

Statement on Internal Control

Introduction

Pursuant to Paragraph 15.27(b) of the BMSB Listing Requirements, the Board of Directors is required to include in its Annual Report, a statement about the state of internal control of the LLCB Group.

In making this Statement on Internal Control, it is essential to address the Principles and Best Practices in the Malaysian Code on Corporate Governance, which relate to internal control.

It should be noted that the Board's Internal Control Statement does not deal with associated company.

Responsibility

The Board of Directors is responsible for the LLCB Group's system of internal control and for reviewing its adequacy and integrity to safeguard shareholders' investment and LLCB Group's assets. The system of internal control is designed to manage risks in order to achieve business objectives. However, as with any internal control system, control can only provide reasonable and not absolute assurance against material misstatement or loss.

Key Processes

The Board of Directors confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the LLCB Group for the financial year under review and up to the date of approval of the annual report and financial statements.

The key processes that the Directors have established in reviewing the adequacy and integrity of the system of internal control are as follows: -

1. Risk Assessment
 - The Group has a clear objective and direction in managing its business risks and has established an acceptable level of risk
 - There is a process to identify and evaluate the principal risks on a timely basis
2. Embedded
 - The Group has management reporting procedures which enable significant business issues to be identified and addressed to Management and the Board
 - Organisational structure with well defined lines of responsibility, delegation of authority, segregation of duties and information flow
 - A budgeting process for projects with regular monitoring of performance and status
 - Process and procedures in accordance with the requirements of ISO 9002

3. Assurance Function
 - The Board receives timely reports on internal control from the Management and Internal Audit
 - The Management receives assurance on internal control through committee meetings such as Project Management, Tender Committee, ISO Committee
 - An in-house Internal Audit function supports the Audit Committee which reports to the Board, by providing reasonable independent review on the effectiveness of the Group's system of internal control
4. Board Review
 - The Board through the Audit Committee conducts regular reviews of the system of internal control of the LLCB Group. The Audit Committee reviews the report from the Internal Audit and reports to the Board key findings, audit recommendations and status of corrective action taken

Risk Management Committee

During the current financial year, the Risk Management Committee conducted a review of the LLCB Group's system of internal control through: -

- Coordinating with the relevant operational and functional units to identify key risks
- Compiling a key risk profile and ensure that the risk control systems are in place to manage such risks

The Risk Management Committee maintains an ongoing commitment to strengthen the Group's control environment and processes to ensure a more coordinated and consistent approach in managing the LLCB Group's significant risk exposures.