprises of an appropriate balance of non-executive and executive Directors with diverse experience and expertise required for the effective stewardship of the Company and independence in decision making at Board level. The profile of each Director is presented on pages 12 to 15.

The roles of the Chairman of the Board and the Managing Director are distinct and separated with responsibilities clearly defined to ensure a balance of power and authority. Generally, the Chairman of the Board is responsible for ensuring Board effectiveness and conduct, whilst the Managing Director oversees the day-to-day management of the Group and together with the executive Directors ensure that strategies, policies and matters approved by the Board and/or the Exco are effectively implemented.

The presence of three independent non-executive Directors fulfils a pivotal role in corporate accountability. Essentially, independent non-executive Directors provide unbiased and independent views, advice and judgement in the decision making process. As and when a potential conflict of interest arises, the Director concerned would declare his interest and abstain from the decision-making process.

Dato' Seri Khalid Ahmad bin Sulaiman has been appointed by the Board as the senior independent non-executive Director of the Board to whom any concerns may be conveyed.

(c) Board Meetings

The Board meets on a scheduled basis once every quarter with additional meetings held as and when urgent issues and important decisions are required to be taken between the scheduled meetings. During the year ended 31 December 2002, four Board meetings were held and majority of the Directors attended all the meetings held during the period.

The agenda for each Board meeting, together with detailed reports on operational, financial and corporate developments as well as minutes of meetings of the Board Committees, and any proposition paper to be tabled at the meeting, are circulated to the Directors for their perusal well in advance of the Board meeting date. Senior management staff may be invited to attend the Board meetings to provide the Board with detailed explanations and clarifications on certain matters that are tabled to the Board.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

In addition to the quarterly Board papers, the Board is also notified of any corporate announcements released to KLSE and the impending restriction in dealing with the securities of the Company at least one month prior to release of the quarterly financial results announcement. The Board is also kept informed of the various requirements and updates issued by the various regulatory authorities.

The Directors have full access to senior management and the services of the company secretaries to enable them to discharge their duties. The Directors may also seek independent professional advice, where necessary, in the furtherance of their duties at the Group's expense.

(d) Directors' Training

All members of the Board have attended the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia ('RIIAM'). The Directors will attend the Continuing Education Programme ('CEP') on an annual basis once RIIAM commences the training programme for CEP. Directors are encouraged to attend continuous education programmes and seminars to further enhance their skills and knowledge where relevant.

(e) Re-election of Directors

In accordance with the Company's Articles of Association ('Articles'), Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one-third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting ('AGM') provided always that all Directors retire from office at least once every three years but shall be eligible for re-election.

For the forthcoming AGM, Tan Sri Abu Talib bin Othman, Dato' Seri Khalid Ahmad bin Sulaiman and Mr Lai Meng will retire by rotation. Tan Sri Abu Talib bin Othman and Dato' Seri Khalid Ahmad bin Sulaiman offer themselves for re-election. Mr Lai Meng will not be offering himself for re-election.

DIRECTORS' REMUNERATION

The Company has adopted the objective as recommended by the Code to determine the remuneration of the Directors so as to ensure that the Company attracts and retains the Directors needed to run the Group efficiently. The component parts of their remuneration are structured so as to link rewards to corporate and individual performance in the case of executive Directors. In the case of non-executive Directors, the level of remuneration reflects the experience and responsibilities undertaken by the individual non-executive Director concerned.

The Remuneration Committee reviews annually and recommends to the Board, the Company's remuneration policy for executive Directors to ensure that the executive Directors are rewarded appropriately for their contributions to the Company's growth and profitability. Non-executive Directors' remuneration will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decisions in respect of his individual remuneration. Generally, the non-executive Chairman is paid a monthly allowance while non-executive Directors are paid annual fees and attendance allowance for each meeting that they attend.

The aggregate remuneration of Directors categorized into appropriate components as at 31 December 2002 are as follows:

In RM	Salaries	Fees*	Other Emoluments**	Benefits in-kind***	Total
Executive Directors	1,235,555	40,000	668,139	58,962	1,938,656
Non-Executive Directors	84,000	73,700	-	4,200	161,900

Notes:

* Fees include : annual fees and meeting allowances.

** Other emoluments include: bonuses, incentives, retirement benefits, provisions for leave and allowances.

*** Benefits in kind include: rental payments, motor vehicles, club memberships and personal expenses.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

The aggregate remuneration of Directors analyzed into bands as at 31 December 2002 are as follows :

Range of Remuneration	Executive	Non-Executive
Below RM50,000	-	4
RM100,001 to RM150,000	-	1
RM200,001 to RM250,000	1	-
RM250,001 to RM300,000	1	-
RM350,001 to RM400,000	1	-
RM450,001 to RM500,000	1	-
RM550,001 to RM600,000	1	-

Notes:

- For security and confidentiality reasons, the details of Directors' remuneration are not shown with reference to Directors individually.
- Remuneration paid to an alternate Director who is a full time employee of the Group has been placed according to the classification of the principal Director.
- Annual fees and meeting allowances of the non-executive Directors also include those who had resigned during the financial period under review.

