



STATEMENT OF INTERNAL CONTROL

Introduction

Under the Listing Requirements of the Kuala Lumpur Stock Exchange (KLSE), the Board of Directors of public listed companies is required to include in its annual reports a statement on the state of its internal controls. The KLSE's Statement on Internal Control: Guidance for Directors of Public Listed Companies (Guidance) provides guidance for compliance with these requirements. Set out below is the Board's Internal Control Statement, which has been prepared in accordance with the Guidance.

Responsibility

The Board of Directors recognises the importance of a sound system of internal controls which covers risk management, financial, organisational, operational, and compliance controls. The Board acknowledges its overall responsibility for the Groups system of internal controls which includes the establishment of an appropriate control environment and framework as well as reviewing the effectiveness, adequacy and integrity of this system. Such a system is designed to safeguard shareholders' investments and the Groups assets. It should be noted, however, that such a system is designed to manage rather than eliminate the risk of failure to meet the Groups business objectives. Accordingly, this system can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives throughout the period. This process is regularly reviewed by the Board to ensure the adequacy and integrity of the system.

Risk Management Framework

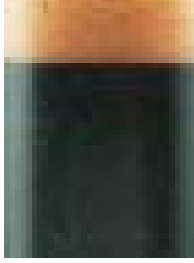
The Board has established an organisational structure with clearly defined lines of accountability and delegated authority as part of its risk management framework. This is achieved through a clearly defined operating structure with lines of responsibility and delegated authority. Written policies and procedures have been issued with clearly defined limits of delegated authority and provide a framework for management to deal with areas of significant risk.

Business risk assessment and evaluation takes place as an integral part of the Groups annual strategic planning cycle. The processes within the Group are continuously reviewed and improved on. This information is reviewed by the Audit Committee and senior management as part of the strategic review.

Control Self Assessment

To enhance the company's corporate governance, the Group has implemented Control Self Assessment (CSA) process which is conducted annually to ensure that key operation functions performed by budgetary units have considered risk management and internal controls processes in their business. Central to the CSA are the Key Control Checklists which set out the various key controls and process requirements across all functions and are updated periodically taking into consideration the changing risk profiles as dictated by the changing business environment and strategies from time to time. To achieve this objective in a cost-effective manner, the CSA embraces a dynamic and interactive process in which self-regulating business units identify ongoing challenges to meeting business objectives, the adequacy of controls to address these challenges and the mitigation measures needed to address identified risks.

The results of the CSA and trend analysis are reported to the Audit Committee annually.



STATEMENT OF INTERNAL CONTROL

Other Key Elements of Internal Control

The other key elements of the Groups internal control systems are described below:

- Clearly defined delegation of responsibilities to committees of the Board and to Management Executive and business operating units, including authorisation levels for all aspects of the business
- Clearly documented internal policies and procedures set out in a series of Standard Practice Manuals. These Manuals are subject to regular review and improvement to reflect changing risks or to resolve operational deficiencies. All standards, policies and guidelines are presented to the Audit Committee and cases of non-compliance reported to the Audit Committee by exception. Reliance is also placed on the Internal Audit function as well as the CSA approach mentioned earlier
- Regular and comprehensive information provided to Management, covering financial performance and key business indicators, such as staff utilisation and cash flow performance
- Quarterly Risk and Control Workgroup (RCW) meetings to review the adequacy of systems, policies and procedures and internal control processes to mitigate the internal critical business risk and to follow-up on action plans proposed by Management on the recommendation of the Internal Audit Department
- Half-yearly internal quality audits to monitor compliance with ISO requirements
- A detailed budgeting process where operating units prepare budgets for the coming year which are approved both at the business operating unit level and by the Board
- Monthly monitoring of results against budget, with major variances being followed up on and management action taken, where necessary. The Board also conducts similar reviews on a quarterly basis
- Regular visits to business operating units by members of the Board and the Management team

A number of minor internal control weaknesses were identified during the period, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Groups annual report.