

# Statement on Internal Control

## Introduction

This statement is made pursuant to Paragraph 15.27 of the Bursa Malaysia Securities Berhad's Listing Requirement that stipulates the Board of Directors must make a statement in its Annual Report about the state of internal control in the Company as a Group.

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

## Responsibility

The Board of Directors acknowledges the importance of sound internal controls and risk management practices to good corporate governance. The Board of Directors affirms its overall responsibility 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 includes not only financial controls but operational and compliance controls and risk management as well. However, the system of internal control is designed to manage rather than to eliminate the risk of failure to achieve business objectives. Accordingly, the internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

## Key Processes Of Internal Control

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 regular review and monitoring process of performance and status of projects
- Process and procedures in accordance with the requirements of ISO 9002 which is subject to regular review and improvement.
- Training and development programmes which are identified and scheduled for employees to acquire the necessary knowledge and competency to meet their performance and job expectations.

### 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.

## Control Weaknesses

The Management continues to take measures to strengthen the controls environment. Any internal control weaknesses that were identified were rectified. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

The Board of Directors remains committed towards operating a sound system of internal control and has recognised that the system must continuously evolve to support the type of business and size of operations of the Group. The Board, when necessary, will put in place appropriate action plans to further enhance the Group's system of internal control.