

STATEMENT OF INTERNAL CONTROL

Introduction

The preparation of this statement is in compliance with paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”) which requires the Board of Directors of public listed companies to include in its Annual Report a “statement about the state of internal control of the listed issuer as a group”. The Board is committed to maintaining sound internal control in the Group and is pleased to provide the following Statement of Internal Control for the financial year ended 31 December 2010.

Responsibility

The Board of Directors recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group’s systems of internal controls and risk management, and for reviewing the adequacy and effectiveness of the internal control and risk management systems. It should however be noted that such systems of internal controls and risk management are only designed to manage rather than totally eliminate risk of failure to achieve business objectives. Accordingly, such systems can only provide reasonable rather than absolute assurance against material losses, misstatements or other significantly adverse consequences.

Risk Management Framework

The Group has in place a formal risk management process to identify, evaluate and manage significant risks impacting the Group. The process is supported by policies as well as detailed procedures, methodologies, evaluation criteria and documentation requirements to ensure clarity and consistency of application across the Group.

The process requires management to comprehensively identify and assess all types of risks in terms of likelihood and magnitude of impact as well as to identify and evaluate the adequacy and application of mechanisms in place to manage, mitigate, avoid or eliminate these risks. The process encompasses assessments and evaluations at business unit process level before being examined on a Group perspective.

At least once a year, a written report is presented to the Audit Committee on the significant risks impacting the Group and the measures taken by the management to address such risks. The report will also highlight residual exposures along with an appropriate management action plan to manage or mitigate such exposures. Any internal or external changes that may significantly impact the risks and control spectrum will also be highlighted.

Control Structure and Environment

The embedded control system is designed to facilitate achievement of the Group’s business objectives.

It comprises the following:

- **Organisation structure with well defined lines of responsibility and delegated authority**

The organisation structure includes defined lines of responsibility and delegation of authority to the Committees of the Board, the Chief Executive Officer (“CEO”) or Chief Operating Officer (“COO”) and operating units through defined sets of terms of references, position descriptions and authorisation levels for all aspects of the business as set out in the Board Charter and Limits of Authority. Besides the predominantly non-executive standing committees such as Audit, Nomination and Remuneration Committees, the Board is supported operationally by the Management Committee which consists of senior members of the organisation including the CEO/COO. The Management Committee convenes regularly to meet its strategic business agenda thus channelling appropriate inputs to the Board for its oversight of the Group’s operations and maintenance of effective control over the entire operations.

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- **Independence of the Audit Committee**

The Audit Committee comprises non-executive members of the Board, with the majority being Independent Directors. The Committee has full and unrestricted access to any information pertaining to the Group and has direct communication channels with the external and internal auditors. The primary objectives of the Audit Committee are to assist the Board in monitoring the Group's management of its business and financial risks and the determination of appropriate internal controls to manage these risks.

- **Comprehensive budgeting and monitoring processes**

Detailed and comprehensive budgets for both business and support units are prepared on an annual basis for approval by the Board together with an indication of future business directions under a two-year operating plan. Actual performance is monitored against the budget on a monthly basis and appropriate explanations are documented for significant variances. Periodical forecasts are also carried out to update changes in business environment. Management accounts packages detailing performance of business and support units against budget, forecast, prior year results and key business indicators are tabled and deliberated at the Management Committee and Board meetings for proper monitoring of performance.

Monitoring and Review

The effectiveness of the Group's systems of internal controls and risk management are monitored through periodical review of business processes, the state of internal controls and business risk profile by operating units. The results of the review will be examined by a team within the organisation and after due processes, the management will identify significant areas to be reported to the Audit Committee.

Independent appraisals by internal auditors also ensure compliance with policies, procedures, standards and legislation and give reasonable assurance of the effectiveness of the Group's systems of internal controls and risk management.

Review of this statement

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of BMSB, the external auditors have reviewed this statement for inclusion in the Annual Report of the Group for the financial year ended 31 December 2010 and 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 adequacy and integrity of the systems of internal controls and risk management.

Conclusion

For the financial year under review and up to the date of issuance of the Financial Statements, the Board is satisfied with the adequacy, integrity and effectiveness of the Group's systems of internal controls and risk management. No material losses, contingencies or uncertainties have arisen from any inadequacy or failure of the Group's system of internal controls and risk management that would require separate disclosure in the Group's Annual Report.