

Internal Control Statement

Introduction

The Board of Directors (“Board”) has overall responsibility for maintaining the effectiveness and integrity of the Group’s system of internal control. The Board recognises that this system is designed to provide only reasonable, but not absolute assurance against any occurrence of material misstatement, loss or fraud.

There were no significant internal control deficiencies or material weaknesses noted resulting in material misstatement, loss or fraud requiring disclosure in the Annual Report.

Key Elements of the Group’s System of Internal Control

The Group’s system of internal control encompasses the following key elements:

(a) Control Environment

The Statement of General Business Principles and Human Resource Policies and Procedures set the tone for control consciousness and employee conduct. There are supporting structures in place for the reporting and resolution of actions which contravene these policies. A proper organisational structure with clear reporting lines and formalised roles and responsibilities has also been established for the Group, and it is reviewed annually to ensure relevance and effectiveness in supporting the Group’s activities. There are guidelines within the Group for hiring and termination of staff, formal training programmes for staff and annual performance appraisals to ensure that staff are competent and adequately trained in carrying out their responsibilities.

The Schedule of Matters Reserved for the Board and the Limits of Authority Manual outline the delegation of authority and authorization limits to subsidiary boards and senior management to ensure proper identification of accountabilities.

The Code of Business Conduct outlines the Group’s policy on the conduct of business transactions in a professional and ethical manner with vendors and contractors. A Whistleblowing Policy has been approved by the Board during the year.

(b) Control Procedures

Financial control procedures have been established throughout the Group’s operations to safeguard the Group’s assets from loss or misuse and to ensure appropriate authorization, recording and reporting of financial transactions. All acquisition and investment decisions are subject to disciplined investment appraisal and approval processes as approved by the Board.

Operational and procurement manuals have also been established to guide key business processes throughout the Group and facilitate the mitigation of exposures to losses arising from business interruption, material fraud or error, as well as ensuring compliance with legal and regulatory requirements.

(c) Performance Reporting and Information

All business units are required to undertake an annual planning and budgetary exercise for the forthcoming year. The business plans and budgets are presented to and approved by the Board. Monitoring of performance against budgets is done on a monthly basis. The results are reviewed by the Board every quarter to gauge the Group’s achievement of its targets via financial reports which are submitted prior to each meeting.

Operational reports are also issued every quarter to update the Board on key matters such as strategy, execution of Board and management decisions, operational performance, industry analysis, as well as legal and regulatory developments.

Internal Control Statement (continued)

(d) Monitoring

Proper monitoring and oversight mechanisms have been put in place to monitor local and foreign assets. In addition to these monitoring procedures, which are embedded within the Group's processes and activities, independent engagements are carried out by Group Corporate Assurance. The results are communicated to the Audit Committee and ultimately to the Board, to enable a timely evaluation of the adequacy and integrity of the Group's system of internal control.

(e) Risk Management

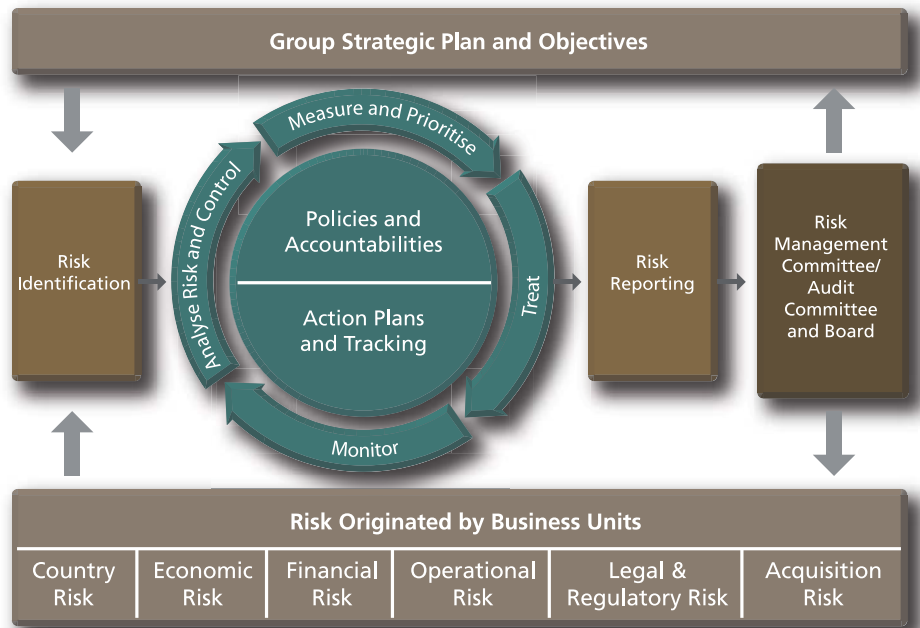
The Group's risk management approach is designed to deal with the diverse set of risks faced by its business units which operate in various industries and geographies. The established risk management framework therefore, seeks to ensure that all key risks are appropriately identified and managed through a proper risk governance structure.

The Board, assisted by its Group Oversight Functions and Business Units, approves the overall risk management framework and reviews the Group's risk profiles against the agreed risk appetite. Responsibility for risk management resides at all levels within the organisation at both local and foreign business units. The risk governance structure is presented below.



Internal Control Statement (continued)

The business units, facilitated by Group Risk Management, are the primary drivers of the risk management process, where residual risks of significant impact to the Group are assessed and reported quarterly to the Group Risk Management Committee ("RMC") which is chaired by the Group Chief Financial Officer. The process contains both bottom-up and top-down elements to support the identification, evaluation and management of risks and is presented schematically as follows:



The following activities were undertaken by the RMC during the year:

- Evaluated the Principal Business Risk Schedules and Risk Maps summarising the Group's overall risk profile. The deliberated risks together with their mitigating measures were subsequently tabled to the Audit Committee by the RMC Chairman and ultimately to the Board on a quarterly basis.
- Assessed residual exposures against the Group's risk parameters to ensure that such exposures are in line with the Group's risk appetite.
- Considered emerging trends and latest best practices in risk management namely ISO 31000:2009 which provides principles and guidelines on risk management and incorporated those practices in the Group's existing risk framework.

The principal risk factors faced by the Group are elaborated on Pages 28 and 29 of the Annual Report.

Review of this Statement

The Malaysian firm of the External Auditors, Messrs. PricewaterhouseCoopers has reviewed this Internal Control Statement as required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities. Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the effectiveness and integrity of the Group's system of internal controls.