

# Statement Of Internal Control

The Malaysian Code on Corporate Governance requires the board of listed companies to maintain a sound system of internal control to safeguard shareholder's investments and the Group's assets. Paragraph 15.27(b) of the Bursa Malaysia Listing Requirements requires Board of Directors of listed companies to include a statement in their annual reports on the state of their internal controls.

## A. THE BOARD'S AND MANAGEMENT'S RESPONSIBILITY

The Board of Directors ("Board") has overall responsibility for reviewing and adopting a strategic direction for the Group, overseeing and evaluating whether the Group's business is being properly managed, identifying principal risks and implementing appropriate system to manage risks, developing and implementing a investors relations programme for the Group and reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board recognizes the importance of sound internal controls and risk management practices to good corporate governance. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. However, the system can only provide reasonable but not absolute assurance against material misstatement or loss.

## B. INTERNAL CONTROL PROCESSES

A system of internal controls provides a mechanism to facilitate assessment of effective and efficient operation and to ensure compliance with laws, regulations, internal procedure and guidelines. This system is also designed to safeguard the assets of the Group, ensure the maintenance of proper accounting records and provide reliable financial information for use within the business of the Group and for publication.

The Board has established an organizational structure with clearly defined lines of accountability and delegated authority. The Chief Executive Officer ("CEO") and senior management team are assigned with the responsibility of managing the Group. They are accountable for the conduct and performance of their business within the agreed business strategies. Through their review of performance and operation reports, as well as by attending management meetings, the CEO and senior management team monitor the day-to-day affairs of the Group. Other than through the above meetings and reports, the CEO and senior management also regularly meet with the head of departments and the management team of subsidiaries to address any matters arising. Significant issues are brought to the attention of the CEO, who in turn will direct these matters, if necessary, to the Board for its attention

Continuous actions are being taken to improve the policies, processes, people and structures as key elements of internal control. This continuous improvement is not only to improve the management of existing risks but also to anticipate and manage potential risks considering the changes in the risk profile experienced by the industry and the Group.

Key elements of Group's internal control system, including the processes in place to review its adequacy, are:

- i) a clearly defined organizational structure that is aligned to business and operations requirement headed by accountable Chief Executive Officers;
- ii) annual budget and monthly reporting of results and key performance indicators to assess and sustain the effectiveness of the Group's system of controls;
- iii) the establishment of a Management Committee comprising the senior management with responsibilities that include execution of the following controls:
  - a) monthly performance reviews of actual performance against expectations and budget; and
  - b) quality assurance on key information and performance reports.
- iv) procedures with embedded internal control are documented in series of operating manuals. Continuous efforts are undertaken to ensure standardisation, timeliness, comprehensiveness and improved communications on key internal control procedures including authorisation, accountability, monitoring and reconciliation processes;
- v) continuous education for employees on the importance of governance and internal control as part of their development programme;
- vi) the establishment of an independent Internal Audit Department which reports to the Audit Committee. The internal audit teams conduct its audit function in accordance with the annual audit plan approved by the Audit Committee covering compliance, operational and system audit of the company. The audit function includes performing systematic reviews of key processes relating to high risk areas and assessing the effectiveness of internal control including compliance. Areas for improvement and proposed recommendations are highlighted to senior management and the Audit Committee with a periodic follow up review on actions taken;
- vii) the Audit Committee, on behalf of the Board, regularly reviews internal control issues identified in reports prepared by the internal auditor and external auditor and the related actions taken with senior management. The scope of this review includes any significant internal control aspects of issues identified in the financial statements as disclosed in this annual report.

# Statement Of Internal Control (continued)

The Board ensures that on-going reviews are continuously carried out to measure the effectiveness of the internal control system and to establish shareholders' confidence. This is to ensure that the Group's system of internal control is updated in line with the changes in the operating environment and consistent with the Group's overall objectives. The Board further seeks regular assurance on the continuity and effectiveness of the internal control system through independent appraisals by internal and external auditors.

Major associated companies have been dealt with in this statement as part of the Group for the purposes of applying the internal control processes.

The Board is of the view that current system of internal control is sufficient to safeguard the Group's interest.

## Directors' Responsibility Statement In Respect Of Annual Audited Accounts

The Directors are responsible for ensuring that the annual audited financial statements of the Company and the Group are drawn up in accordance with the requirements of the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965, Bank Negara Malaysia Guidelines and the Listing Requirements of Bursa Securities.

The Directors are also responsible for ensuring that the annual audited financial statements of the Company and the Group are prepared with reasonable accuracy from the accounting records of the Company and the Group so as to give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2006.

In preparing the annual audited financial statements, the Directors have:-

- (a) applied the appropriate and relevant accounting policies on a consistent basis;
- (b) made judgements and estimates that are reasonable and prudent; and
- (c) prepared the annual audited financial statements on a going concern basis.