

statement on internal control

The Board's Responsibilities

In relation to internal control, pursuant to the requirements under the Malaysian Code on Corporate Governance for companies listed on the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad), the Board of Directors ("the Board") hereby confirms that a risk management process has been established for the Asiatic Group of Companies ("the Group") to:

- Identify principal risks and ensure implementation of appropriate control measures to manage the risks.
- Review the adequacy and integrity of the internal control system and management information systems and systems for compliance with applicable laws, regulations, rules, directives and guidelines.

It should be noted that an internal control system is designed to manage risks rather than eliminate them and can provide only reasonable but not absolute assurance against any material misstatement or loss.

The Board confirms that the risk management process is an ongoing process to identify, evaluate, and manage significant risks to effectively mitigate the risks that may impede the achievement of the Group's business and corporate objectives. The Board reviews the process on a regular basis to ensure proper management of risks and measures are taken to mitigate any weaknesses in the control environment.

The Risk Management Process

The Group has implemented the Control Self-Assessment ("CSA") to formalise the risk management process. With the CSA, departments/business areas of the Group are required to identify and evaluate controls within key functions/activities of their business processes. The risks to the Group's strategic objective are assessed at the holding company level.

The Group Risk Manager ("GRM") of the holding company, Genting Berhad in conjunction with the Risk Assessment Committee ("the Committee") facilitated the implementation of the CSA. The Board has delegated the detailed review of the system of internal control to this Committee whose members comprise the Chief Financial Officer ("CFO"), Heads of Divisions and Departments ("HODs") of the Company and the GRM.

The Committee meets on a regular basis to review the risk assessment documents of the Group and where applicable propose changes to the risk management and controls procedures/policies. The review also covers the status of action plans or measures taken or to be taken to address any weaknesses identified in the existing internal controls. The Committee presents to the Executive Committee on a quarterly basis, a report of the risk assessments on the Group's significant risks and the status of control measures being implemented or to be implemented to deal with the risks. The report will be reviewed by Audit Committee and presented to the Board. The Board on its part meets to review and deliberate on the risks and control issues being reported before approving the report.

The Internal Control Processes

The other key aspects of the internal control process are:

- The Board and the Audit Committee meet at least every quarter to discuss matters raised by Management on business and operational matters including potential risks and control issues.
- The Board has delegated the responsibilities to relevant committees established by the Board to implement and monitor the Board's policies on controls.
- Delegation of authority including authorization limits at various levels of Management and those requiring the Board's approval are documented and designed to ensure accountability and responsibility.
- Internal procedures and policies are clearly documented in manuals and reviewed and revised periodically to meet changing business, operational and statutory reporting needs.
- Performance and cash flow reports are provided to Management and the Executive Committee to review and monitor the financial performance and cash flow position.
- Business/operating units present their annual budget, which includes the financial and operating targets, capital expenditure proposals and performance indicators for approval by the Budget Committee and the Board.
- A half yearly review of the annual budget is undertaken to identify and where appropriate, to address significant variances from the said budget.

For the year under review, some weaknesses in internal control were identified but were deemed not significant to be mentioned in this statement as none had materially impacted the business or operations of the Group. Nevertheless, measures have been or are being taken to address these weaknesses.

The Group in issuing this statement had taken into consideration the state of internal control of Serian Palm Oil Mill Sdn Bhd, an associate company it manages, while that of Sri Gading Land Sdn Bhd and Asiatic Ceramics Sdn Bhd, two other associate companies deemed to be insignificant to the Group have been excluded.

The Internal Audit Function

The Internal Audit Department ("Internal Audit") is responsible for undertaking regular and systematic review of the internal controls to provide the Audit Committee and the Board with sufficient assurance that the systems of internal control are effective in addressing the risks identified.

On a quarterly basis, Internal Audit submits audit reports for review and approval by the Audit Committee. Included in the reports are recommended corrective measures on risks identified, if any, for implementation by Management.