

# STATEMENT OF INTERNAL CONTROL

This Statement on Internal Control has been prepared in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and in accordance with the Guidance for Directors of Public Listed Companies.

## BOARD RESPONSIBILITY

The Board recognizes the importance of maintaining a sound system of internal controls and risk management practices within the Group and affirms its responsibility to review the adequacy and effectiveness of these systems and processes on a regular basis. The system of internal controls is designed to provide reasonable assurance on the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. It is also meant to effectively manage business risks towards the achievement of objectives so as to enhance the value of shareholders’ investments and to safeguard the Group’s assets.

However, as in any system of internal control, it is designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore, it can only provide reasonable and not absolute assurance against material misstatement or loss.

## INTERNAL CONTROL FRAMEWORK

The key components of the Group’s internal control framework are as follows:

### Board and Management Committees

The Group has established several committees to assist the Board and management in discharging their responsibilities and the objectives of these committees are clearly spelt out in their terms of reference.

The Executive Committee is established to formulate strategic business plans, directions and policies for the Group and makes appropriate recommendations for the approval of the Board. The Top Management Committee is established to manage all aspects of the Group’s business and to oversee the implementation of the approved business plans and policies. Other committees such as Tender Committee, Agreement Committee and Risk Management Committee are established to ensure that management abides by approved policies and procedures and best practices in the evaluation and award of tendered purchases, drafting of legal documentation and implementation of risk management practices to safeguard the Group’s interests.

### Organization Structure

The Board has established a formal organization structure for the Group with delineated lines of authority, responsibility and accountability. It has put in place suitably qualified and experienced management personnel to head the Group’s diverse operating units into delivering results and their performance are measured against the Key Performance Indicators that are approved by the Board.

## **Authority limits**

The Board has established authority limits for approving revenue and capital expenditures for each level of management and also established cheque signatories for approving payments. Major capital investments, acquisitions and disposals exceeding a certain threshold must be referred to the Board or relevant Committee for approval.

## **Enterprise Risk Management**

The Enterprise Risk Management framework adopted by the Group is a structured and disciplined approach to align its strategy, processes, people, technology and knowledge in evaluating and managing business risks. This involves updating of principal risks across all the operating divisions periodically and timely reporting of these risks to the attention of the Audit Committee and the Board.

The Group has established a Risk Management Committee that comprises senior management and chaired by a Chief Risk Officer who is also the Director of Finance. The Risk Management Committee functions within the authority of the charter and the risk policy and guidelines approved by the Board.

A Risk Management Department has been established to assist the Risk Management Committee. It is responsible for the ongoing development of the Enterprise Risk Management process which includes coordination with the respective risk management units in monitoring risks, formulating risk treatment plans and conducting risk management trainings and awareness for risk owners.

During the year, the Group continuously carried out a series of risk assessment interviews and workshops with senior management to identify, prioritise, evaluate and rate all key risks and controls affecting the Group in achieving its business objectives. These risk assessment workshops and risk awareness sessions have been extended to cover foreign operations in Brunei and Singapore. The result from this exercise was presented to the Audit Committee and the Board.

## **Audit Committee**

The Board recognizes that the Audit Committee forms an integral part of the Group's internal control and risk management framework and in promoting good corporate governance. The Audit Committee performs an important oversight role in maintaining the integrity of the Group's system of internal control and risk management practices. The Audit Committee is assisted by the internal auditors and has access to the external auditor and the chief risk officer. The activities of the Audit Committee and internal audit function are reported in the Audit Committee Report on pages 088 to 091.

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## OTHER KEY ELEMENTS OF INTERNAL CONTROL

Complementing the broad internal control and risk management framework are various control processes that have been implemented by the Group. Some of the key control processes are as follows:

### **Budgets**

Annual budgets are prepared by each operating division and consolidated by Group Finance Department. These are thoroughly reviewed before they are tabled to the Top Management Committee, Executive Committee and the Board for approval.

### **Performance monitoring**

The Group's performance is monitored by Group Finance Department who prepares monthly management accounts that compares against the approved budget. The monthly management accounts are reviewed and deliberated by management in its monthly operations meeting and a copy is extended to the Executive Committee for review.

The Board monitors the Group's performance by reviewing the quarterly results and operations and examines the announcement made to the Bursa Securities. These are usually reviewed by the Audit Committee before they are tabled to the Board.

### **Human resource**

There are policies and procedures for recruitment, performance appraisals and promotion to ensure that suitably qualified and competent personnel across all levels of management are hired and retained. The Group is also dedicated to continuously develop employees with the relevant and appropriate skills by conducting regular training programs that are tailored for restaurant excellence as well as corporate and leadership programs for the support staffs.

### **Procurement**

There is a centralized and coordinated procurement function for major purchases of assets and inventory, project development and maintenance expenditures which enables the Group to leverage on economies of scale and ensures adherence to authority limits, policies and procedures. Aided by an integrated purchasing, inventory and accounting system, the Group is capable of keeping track of the accuracy, integrity and recording of its assets and expenditures. Significant capital and revenue expenditures exceeding a certain value are subjected to tender procedures and appraised by the Tender Committee before they are approved by the Board or relevant Committee.

## **Regulatory and *Halal* compliance**

The Group adheres strictly to health, safety and environmental regulations and complies with *Halal* standards and is subjected to regular inspections by the relevant government authorities. Quality Assurance department conducts product safety and quality audits at restaurants and the entire supply chain on an ongoing basis. The Group has also recently established a Shariah Advisory and Compliance department to perform regular *Halal* audits and to liaise closely with the government agencies on *Halal* related matters.

## **CONCLUSION**

The Board is of the view that the present system of internal control is adequate for the Group to manage its risks and to achieve its business objectives. The Board is committed in ensuring that the Group continuously reviews the internal control system so that it is effective in enhancing shareholders' investments and safeguarding the Group's assets.