

Report on Risk Management

ENTERPRISE RISK MANAGEMENT

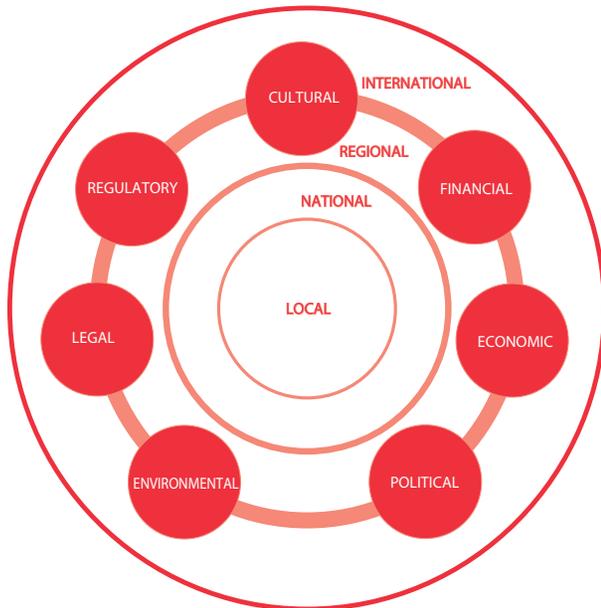
Risk is inherent in all businesses and the effective management of risk is a core competency within the Group. The Group has formally established the Enterprise Risk Management (ERM) framework since 2001 which forms an integral part of the Group's corporate governance structure and a key management tool. Group Risk Management Department (GRMD) provides the main support to the Executive Risk Management Committee, chaired by the Group Managing Director and comprises Senior Management staff of the Group.

The Group adopts a systematic, structured and disciplined approach to risk management through its integrated ERM framework. A good ERM framework advocating a holistic, robust, integrated, focused and process-oriented approach is implemented to assist the Group to manage all key businesses and opportunities with the intent of optimising and creating stakeholders' values for the Group as a whole.

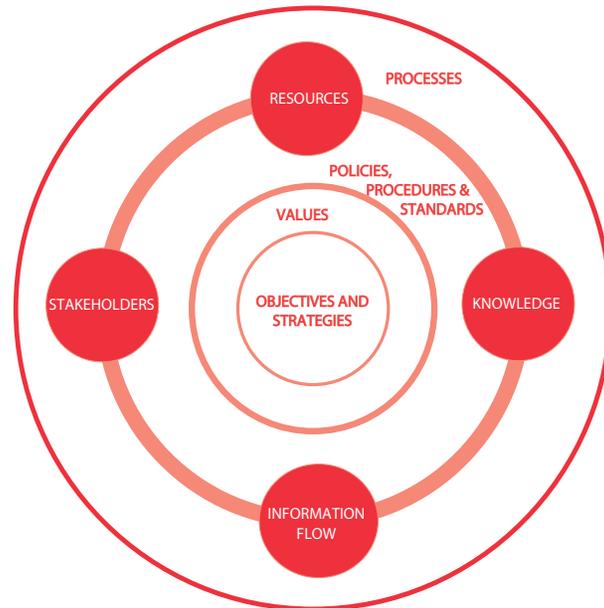
The underlying principle of ERM is for the risk function to operate as an independent control working in partnership with the business units to provide competitive advantage to the Group. This is also to establish a common risk management language that includes common measures around likelihood, impact and common risk categories.

The risks facing the Group in its businesses and operations can result from internal and external factors, therefore, the context within which the Group manages the risks are as follows:-

EXTERNAL CONTEXT

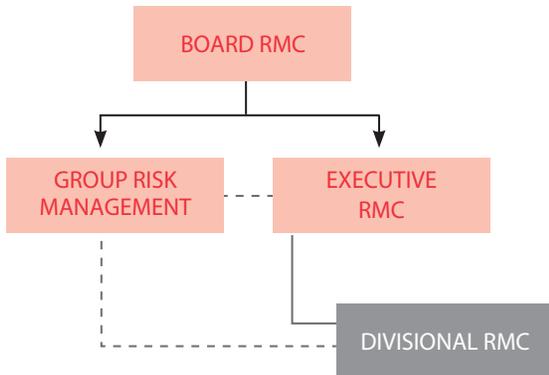


INTERNAL CONTEXT



Establishing the context of the risk management process includes defining accountabilities and responsibilities.

