

STATEMENT OF INTERNAL CONTROL

The Board recognizes the importance of effective internal control and risk management practices for good corporate governance, and acknowledges its overall responsibility to identify principal risks within the Group, ensure implementation of appropriate systems to manage these risks, as well as review the adequacy and integrity of the Group's system of internal control.

These systems are designed to manage risks which the Group is exposed to, rather than eliminate risk of non-achievement of the Group's policies, goals and objectives. Therefore, these systems only provide reasonable but not absolute assurance against material loss or against the Group failing to achieve its objectives. For the purpose of these statements, joint ventures are not dealt with as part of the Group.

Risk Management

Risk management is an integral part of the Group's management system. To ensure alignment of activities with the Group's strategic objectives and compliance with regulatory requirements, the Group has implemented a risk management framework to identify, measure, assess and manage risks encountered. This framework is reviewed periodically to ensure its relevance and adequacy to managing risks, which continue to evolve along with changing business environment. The Group strongly believes that prudent risk management is vital for business sustainability and enhancement of shareholders' value.

Internal Control

The Group's internal control system encompasses controls relating to financial, operational, risk management as well as compliance with laws, regulations, policies and guidelines. The effectiveness and integrity of these internal controls is overseen and periodically reviewed by the Board, while operationally monitored by management of various organization levels.

Key Internal Control Process

The following statement outlines the key internal control process established to assist the Board in reviewing the adequacy and integrity of internal controls:

- Risk management system is in place to assist the Board in assessing overall risks exposure of the Group and ensuring appropriate implementation of systems to manage those risks.
- Division Heads are responsible for the implementation and maintenance of effective control systems, ensuring day to day operations and activities are in accordance with corporate objectives and strategies as well as compliance with legal and regulatory requirements.
- Annual budgets and plans are submitted by Division Heads for the Chairman's review and subsequent presentation to the Board for approval. The Chairman, Division Heads, and Senior Managers are accountable for the performance and profitability of respective divisions, to meet objectives and goals set by the Board. The Group's performance is reviewed against approved annual budgets – both financial and operational on a monthly basis. Variations are immediately investigated and corrective measures taken where necessary.
- Group Corporate Meetings chaired by the Board are conducted monthly where Division Heads will present monthly performances and controls supported by comprehensive financial information, comparing actual results against the budget. Corporate issues, business developments, risks in relation to business activities and external environment of respective fields are also discussed and shared. These discussions allow Division Heads to take pre-emptive action. Furthermore, it forms the basis for the planning of future undertakings and appropriate risks management systems.

- Quarterly financial reports of the Group are reviewed by the Audit Committee to ensure the financial statements are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 so as to give a true and fair view of the Group's financial position. These financial statements are presented to the Board for approval prior being released to Bursa Malaysia.
- Internal Operating Manuals are established for operating units and departments within the units, illustrating detailed operating procedures and controls, at all levels and in all functions. Activities such as approvals, authorizations, verifications, reconciliations, operating performance assessments, security of assets and segregation of duties are included. The manuals are reviewed and updated on an on-going basis to ensure compliance with internal controls, directive, laws and regulations.
- On-going review of the Group's internal control system is executed by the Internal Audit Division, in accordance with annual plan approved by the Audit Committee. The Head of Internal Audit examines, evaluates and reports the effectiveness and efficiency of the Group's internal control system. Findings and corrective measures are communicated to the Chairman, Division Heads and Senior Managers of respective departments. Subsequently, audit findings, recommendations and management responses are reviewed by the Audit Committee during Audit Committee Meetings and directed to the Board for rectification.
- Yearly audits are carried out by SIRIM in relation to the ISO 9001:2008 Quality Management System (ISO9001) and ISO14001:2004 Environment Management System (ISO14001). These audits ensure compliance with international standards and continuous improvement of product and service quality as well as environmental performance.
- A Business Continuity Plan is in place to ensure uninterrupted delivery of service and products in the event of disruption. This plan is reviewed and revised annually to ascertain its relevance and effectiveness.
- Employment and termination procedures are established and annual performance appraisals are performed to confirm employees' competency. Furthermore, training and development programs are provided to enhance employees' knowledge, skills and abilities for effective and efficient job performances.
- Group assets are insured to ensure protection against mishaps and other perils which might result in material losses. Annual reviews are performed by the Management during policy renewals to maintain sufficient coverage.

Review of Statement

Pursuant to paragraph 15.23 of the Main Market Listing Requirements, the External Auditors have reviewed this statement as well as the Risk Management Statement for inclusion in the 2013 annual report. Based on their review, the External Auditors believe that these Statements are consistent with their understanding of the process adopted by the Board in assessing the adequacy and integrity of the Group's system of internal control. These Statements were approved by the Board on 7 April 2014.

Conclusion

The Board has received assurance from the Chairman that the risk management and internal control systems are effective in all material aspects during the financial year under review. The Board affirmed that the internal control and risk management systems in place enable the Group to deal with the rapidly changing economy and competitive environments, shifting customer demands and priorities, and restructure for future growth. The Board is of the view that these systems are sound and sufficient to safeguard the Group's assets and shareholders' investments, as well as interests of customers, regulators and employees.