

## Statement on Internal Control

*The Board is responsible for the Group's system of internal control and for reviewing its adequacy and integrity. The system includes financial, operational, compliance controls and risk management. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and accordingly, it can only provide reasonable and not absolute assurance against material misstatement or loss.*

The Board confirms that as an integral part of the system of internal control, there is an ongoing group-wide risk management process for identifying, evaluating and managing the significant risks faced by the Group. The Management has operated this process during the year under review and the process is subjected to regular review by the Board. The Group has an Executive Risk Management Committee which is chaired by the Group Managing Director and comprises Senior Management of the Group, to provide oversight and added impetus to the risk management process.

Management from each business or operations area apply a risk/control self-assessment approach to identify the risks relating to their areas of supervision and control. These include the likelihood of these risks occurring; the consequences if they do occur and the actions being and/or to be taken to manage these risks to an acceptable level. The risk profiles and risk treatment measures determined from this process are documented in risk registers with each business or operations area having its respective risk register. The overall process is facilitated by the Group Risk Management which is dedicated to the role.

The Group Risk Management maintains regular communication and consultation with management and also facilitates risk analysis of strategic business objectives, operational initiatives and emerging issues in the Group. It also conducts periodic follow-up of the updating of risk profiles and the implementation of risk treatment measures by management.

From the beginning of 2011, the key risks which were identified through the risk management process are reported to the Executive Risk Management Committee and the Board Risk Management Committee. The Divisional Risk Profiles enable the Board Risk Management Committee to focus on the key risks affecting the Group's businesses and operations and the system of internal control necessary to manage such risks.

From the third quarter of 2011, the Group Risk Management had embarked on several new initiatives to improve the Enterprise Risk Management framework for the Group. This includes linking the risks to performance indicators and also quantification of risk exposures of the Group. Moving forward, the implementation of the new improved framework will be carried out in 2012 with the introduction of the automated risk management software, which is expected to improve accuracy, timelines and effective control of risks for the Group. This initiative is based on ISO 31000, which is the international guideline for managing risk.

The Group Internal Audit independently reviews the adequacy and integrity of the system of internal control in managing the key risks and reports accordingly to the Audit and Compliance

Committee of the Board on a quarterly basis. Where weaknesses have been identified as a result of the reviews, improvement measures are recommended to strengthen controls; and follow-up audits are conducted by Group Internal Audit to assess the status of implementation thereof by management. In carrying out its work, the Group Internal Audit focuses on areas of priority as directed by the Audit and Compliance Committee of the Board.

The Group has a Project Review Committee to provide added assurance in the feasibility evaluation of project/investment proposals and subsequent evaluation of the progress and results of endorsed project/investment through a process of due scrutiny. The Project Review

Committee provides feedback and recommendation on projects/capital expenditure/investment/annual budget to the Finance and Investment Committee. Where areas of improvement are identified including those relating to projects/investments, the Board considers the recommendations made by the Finance and Investment Committee and provides appropriate directive.

Management reports are presented to the Board each quarter providing financial information including key performance and risk indicators. The information are reviewed and verified by the Audit and Compliance Committee before it is presented to the Board for consideration and approval.

The Board remains committed towards maintaining a sound system of internal control and believe that a balanced achievement of the Group's business objectives and operational efficiency can be attained. The Group continues to take measures to further strengthen the internal control environment.