

Statement on Internal Control

INTRODUCTION

This Statement on Internal Control is made in accordance with the Malaysian Code on Corporate Governance and paragraph 15.27 (b) of the Bursa Malaysia Securities Berhad Listing Requirements, which requires Malaysian public listed companies to make a statement about their state of internal control, as a Group, in their annual report.

BOARD RESPONSIBILITY

The Board acknowledges its responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity. This system of internal control is meant to safeguard shareholders' investments and the Group's assets and it covers financial, operational, compliance and regulatory controls.

However, as in any system of internal control, it is designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore, it can only provide reasonable and not absolute assurance against material misstatement or loss.

THE GROUP'S SYSTEM OF INTERNAL CONTROL

The Group's internal control system encompasses the Board and its various Board Committees with its specific terms of reference, executive management that is empowered and accountable for its actions and performance and supported by various monitoring and review procedures that are embedded in the Group's processes.

The Board believes that the Group should have a sound and adequate control environment for it to accomplish its business objectives and that these control processes should be reviewed regularly.

Towards this end and in line with its objective of raising the level of corporate governance and transparency, the Board and Management implemented certain changes in the Group's system of internal controls during the year.

Reporting Structure

There is a formal organizational structure with delineated lines of authority, responsibility and accountability within the Group.

Authorization limits

The Group Authority Limits established for revenue and capital expenditure were revised during the year. The revised Group Authority Limits now provide the Board with greater authority in the approval of major investments, acquisitions and disposal that have been appraised by its Management and EXCO.

Performance monitoring

The Group's performance is monitored by Group Finance which prepares monthly management accounts that compares against the approved budget. The monthly management accounts are extended to EXCO members and are reviewed and deliberated by Management in its Monthly Operations Meeting.

Quarterly results are presented to the Board and Audit Committee to monitor the Group's progress towards achieving its objectives.

Human resource

There are policies and procedures for recruitment, performance appraisals and promotion to ensure that suitably qualified and competent personnel are hired and retained. Some of these policies are presently being reviewed by Management. Group Human Resource and Training Department also takes on the task of equipping employees with the relevant and appropriate skills.

Procurement and Disbursement

There is a centralized and coordinated Procurement function for major purchases, projects and maintenance expenditures that ensures adherence to approval procedures as well as to leverage on economies of scale. The Accounting and Disbursement functions are also centralized to ensure compliance with the established procedures and authorization limits.

Procedures relating to Group Procurement and Disbursement functions have been strengthened in concurrence with the revision of the Group Authority Limits.

Legal and regulatory

The Group adheres strictly to health, safety, environmental and *halal* standards as enforced by the various authorities. Product safety and quality audits are conducted by the Quality Assurance function on an ongoing basis while the Syariah Council oversees *halal* related matters.

Risk Management

The Risk Management Committee ("RMC") assists the Board in ensuring that the Group has an adequate and effective risk management practice. The composition of the RMC was changed during the year.

The RMC plays an active role in reviewing the principal risks of the Group that were escalated to its attention. The RMC reviewed the risks register and scorecard and also followed-up on Management's response on the status of implementation of action plans that were highlighted. The risk register and scorecard is updated on an ongoing basis and it is under the purview of the Internal Audit Department.

Audit Committee and Internal Audit

The Audit Committee performs an oversight role in maintaining the integrity of the Group's system of internal control and it is assisted by the internal auditors. The activities of the Audit committee and internal audit are reported in the Audit committee report on pages 39 to 41.

CONCLUSION

The Board is of the view that the present system of internal control is adequate for the Group to manage its risks and to achieve its business objectives. The Board is also committed in ensuring that the Group continuously reviews its internal control system so that it is effective in safeguarding shareholders' investments and the Group's assets.