

Statement on Internal Control

Pursuant to Paragraph 15.27 (b) of the Bursa Malaysia Securities Berhad Listing Requirements, the Board of Directors ("Board") is pleased to provide the Statement on Internal Control of the Leader Group (excluding associated companies, as the Board does not have control over their operations) for the financial year under review.

Board Responsibility

The Board acknowledges its overall responsibility for maintaining a sound system of internal control for the Group to safeguard the Group's assets and shareholders' investments and for reviewing the effectiveness, adequacy and integrity of the system. Due to the limitations that are inherent in any system of internal control, the system is designed to manage rather than eliminate the risk of failure to achieve business and corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board remains committed towards operating a sound system of internal control and therefore recognises that the system must continuously evolve to support the type of businesses and size of operation of the Group. As such, the Board in striving for continuous improvement will put in place appropriate action plans, when and where necessary, to further enhance the Group's system of internal control.

Risk Management

The Board confirms that there is an on-going process for identifying, evaluating and managing the key risks faced by the Group.

The risk management practices implemented since February 2003 have been enhanced during the year with a new Enterprise Risk Management (ERM) Framework to further strengthen the risk management functions across the Group.

The ERM Framework encompasses the following key elements :

- The issuance of revised Group Policy and Guidelines on the new ERM Policy and Framework, which outlines the ERM infrastructure, the ERM process as well as the reporting and review requirements.
- Quarterly risk registers are submitted by all business units and Head Office functions for review by the Group ERM Team which is responsible for compiling and maintaining the Group Risk Register.
- The ERM Committee reviews the Group Risk Register on a half-yearly basis and communicates to the Audit Committee and the Board the major risks faced by the Group and the management action plans in place to manage them.

Internal Audit

The Group has an internal audit function which reports direct to the Audit Committee. Its role is to provide the Committee with reasonable assurance on the adequacy and integrity of the Group's internal control system through regular reviews and monitoring. The Audit Committee provides direction and oversight over the function as well as reviews and approves its annual audit plan.

During the financial year, the internal audit function has carried out audits and reviews in accordance with the approved audit plan, covering all subsidiaries within the Group with a focus on major risk areas. In addition, the function has also conducted follow-up reviews to monitor and ensure that the audit recommendations are effectively implemented. Internal audit reports, including where relevant agreed management action plans, were circulated to Senior Management and tabled at the Audit Committee Meeting.

Other Key Elements of Internal Control

The other key elements of the Group's system of internal control include :

- Group Policies and Guidelines, which set out the policies, procedures and expected standards for the Group's operations. The policies and procedures are regularly reviewed and updated to maintain its effectiveness over time.
- A detailed budgeting process which requires all business units to prepare budget and business plan on a annual basis. The Board reviews and approves the Group's annual budget while Management monitors the monthly results of the Group against budget.
- Monthly performance reporting and review requiring the submission of timely monthly operational and financial performance reports by all business units. The comprehensive information provided on performances and key indicators are also presented and reviewed at the monthly Management Review Meeting and the Executive Committee Meeting.
- Quarterly review of key business variables and the monitoring of the achievements of the Group's performance by the Board and Audit Committee.
- Established Authority Table that clearly defined delegation of authority and financial limits to management personnel so as to minimise the risks of unauthorised transactions.
- An organisational structure with key responsibilities clearly defined and clear reporting lines within companies, the Group and up to the Board and its Committees.

The Group's system of internal control was generally satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

This statement is made in accordance with the resolution of the Board dated 2 April 2007.