

STATEMENT ON INTERNAL CONTROL

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

BOARD RESPONSIBILITY

The Board acknowledges overall responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity so as to safeguard shareholders' investment and the Group's assets. However, due to its inherent limitations, the system of internal control by its nature can only manage rather than eliminate the risk of failure to achieve business objectives, and therefore can only provide reasonable but not absolute assurance against material misstatement, fraud or loss.

The Board remains committed towards operating a sound system of internal control and therefore recognises that the system must continuously evolve to support the Group's businesses and operations in a dynamic business environment. 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 regards risk management as an integral part of business operations and confirms that there is an ongoing process of identifying, evaluating and managing the significant risks faced to the Group. This process has been put in place for the year and is reviewed periodically by the Board through its Audit Committee which is supported by the Internal Audit function.

A formal Enterprise-wide Risk Management (ERM) policy and framework has been implemented since 2006 to

ensure that a structured and consistent methodology and approach is practised across the Group. The key elements of this ERM policy and framework include:

- Operating principles which require that risk management should be embedded into major business processes and daily management activities, that business unit heads and managers are expressly responsible for identifying, assessing and managing the risks residing in their respective areas of accountability, and that ERM must continue to evolve to reflect best practices and company's needs.
- An ERM Organisation Structure which provides clearly defined lines of accountability and roles and responsibilities of all concerned, right from the Board (through its Audit Committee), the ERM Committee, Senior Management down to business unit management and risk owners.
- A clearly defined ERM process which comprise five (5) broad steps – risk identification, risk assessment, risk response, risk monitoring and risk reporting.

The ERM Committee, which comprises members of Senior Management, continues to play a vital role in overseeing the implementation of the ERM Framework, periodically reviewing the Group Risk Register and Risk Profile and reporting the status to the Audit Committee.

INTERNAL AUDIT

The Group has an adequately resourced internal audit function which reports directly to the Audit Committee. Its primary responsibility is to provide the Committee with reasonable assurance that the Group's internal control system continues to operate adequately and effectively. The annual audit plan is developed using a risk-based approach, and is reviewed and approved by the Audit Committee.

During the year, the internal audit function has carried out independent and objective reviews in accordance

STATEMENT ON INTERNAL CONTROL (CONT'D)

with the approved audit plan, covering financial, accounting, operational and compliance controls. Based on these reviews, the function has provided the Audit Committee with periodic reports highlighting observations, recommendations and management action plans to improve the system of internal controls.

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 an 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. These comprehensive information on performances and key indicators are 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.
- Control Self-Assessments (CSA) Checklists have been implemented by core operating units with a focus to ascertain the level of control adequacy and compliance.

CONCLUSION

For the year under review, the Board is of the view that the Group's system of internal controls was generally sound and effective. None of the control weaknesses identified have 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 28 February 2008.