

# Risk Management

The Board recognises that risk management is an integral part of the Group's business operations and that the identification and management of risks will enhance the achievement of the Group's business objectives. The Group has implemented an on-going process of identifying, evaluating, monitoring and managing of risks that may affect the achievement of its business objectives. The on-going application of an integrated enterprise wide risk management framework is aimed at enhancing the internal control by ensuring that risks related to the Company and the Group are managed through a systematic and consistent risk management process.

## Accountability and Responsibilities

The Company believes that clear accountability and responsibilities are crucial for the risk management process. The risk management framework of the Group is based on the following principles:-

1. The Board is ultimately responsible for the management of risks. The Board through the Risk Management Committee maintains overall responsibilities for the risk oversight within the Group.
2. The Risk Management Committee is responsible for the risk oversight for the key risk affecting the Group. The Risk Management Committee assesses the adequacy of the existing controls to minimise the key risk areas and review the appropriate risk treatment on those risks.
3. The Risk Management Section of the Company is responsible for managing the risk management system and ensures timely review of the risks affecting each Business Units within the Group. It is also responsible for assisting Business Units in the identification, evaluation and monitoring of risks.
4. The Business Units are primarily responsible for identifying, evaluating and managing risks within their Units. They are required to put in place appropriate risk reduction action plans on areas where risks are rated as high and significant in order to ensure that their day-to-day business activities are carried out within acceptable risk level.
5. The Audit Committee's key role, supported by the Internal Audit Department, is to provide an independent assessment of the adequacy and reliability of the risk management processes, and compliance with risk policies and regulatory guidelines.

## Risk Management Process

The Company has established within its risk management framework a structured approach to enterprise wide risk management. The risk management process encompasses the following 4 stages:-

### 1. Risk Identification

During the risk identification stage, the Risk Management Section working together with the Business Units set out to identify the Business Units' exposure to current and potential risks that could have an effect on achieving the Company's objectives.

The Risk Management Committee has classified risks into 9 key risk factors ("KRF"), namely, Product Risk, Human Risk, Regulatory Risk, Operational Risk, Financial Risk, External Risk, Customer Risk, Integrity Risk and Supplier Risk.

During the year 2006, the Company has expanded Financial Risk to include Credit Risk, Market Risk and Liquidity Risk.

### 2. Risk Evaluation

In this stage, risks identified are evaluated on their probability of occurrence and their impact severity. It is at this stage that the risk profile for each risk is established. The risk profiles are rated either as High Risk, Significant Risk, Moderate Risk or Low Risk.

During the year 2006, the Risk Management Committee has enhanced the definition for the rating of risks to provide a more accurate risk rating process.

### 3. Risk Treatment

This is the stage where each risk is treated according to the risk appetite of the Company. Risks can be Accepted, Minimised, Transferred or Terminated.

### 4. Risk Monitoring

Risks are monitored through a Risk Management Action Plan. The progress on the implementation of risk policies are reported to the Risk Management Committee from time to time. The Internal Audit Department of the Company play a crucial role in monitoring compliance with the risk management policies and action plans.

The Board acknowledges that Risk Management is dynamic and is constantly reviewing the key risks affecting the Company and the Group to adapt to changes in the social, economic and financial environment in which the Company and the Group conduct their businesses.