

■ Statement On Internal Control

INTRODUCTION

We, the Board of Directors, are required to give you a statement in this Annual Report on the state of the internal control system in effect within the Group to safeguard your investment and the Group's assets. This is to be done in accordance with, inter alia, the Malaysian Code on Corporate Governance and Paragraph 15.27(b) of the BMSB Listing Requirements in accordance with BMSB's Statement on Internal Control: Guidance for Directors of Public Listed Companies. We are pleased to provide the following statement outlining the nature and scope of internal controls of the Group during the year.

1. Board Responsibility

- 1.1 We affirm our responsibility for the Group's systems of internal control and risk management and the responsibility to review the adequacy and integrity of such systems.
- 1.2 It should be noted however, that such systems are designed to manage, not eliminate, the risk of failure to achieve business objectives and that any system can only provide a reasonable, not an absolute, assurance against material misstatement or loss.
- 1.3 We confirm that we have had systems of internal control and risk management in place during the year necessary to identify, evaluate, monitor the efficacy of internal controls and manage significant risks overseen by the Group Financial Controller reporting to the Audit Committee and the Board in conjunction with external consultants.

2. Risk Management Framework

- 2.1 The Audit Committee's responsibilities include the work of monitoring the internal control system and risk management of all the businesses under our management. In fulfilling the risk management responsibility the Audit Committee reports, on a quarterly basis, to the Board with an overall risk profile assessment within a Risk Management Framework approved by the Board on an overall Group basis. Such a risk profile is prepared by management personnel and reviewed by the Group Financial Controller in conjunction with external consultants as appropriate for each business segment of the Group in accordance with their individual Risk Management Framework. The Audit Committee will use the risk profile to direct and require the Group Financial Controller and key management to monitor risk and implement approved measures to permit risk management to be more effective and timely.
- 2.2 The Chief Executives responsible for each business segment will be its Risk Officer with the Group Financial Controller of the Company as Chief Risk Officer of the Group.

3. Internal Audit

- 3.1 The Group has available to it an internal audit function conducted by the internal audit function of a shareholder and by external consultants for the Port Operation and Industrial Properties business segments and utilises the services of an external consultant to fulfil the internal audit function for other business segments and at Company level. The foregoing and the authority levels present in each business segment represented by the Chief Executive Officer responsible for the same provides the Board and the Audit Committee with much of the assurances it requires regarding the adequacy and efficiency of the systems of internal controls.
- 3.2 The Group Financial Controller, the Company Secretary, external consultants and advisers with key management staff further provided support to the Audit Committee in their review and deliberations in regard to corporate regulatory compliance issues and other regulatory compliances issues relating to the Group's business activities which are reported to the Board on an as and when required basis.

4. Other Risk and Control Processes

- 4.1 We perceive that all aspects of risk management, internal audit, a formalised organisational hierarchy, formalised authority levels, health, safety, security, human resource management, environmental matters, accepted industry standards of quality and performance and the importance of the customer satisfaction are interlinked and should be incorporated into an overall quality and control system. This process has been substantially completed but, as it fundamentally is an ongoing process, it continues to require improvement and adjustment to changing business conditions.
- 4.2 The Chairman or both Co-Chief Executives as appropriate reports to the Board at every Board meeting on significant changes in the business and financial domestic/foreign environment as well as maintains continuous close interaction, in between Board meetings, with all our six (6) Board members and the Company's appointed Advisers and Consultants in respect of all business initiatives, strategies and new projects being undertaken at Company and subsidiary/associate company levels.

5. Weaknesses in Internal Controls That Result in Material Losses

- 5.1 There were no material losses incurred during the year as a result of weaknesses in internal control and the Board and management continue to take measures to strengthen the control environment within the Group.