

Statement on Internal Control

INTRODUCTION

The Listing Requirements of Bursa Malaysia Securities Berhad (Paragraph 15.27(b)) require the Directors to make a statement in the Company's annual report about the state of its internal controls. The Malaysian Code on Corporate Governance requires that the Board of Directors ensure that a sound system of internal controls is maintained to safeguard shareholders' investment and the Company's assets. In pursuance thereof and in accordance with a desire to adhere to the highest standard of corporate governance, the Board of Directors of your Company is pleased to set out below its Statement of Internal Control that was prepared in accordance with Bursa Malaysia's Statement on Internal Control - Guidance for Directors of Public Listed Companies. Your Board believes the practice of good corporate governance is an important continuous process and not just something to be covered as a matter of compliance in its annual report.

RESPONSIBILITY

Your Board recognises that good corporate governance has its roots in sound internal controls and a robust risk management programme. Your Board affirms its overall responsibility for reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Your Board and the Management have taken reasonable measures to ensure that your Company's system of internal controls is able to manage the risks to which your Company is exposed. The objective is not to eliminate risk but to understand your Company's significant risks, set boundaries for risk taking and apply fit-for-purpose risk responses that enable your Company to achieve its corporate objectives within a managed risk profile.

Fit-for-purpose risk responses are primarily intended to:

- Minimise the likelihood of a risk occurring by actively managing the sources and causes of the risk
- Mitigate the impact of a risk, often through the application of some form of alert that the risk has materialised, followed by the initiation of a contingency or recovery plan to reduce the potential consequences

Your Board and the Audit Committee are informed of all control issues pertaining to internal controls and regulatory compliance. It is imperative to note that any system of internal control can only provide reasonable, and not absolute, assurance against material misstatement or loss.

RISK MANAGEMENT

Your Board regards risk management as an integral part of the business operations. Your Company has adopted the Shell Group Risk and Internal Control Policy issued in 1999, and has in place an ongoing process for identifying, evaluating and managing significant risks that affect the achievement of your Company's business objectives. The changes to your Company's risk profile, the risk responses and assurances are documented in the Assurance Plan. The Assurance Plan is the basis of the risk-based Audit Plans developed for your Company.

The risk profile of your Company is established during risk management sessions undertaken by the Management, which identifies the significant risks that your Company is facing. The risk responses and internal controls that the Directors and Management have taken and or are taking are documented in the Assurance Plan.

The Assurance Plan is reviewed by the Internal Audit function and by the Audit Committee and approved by your Board. The Internal Audit function is involved in facilitating the risk assessment process. For each of the risks identified, a risk owner is assigned to ensure appropriate risk response actions are carried out. Control issues arising from the assurance process including internal and external audits are discussed at the Audit Committee. Your Board, as part of the annual strategic review, considers and approves the Assurance Plan as in previous years, is in line with the requirements of Bursa Malaysia's Statement on Internal Control - Guidance for Directors of Public Listed Companies and the Malaysian Code of Corporate Governance.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Apart from risk management and internal audit, the other key elements of your Company's internal control systems are described below:

1. The adoption of the Shell Statement of General Business Principles, which governs the standards of conduct and prohibits improper behaviour. Breach of these Principles is actionable by disciplinary proceedings.
2. Clearly documented and auditable procedures and manuals in respect of financial controls, trading controls, contracting and procurement, engineering, operation, human resource, health, safety, security and environment.
3. Documented and auditable "Control Registers" over activities which affect your Company's financial results.

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4. Structured review of financing proposals and business plans before adoption combined with a detailed budgeting process.
5. Regular and comprehensive information provided to the Management and on a quarterly basis to your Board, covering financial performance and key business performance indicators.
6. The monitoring by, and reporting to, your Board of every single affixation of Common Seal was made in accordance with the Articles of Association of the Company.
7. Provision by your Company's Management of the Letter of Assurances on an annual basis affirming that appropriate internal business controls are in place and ensuring compliance with your Company's policies.
8. Declaration by all employees on an annual basis on conflict of interest situation and compliance with the Statement of General Business Principles.
9. A system for confidential disclosure, "My Company is My Business" is in place for staff to raise concerns where the interest of the organisation or its stakeholders is at risk, either by a breach of a process/procedure, or where beneficial opportunities may be missed.
10. A Shell Group facility for Accounting, Controls & Auditing Concerns Reporting is available to all Shell employees to raise, in a confidential and anonymous manner, any complaint or concern regarding accounting, internal accounting controls or auditing matters, and a general Shell Helpline for other matters. All complaints or concerns are reported to the Secretary to the Shell Group Audit Committee.

There were no material losses reported during the current financial year as a result of weaknesses in internal control. The Management of your Company continues to take measures to strengthen the internal control environment.

This statement is made in accordance with the resolution of your Board of Directors dated 23rd February 2006.