GROUP RISK MANAGEMENT REPORTING STRUCTURE



The Group recognises the broad spectrum of risks which it faces along with the opportunities which it seeks in its businesses and operations. It is the strategic objective of the Group to have an effective risk management programme and control systems to assess and mitigate these risks and thereby facilitate the Group in meeting all its business objectives, most specifically:-

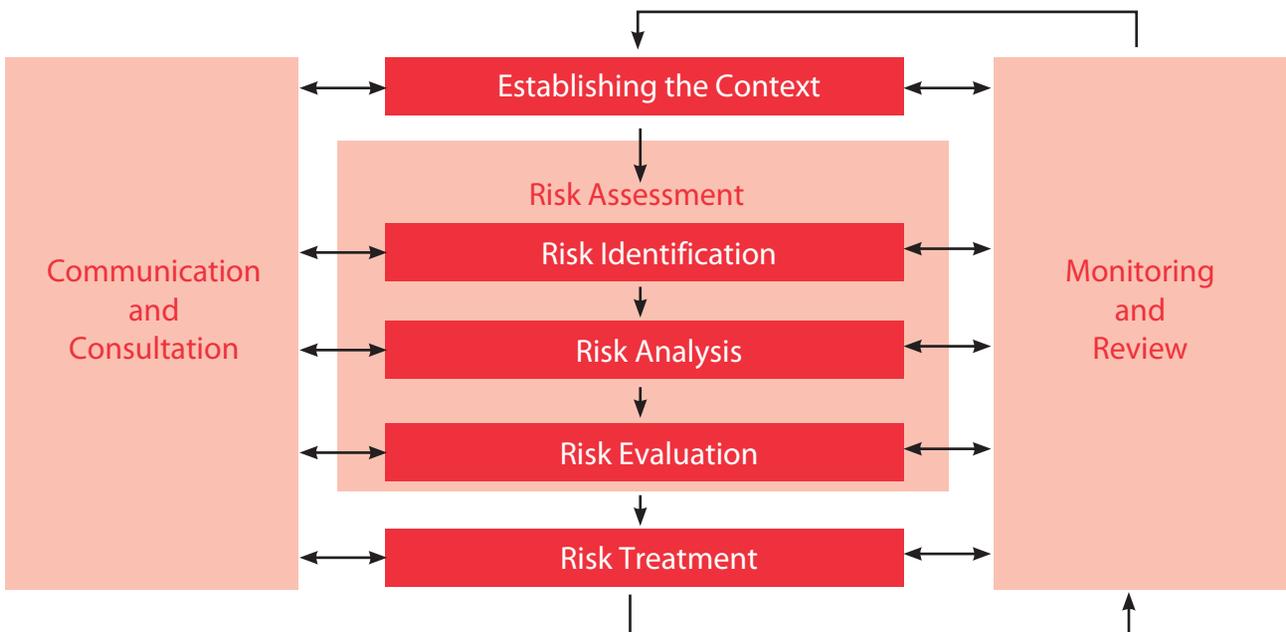
- to enhance the Group's high standards of corporate governance;
- to safeguard shareholders' investment;
- to safeguard the Group's assets;
- to develop the Group's employees and promote their well-being;
- to facilitate the Group's long-term growth under all business conditions.

The Group's Annual Risk Management Programme is approved by the Risk Management Committee. The GRMD facilitates the conduct of risk management activities outlined in the Programme which include updating of risk profiles and risk analysis of business or operational initiatives/issues emerging in the Group.

RISK MANAGEMENT PROCESS

The Group's risk management processes involve establishing the context of risk in relation to the Group and thereon risk identification, analysis, evaluation and treatment. Throughout this process, there is continuous monitoring and review; and communication and consultation. The process is illustrated as follows:-

PROCESS FOR MANAGING RISK



RISK ANALYSIS AND MITIGATION

The identified risks are analysed according to their likelihood of occurrence and significance of their consequences. Based on the risk analysis and subsequent evaluation for treatment priority, the appropriate risk mitigation strategies are devised to treat the risks accordingly. The following illustrates risk profiles in general and describes generally the respective risk mitigation strategies of the Group.

Extreme Risk

The risk must be managed by senior management with a detailed action plan or significant senior management attention is required. Extensive management of the risk is essential with focus on both reducing the likelihood of the risk and mitigating its consequence. Guidance from Board of Directors may be required where appropriate.

High High Risk

Considerable senior management attention is required including specifying management responsibility. Given the significant consequences of the risk, preventive control measures must be maintained effectively with regular assessment thereof in order to maintain the likelihood of the risk occurring at a low level. Ideally, contingency measures should also be maintained to mitigate the consequence of the risk should it eventuate. Guidance from Board of Directors may be required where appropriate.

High Risk

Considerable senior management attention is required including specifying management responsibility. Given the significant consequences of the risk, preventive control measures must be maintained effectively with regular assessment thereof in order to maintain the likelihood of the risk occurring at a low level. Ideally, contingency measures should also be maintained to mitigate the consequence of the risk should it eventuate.

Moderate Risk

While the consequence of the risk is insignificant, its high likelihood of occurrence should be reduced. Middle management should monitor the risk; identify its root causes; and design and implement corrective measures to reduce its likelihood of occurrence.

Minor Risk

The risk may be managed by routine procedures or may be worth accepting with monitoring by middle management. The risk may also not need specific application of resources in which case the risk is accepted by middle management.

Trivial Risk

The risk may be accepted by middle management with notation and reporting.

RISK MATRIX

		CONSEQUENCES 				
LIKELIHOOD 	High	High High	Extreme	Extreme	Extreme	
	Moderate	High	High High	Extreme	Extreme	
	Minor	Moderate	High	High High	Extreme	
	Trivial	Moderate	Moderate	High	High High	
	Trivial	Minor	Moderate	High	High High	