THE BOARD COMMITTEES

The following Board Committees have been established to assist the Board in discharging their duties, each of which operate under clearly defined terms of reference regarding its objectives, duties and responsibilities, authority, meeting and membership:

(a) Executive Committee ('Exco')

The Exco has full authority as delegated by the Board to oversee the conduct of the Group's core business or existing investments and to review and/or implement strategic plan for the Group with restricted authority given by way of limits determined by the Board, and to undertake such function and all matters as may be approved or delegated by the Board from time to time.

The Exco meets regularly to review the management's reports on progress of business operations as well as to assess and approve the management's proposal that require the Exco's approval. Special Exco meetings are also held on an ad-hoc basis to review the Company's quarterly financial statements, or matters that require the Exco's approval.

The Exco has held 9 meetings during the period. The members of the Exco during the year, and their attendance at the meetings, were as follows:

<u>Name of member</u>	<u>No. of meetings attended</u>
Tan Boon Seng, <i>Chairman of Exco</i>	9
Robert Tan Chung Meng	9
Tan Boon Gark	9
Lai Meng	9
Osman bin Haji Ismail	8

(b) Audit Committee ('AC')

The AC reviews issues of accounting policy and presentation for external financial reporting, monitors the work of the internal audit function and ensure an objective and professional relationship is maintained with the external auditors. The AC has full access to the auditors both internally and externally who, in turn, have access at all times to the Chairman of the AC. The AC meets with the external auditors without any executive present at least once a year.

Full details of the composition, complete terms of reference and the activities of the AC during the financial year ended 31 December 2002 are set out in the Report of the Audit Committee on pages 20 to 23.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

(c) **Nomination Committee ('NC')**

The NC recommends suitable candidates for appointments to the Board of the Company, subsidiaries and associates of the Group, including Committees of the Board. In addition, the NC assesses the effectiveness of the Board, the Committees of the Board and the contribution of each individual Director on an annual basis, and reviews succession plans for members of the Board. The NC meets as and when required. The NC has held only one meeting during the period which was attended by all members except Dr. Abdul Samad bin Haji Alias.

The members of the NC during the year were as follows:

Name of member

Tan Sri Abu Talib bin Othman, *Chairman of NC*
Dato' Seri Khalid Ahmad bin Sulaiman
Dr. Abdul Samad bin Haji Alias
Osman bin Haji Ismail

(d) **Remuneration Committee ('RC')**

The RC recommends to the Board the policy framework on terms of employment of and on all elements of the remuneration of executive Directors and senior executives of the Company. The RC is authorized to approve the annual bonus and salary increment of the executive Directors and senior executives of the Company. The RC meets as and when required.

The RC has held two meetings during the period which were attended by all members. The members of the RC during the year were as follows:

Name of member

Tan Sri Abu Talib bin Othman, *Chairman of RC*
Robert Tan Chung Meng
Dr. Abdul Samad bin Haji Alias
Osman bin Haji Ismail

(e) **Share & ESOS Committee**

The Share & ESOS Committee is responsible for regulating and approving securities transactions and registrations, and for implementing and administering the ESOS of the Company. The members of the Share & ESOS Committee during the year were as follows:

Name of member

Tan Boon Seng
Robert Tan Chung Meng (*appointed on 28 November 2002*)
Tan Boon Gark
Lai Meng
Dr. Abdul Samad bin Haji Alias

(f) **Risk Management Committee ('RMC')**

The Board has established a RMC in November 2002. The RMC comprises the members of the Exco with the Managing Director acting as the adviser and the Internal Audit Department as the risk facilitator. The RMC is authorized by the Board to review and articulate the strategies and policies relating to the management of the Company risk and ensure that risk policies and procedures are aligned to the business strategies and risk return directions of the Board and are properly implemented. Quarterly risk management reports will be submitted to Exco for reporting to the Board.

INVESTORS RELATIONS AND SHAREHOLDERS' COMMUNICATION

The Board acknowledges the need for shareholders and investors to be well informed of the Group's performance, corporate strategy and major developments. In addition to the mandatory reporting and public announcements of the Group's quarterly results to KLSE, press releases and announcements for public dissemination are made periodically to capture any significant corporate event or product launch that would be of interest to investors and members of the public.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

The AGM of the Company represents the principal forum for dialogue and interaction with shareholders, and the Board encourages shareholders to raise any questions that they may have in relation to the Company's financial performance and its business operations. Directors and the external auditors are available to provide explanations to all shareholders' queries during the AGM. Where appropriate, the Chairman will undertake to provide a written answer to any significant question that cannot be readily answered on the spot. After the conclusion of each AGM, executive Directors and senior management had all the while voluntarily conduct a question-and-answer session with the press, in addition to the constant dialogues with analysts, institutional shareholders and investors, to provide constructive communications on any matters concerning the Group such as its past performance, its results and its intended future performance and other relevant concerns. However, any information that may be regarded as undisclosed material information about the Group will not be disclosed to any party until after the prescribed announcement to KLSE has been made.

ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

The Directors are responsible for ensuring that financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 ("Act") and applicable approved accounting standards in Malaysia. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also strive to ensure that financial reporting presents a fair and understandable assessment of the Company's position and prospects. Quarterly financial statements were reviewed by the Audit Committee and approved by the Board prior to release to KLSE and Securities Commission.

The Statement by Directors made pursuant to Section 169 of the Act is set in this Annual Report.

(b) Internal Control

The Board has overall responsibility for maintaining a sound system of internal control to provide reasonable assurance of effective and efficient operations and compliance with laws and regulations, as well as with the internal procedures and guidelines.

The Statement of Internal Control set out on pages 42 to 43 provides an overview of the state of internal control within the Group.

(c) Relationships with the Auditors

The Board maintains a formal and transparent professional relationship with the auditors, through the Audit Committee.

The role of the Audit Committee in relation to the internal and external auditors is described in the Report of the Audit Committee set out on pages 20 to 23.

This statement is made in accordance with a resolution of the Board of Directors dated 18 April 2003.



Sierramas West



Statement of Internal Control

STATEMENT OF INTERNAL CONTROL

RESPONSIBILITY

The Board of Directors recognizes the importance of maintaining a sound system of internal control and risk management practices to safeguard shareholders' investment and the company's assets. Therefore, the Board affirms its overall responsibility for the Group's approach to assessing risk and the systems of internal control, and for reviewing the adequacy and effectiveness of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. The review covers financial, operational and compliance controls, and risk management procedures of the Group, except for associates and joint ventures. However, such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material errors, misstatement, losses or fraud.

The role of executive management is to implement the Board's policies on risk and control and present assurance on compliance with these policies. Further independent assurance is provided by an internal audit function, which operates across the Group, and the external auditors. All employees are accountable for operating within these policies.

RISK ASSESSMENT

The Board has taken steps during the year to implement a formal ongoing process for identifying, evaluating, managing and reviewing any changes in the risks faced by the businesses in the Group. A Risk Management Committee was established in November 2002 comprising members of the Executive Committee with the Managing Director as the advisor.

Group Internal Audit, as the risk facilitator, has undertaken an exercise involving all business and functional units of the Group to identify significant risks impacting the achievement of business objectives of the Group. It also involved the assessment of the impact and likelihood of such risks and of the effectiveness of controls in place to manage them.

Steps are being taken to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to the management's and the Board's attention.

INTERNAL CONTROL

Whilst the Board maintains full control and direction over appropriate strategic, financial, organizational and compliance issues, it has delegated to executive management the implementation of the systems of internal control within an established framework.

The main elements in the internal control framework include:

- An organizational structure with formally defined lines of responsibility and delegation of authority;
- Established procedures for planning, capital expenditure, information and reporting systems, and for monitoring the Group's businesses and their performances;
- Review by operating divisions of their annual operating budgets and capital plans with the relevant executive directors prior to submission to the Board for approval;
- Quarterly comparison of operating divisions' actual financial performance with budget;
- Operating policies and procedures which are subject to regular review and improvement;
- Regular reporting of accounting and legal developments to the Board;
- Appointment of employees of the necessary caliber to fulfill their allotted responsibilities.

The Internal Audit function, which is centrally controlled, monitors compliance with policies and standards and the effectiveness of internal control structures across the whole Group. The work of the internal audit function is focused on areas of priority as identified by risk analysis and in accordance with an annual audit plan approved each year by the Audit Committee. The head of this function reports to the Audit Committee. The Audit Committee receives a full report on the function's work and findings and regular updates on specific issues.

STATEMENT OF INTERNAL CONTROL (CONT'D)

The external auditors are engaged to express an opinion on the financial statements. They review and test the systems of internal control and the data contained in the financial statements to the extent necessary to express their audit opinion. Findings arising from the audit are discussed with management and reported to the Audit Committee.

The directors through the Audit Committee have reviewed the effectiveness of the Group's system of internal control. A number of minor internal control weaknesses were identified during the period, all of which have been, or are being addressed. None of the weaknesses have resulted in any material losses, contingencies, or uncertainties that would require disclosure in the Group's annual report.

This statement is made in accordance with a resolution of the Board of Directors dated 18 April 2003.

MiCasa Hotel Apartments





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