

Statement of Internal Control



BOARD RESPONSIBILITY

The Board of Directors (the Board) recognises the importance of a sound system of internal controls which covers inter alia, risk management, financial, organisational, operational, and compliance controls. The Board acknowledges its overall responsibility for the Group's 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 Group's assets. It should be noted, however, that such a system is designed to manage rather than eliminate the risk that may impede the achievement of the Group's business objectives. Accordingly, this system can only provide reasonable, but not absolute, assurance against the occurrence of any material misstatement or loss.

The Group has in place a continuous and systematic process for identifying, evaluating, monitoring and managing the principal risks affecting the achievement of its business objectives throughout the period. This process is embedded into the Group's culture, people, strategy, processes and structures and is regularly reviewed by the Board via the Audit Committee to ensure the adequacy and integrity of the system.

RISK MANAGEMENT FRAMEWORK

The Group has in place a Risk Management Framework to promote effective risk management and enhance the corporate governance assurance process. The framework provides an integrated risk management infrastructure with the establishment of the respective risk workgroups to ensure major areas of risks are controlled and coordinated.

The Board has established an organisational structure with clearly defined lines of accountability and delegated authority as part of its Risk Management Framework. Policies and procedures of business processes are documented with clearly defined limits of authority delegated to appropriate levels of staff to exercise control over the Group's commitment of both capital and operational expenditure and manage areas of significant risk. These policies and procedures and the limits of authority are subject to review on a quarterly basis to reflect the changing risks and operational needs.

The risk profile of the Group is established during risk assessment sessions facilitated by the Risk and Control Workgroup (RCW). The risk responses and internal controls that the Management have taken and/or is taking are documented in the minutes of the RCW meetings. For each of the risks identified, a risk owner is assigned to ensure appropriate risk response actions are carried out.

The Internal Audit Department monitors compliance with policies and procedures and the effectiveness of the internal control system and highlight significant findings in respect of any non-compliance. Audits are carried out based on the audit plan approved by the Audit Committee. The annual audit plan is developed based on the risk profiles of the respective operating units identified in accordance with the Group's Risk Management Framework. Internal Audit findings are discussed at Management level and actions are agreed in response to the Internal Audit recommendations. The progress of implementation of the agreed actions will be monitored by the Internal Audit through follow-up reviews.

The Internal Audit function has a clear line of reporting to the Audit Committee and its performance is reviewed by the Audit Committee on an annual basis. Thus, the Internal Audit function is independent of the operational and management activities they audit.

CONTROL ASSURANCE AND RISK MANAGEMENT

To enhance the Company's corporate governance, the Group has implemented Control Assurance and Risk Management (CARM) Programme, a web-based self-assessment program. It involves each business unit to evaluate and ensure that it has appropriate controls in place to manage a broad range of risks arising from the day-to-day business activities within the Group.

CARM emphasizes on internal controls over financial reporting for the purpose of compliance with the requirements of the US Sarbanes-Oxley Act and it focuses on transparency, accountability and safeguarding of assets in its review mechanism.

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

Statement of Internal Control

KEY ELEMENTS OF INTERNAL CONTROL

The key elements of the Group's internal controls system are described below:

Authority and Responsibility

- Clearly defined delegation of responsibilities to committees of the Board and to Management Team and business operating units, including authorisation levels for all aspects of the business
- Clearly documented internal policies and procedures set out in the Group's Standard Policies and Procedures Manual. This Manual is subject to regular review and improvement to reflect changing risks or to resolve operational deficiencies and is communicated and made assessable to all employees on the Company's web-based shared portal to ensure compliance. All standards, policies and guidelines are presented to the RCW and Audit Committee for approval; and non-compliance cases, if any, are reported to the Audit Committee without exception. Reliance is also placed on the Internal Audit function as well as the CARM approach mentioned earlier

Monitoring, Reporting and Performance Measurement

- Management Team meetings are held on a regular basis to identify, discuss and resolve operational, financial and key management issues
- RCW meets on a quarterly basis to review the adequacy of systems, policies and procedures and internal control processes to mitigate the internal control business risk and to follow-up on action plans proposed by Management on the recommendations of the Internal Audit Department
- An Internal quality audit is conducted every year to monitor compliance with the ISO 9001:2008 Quality Management System requirements
- A half-yearly Hazard Analysis Critical Control Point internal audit to monitor compliance with product safety requirements
- A detailed budgeting process where operating units prepare budgets before a new financial year commences was reviewed by the Management Team and approved by the Board

- Monthly monitoring of results against budget, with major variances being followed up on and Management action taken, where necessary. The Audit Committee also conducts similar reviews on a quarterly basis
- Regular visits to business operating units by members of the Board and the Management Team
- Stakeholder engagement with shareholders, analyst, media and trade partners are conducted on a regular basis to better gauge the needs of the stakeholders and gather feedback on effectiveness and efficiency for continuous improvement

Employees Competency and Awareness

- Annual briefing is conducted for process owners and new employees to raise awareness on the importance of internal controls and risk management and to help them understand its impact on their day-to-day activities

- Training and development programmes are organised to ensure that staff are kept up to date with the necessary competencies to carry out their responsibilities towards achieving the Group's objectives. Every staff is encouraged to attend at least one training per year for staff learning, growth and knowledge sharing
 - Briefings are conducted for relevant employees to keep them informed of changes to legislation that are expected to affect the Group's operations or the way the Group conducts its business. For instance, employees are briefed on the impending enforcement of the Competition Law, the potential implication and measures to be taken to mitigate risk and to ensure compliance with the law
 - The Group has in place a Code of Conduct that govern the standards of ethics and responsible business conduct expected from employees. It covers all aspects of the Group's business operations such as confidentiality of information, fraud and improper payments, integrity and completeness of records, conflict of interest, dishonest conduct, safety and health, community and environment, and sexual harassment. The Group has also in place a Whistle-blowing Policy, which forms part of the Code of Conduct, to provide an avenue for employees to freely communicate to the appropriate parties their concerns about unethical practices without repercussions in a safe and confidential manner
 - Corporate values which emphasise on ethical behaviour are set out in the Management Handbook and the Code of Conduct
 - A comprehensive Business Continuity Plan, which is simulated periodically, is in place to ensure continuity of business operations in the event of a significant disruption or disaster
- Other Policies**
- A Vendor Code which outlines the standard for ethical and business conduct expected from suppliers and service providers in their business relationship with the Group. The Group engages the suppliers and service providers to raise their awareness on the Group's expectation on the standards of business ethics and to review their performance based on the obligations committed to the Group.

REVIEW OF THIS STATEMENT

The Internal Audit Department has reviewed this Statement of Internal Control for the financial year ended 30 June 2011 and reported to the Audit Committee that all internal control weaknesses identified during the course of its audit assignments for the financial year ended 30 June 2011 have been, or are being, addressed and that none of the weaknesses have resulted in any material losses, contingencies or uncertainties that require disclosure in the Company's Annual Report.

The external auditors, KPMG, have also reviewed this Statement and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

This Statement has been approved by the Board of Directors on 4 August 2011 based on the recommendation of the Audit Committee.