



# STATEMENT ON INTERNAL CONTROL

## INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Securities, the Board is pleased to present the Internal Control Statement which outlines the nature and scope of internal control of the Group.

## RESPONSIBILITY OF RISK AND INTERNAL CONTROL

The Board is responsible for maintaining an adequate and effective system of internal control to safeguard shareholders' investment and the Group's assets. The system of internal control provides the means to efficiently and effectively manage risks, operate the Group's businesses, provide information for accurate reporting and ensure compliance with regulatory and statutory requirements. The system of internal control is designed to manage rather than eliminate the risks associated with the Group's business objectives and accordingly it can only provide reasonable assurance against material errors, misstatement, fraud or losses.

The Board is ultimately responsible for identifying the principal risks and ensuring that the appropriate measures are implemented to manage these risks. The oversight of this critical area is carried out through the Audit Committee which is assisted by the Group Internal Audit Department and the Risk Management Committees of the respective subsidiaries in discharging their responsibilities. The respective Risk Management Committees comprised members of the respective boards and key management personnel.

## INTERNAL AUDIT FUNCTION

The Board ensures that there is an ongoing process for identifying, evaluating, monitoring and managing the significant risks of the Group. Such process is applied consistently throughout the Group and is constantly reviewed by the Board with the assistance of the Group Internal Audit Department. The Group Internal Audit Department conducts audits on all principal areas of operations and continuously offers assurances on the efficiency and adequacy of the system of internal control. The internal audit function is independent of the activities it audits and audits are performed with impartiality, proficiency and with due professional care. The Internal Audit Department reports to the Audit Committee whose members are all independent and non executive members of the Board. Annually, the Audit Committee reviews the Internal Audit Plan to ensure the adequacy of the scope of work and resources to perform such work. All reports by the Internal Audit Department are presented to the Audit Committee whom ensures that all material weaknesses identified are satisfactorily rectified and controls are put in place to monitor the risks identified.



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## KEY INTERNAL CONTROL PROCESSES

The key processes that the Board has established in reviewing the adequacy and the integrity of the system of internal control are as follows:-

1. The Enterprise-wide Risk Management Framework is adopted by a key operating subsidiary. Risks and opportunities in other subsidiaries are continuously monitored by the respective management. The risks identified are instantly evaluated and mitigation measures put in place.
2. The Group Chief Executive Officer and the other Executive Directors conduct regular meetings with the respective management teams of the various business units. They review financial and operational reports to monitor the performance and profitability of the respective business units, and are apprised of the operational issues including internal control and risk management matters and ensure that prompt and appropriate actions are taken.
3. The Board regularly receives and reviews management reports which highlight the key performance indices, legal issues at hand, environmental and key regulatory matters. The Board deliberates on these matters and ensures that actions are taken to resolve issues promptly and satisfactorily.
4. There is a structured budgeting and forecasting system in place. Each operating subsidiary submits its business plan and its performance monitored on a monthly basis. All material variances are accounted for and reported.
5. The Group Internal Audit Department performs regular reviews of business processes to assess the effectiveness of the system of internal control and highlight significant risks affecting the Group with recommendations on risk mitigation measures.
6. The Audit Committee, which comprises three non-executive directors, all of whom are independent, reviews all internal audit reports and has regular meetings with the management on all major internal control issues highlighted by the Group Internal Audit Department.
7. The Group has a stringent staff recruitment process and regular staff performance appraisal exercises. Training programmes are conducted regularly to increase the level of competency and professionalism of the staff.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors had reviewed this Statement on Internal Control for inclusion in the Annual Report and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

## CONCLUSION

The Board is of the view that there is a continuous process in identifying, evaluating, monitoring and managing the significant risks faced by the Group and that during the year under review there were no significant weaknesses in the system of internal control of the Group which had resulted in material losses, contingencies or uncertainties requiring disclosure in the Annual Report. The Board is satisfied that the system of internal control in the Group is sound and sufficient to safeguard shareholders' investments and the Group's assets.

This statement is made in accordance with the resolution of the Board of Directors dated 29 April, 2011.