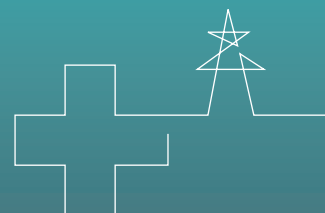


Statement on Internal Control

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors ("the Board") is pleased to present the Statement of Internal Control which outlines the nature and scope of the internal controls of the Group during the financial year under review. Associated Companies are excluded from the scope of this statement as the Board does not have control over their operations.



Board Responsibility

The Board acknowledges its overall responsibility for the Group's system of internal control and for reviewing its adequacy and integrity. The Group's system of internal control is designed to manage rather than eliminate the risks that may impede the achievement of the Group's business objectives and by its nature, it can only provide reasonable and not absolute assurance against material misstatement, fraud or loss.

The Board confirms that there is an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This process, which was in place throughout the year, is subject to regular review by the Board through its Audit Committee.

Risk Management

The Group's Enterprise-wide Risk Management (ERM) policy and framework, implemented since 2006, continues to ensure that a structured and consistent methodology and approach is practised across the Group to identify, assess, treat and report on risks at both corporate and business unit levels.

The key elements of the ERM Framework include :

- ▶ ERM Principles which require that risk management should be embedded into the major business processes and day-to-day management; that each business unit and head office function is expressly responsible for managing the risks within its areas of accountability; and that all significant risks must be proactively identified, assessed, managed, monitored and reported on.
- ▶ 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 and Senior Management down to business unit management and risk owners. The Group also has a dedicated risk and compliance function which provides the necessary support to effectively lead and drive the ERM processes and activities.
- ▶ A clearly defined ERM Process which comprises five (5) broad steps - risk identification, risk assessment, risk response, risk monitoring and risk reporting.

The ERM Committee is chaired by the Managing Director / Chief Executive Officer and comprises members of Senior Management and the Head of Risk & Compliance. The ERM Committee reviews and challenges the assessment of risks and the mitigating actions put forward by all risk owners prior to submitting its report to the Audit Committee on the Group Risk Profile and mitigation strategies. It also provides guidance for the enhancement of the ERM infrastructure including systems, processes and organisational structure.



Internal Audit

The Group has an adequately resourced Internal Audit function which reports directly to the Audit Committee and is independent of the activities and operations that it audits. Its primary responsibility is to undertake regular and systematic reviews of the business operations, processes and procedures so as to provide reasonable assurance that the system of internal control continues to operate adequately and effectively.

During the year, the Internal Audit function has carried out audits on all operating units in accordance with the risk-based annual audit plan that has been reviewed and approved by the Audit Committee. Internal audit reports were presented to the Audit Committee on a quarterly basis, highlighting findings, recommendations and management action plans to improve the system of internal controls. Follow-up audits were also conducted to ensure proper and timely implementation of the agreed action plans.

Other Key Elements of Internal Control

Apart from risk management and internal audit, the other key elements of the Group's system of internal control are as described below :

- ▶ An organisational structure with clearly defined lines of responsibility and reporting requirements within business units, the Group and up to the Board and its Committees.
- ▶ Group Policies and Guidelines, which set out the policies, procedures and expected standards for the Group's operations.
- ▶ Established Authority Table with clearly defined delegation of authority and financial limits to management personnel so as to minimise the risks of unauthorised transactions.

- ▶ 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. This 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.
- ▶ 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 financial year under review, the Board is satisfied that the system of internal control maintained by the Group was generally sound and adequate and has not resulted in any material losses, contingencies or uncertainties that will require disclosure in the Annual Report.

The Board remains committed to ensure that appropriate initiatives and active measures are taken to enhance the system of internal control so that shareholders' investment and the Group's assets are consistently safeguarded.

This statement is made in accordance with the resolution of the Board dated 30 March 2011.

