



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

This Statement on Risk Management and Internal Control by the Board of Directors ("**Board**") on the Group is made pursuant to paragraph 15.26(b) of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the Malaysian Code on Corporate Governance 2021 ("**MCCG 2021**").

This Statement outlines the nature and scope of risk management and internal control of the Group during the financial year ended 30 June 2022. It covers all of the Group's operations except for associate companies as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

## BOARD'S RESPONSIBILITIES

The Board recognises and affirms its overall responsibility in maintaining a risk management framework and internal control systems as well as to review the adequacy and integrity of the system. The risk management and internal control system covers financial, operational, management information systems, organisational and compliance controls. In view of the inherent limitations in any internal control system, internal control and risk management are designed to manage risk within tolerable levels rather than eliminate the risk of failure to achieve business objectives. Accordingly, it should be noted that these systems can only provide reasonable but not absolute assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies. The process has been in place during the year up to the date of approval of the annual report and is subject to review by the Board.

## RISK MANAGEMENT AND INTERNAL CONTROL

### RISK MANAGEMENT

The Board fully endorses Practices 10.1 and 10.2 of the MCCG 2021, which call for the establishment of an effective risk management and internal control framework and the disclosure thereof.

The Board is assisted by the Board Risk Management Committee ("**BRMC**") in evaluating, assessing and reviewing the adequacy of the Group's system of risk management.

The BRMC comprises three (3) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and one (1) Executive Director. The composition of the BRMC is as follows:

### CHAIRMAN

Admiral Tan Sri Dato' Setia Mohd Anwar Bin Hj Mohd Nor (*Retired*)  
(Independent Non-Executive Director)

### MEMBERS

Dato' Mohd Ibrahim Bin Mohd Nor  
(Independent Non-Executive Director)

Datuk Seri Ch'ng Toh Eng  
(Independent Non-Executive Director)

Chin Kim Chung  
(Non-Independent Non-Executive Director)

Lim Poh Yit  
(Group Managing Director)

The oversight role of risk management is carried out by the Board and BRMC. Mandate and commitment from the Board and BRMC are key contributors to the success factors in implementing enterprise risk management programmes. The Board and BRMC set the strict direction for risk roles, responsibilities and risk reporting structures.

The BRMC is assisted by a Management-level Risk Management Committee ("**MRMC**"), which consists of the Group Managing Director, risk managers and respective heads of department. The periodic reporting to both the Board and BRMC on the risk management activities undertaken by the MRMC, keeps the Board and BRMC apprised and advised of all aspects of the enterprise risk management and significant risks and risk trends.

Detailed Risk Registers are used to capture the identified key risks and controls information. The identified key risks and controls are assessed and categorised to highlight the source of risk, their impacts and the likelihood of occurrence. Risk profiles for the major departments are presented to the BRMC for deliberation and approval for adoption.

The Board adopted the enhanced Enterprise Risk Management ("**ERM**") Framework. The ERM Framework has been enhanced with the Group's risk profiles being updated and action plans formulated focusing on principal business risks. It also identified the ERM reporting structure and frequency of reporting, the responsibilities of the Board Committees for ERM and the key elements of the risk assessment process. As such, the ERM reporting structure is as follows:-

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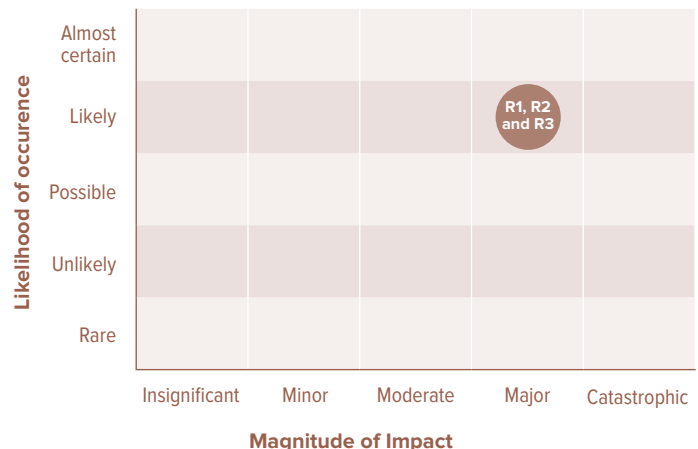
### ERM PROCESS AND GOVERNANCE STRUCTURE



The ERM processes are undertaken three times a year to assess and evaluate risks that may impede the Group from achieving its strategic and operational objectives, as well as developing action plans to mitigate such risks.

During the financial year under review, the result of the risk updates was deliberated on causes, existing key controls, impact and action plans to address the top risk of the organisation at the BRMC meetings. The updated risk profile was used as one of the basis to develop a risk-based internal audit plan for the financial year ended 30 June 2022, which was approved by the BRMC. Results of the risk review were then reported to the Board for endorsement and approval.

Identified key risks of the Group were assessed and recorded in the risk profile for continuous monitoring (see table below). Being in the property and project development businesses, it is inherent that the Group is facing key risks such as project progress challenges, increasing cost of construction, liquidity and sales risks.



The Board and the Management have formulated strategies and plans to address the following key risks, among others are:



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Risk	Specific Risk	Management Strategy
R1	Project Cost Management	<ul style="list-style-type: none"> <li>Regular financial statement and cost updates from project/ contract department against endorsed feasibility study</li> <li>Contingency rate is incorporated during costing preparation</li> </ul>
R2	Project Progress Challenges	<ul style="list-style-type: none"> <li>Close monitoring of the progress report and contractor performance</li> <li>Client-consultant meeting and site meeting with contractors to discuss progress and resolve issues encountered</li> </ul>
R3	Sales and Duration of Sales Closure Risk	<ul style="list-style-type: none"> <li>To ensure marketing strategy including right people, product, pricing and marketing channel effective and efficient against the volatility market challenge</li> </ul>

### INTERNAL CONTROL

The Board acknowledges that the internal control systems are designed to identify, evaluate, monitor and manage the risks that may hinder the Group from achieving its goals and objectives.

The Group's internal control system consists of various components such as control environment, risk assessment, control activities, information, communication and monitoring. These will facilitate an effective and efficient operation by responding appropriately to significant business, operational, financial, compliance and other risks in achieving the Group's corporate and strategic objectives.

### INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an independent professional firm, Tricor Axcelasia Sdn. Bhd., which assists both the Board and Audit Committee by conducting independent assessments of the adequacy and operating effectiveness of the Group's internal control system. The internal audit function reports directly to the Audit Committee to ensure independence from Management.

The outsourced internal audit function is led by the Executive Director of the outsourced service provider. He is a professional member of the Institute of Internal Auditors Malaysia, a member

of the Association of Chartered Certified Accountants (UK) and the Malaysian Institute of Accountants. He holds the certifications of Certified Internal Auditor; Certification in Risk Management Assurance; Certified Information Systems Auditor; and other relevant professional qualifications. The internal audit function is supported by a team of internal auditors who have relevant work experiences.

The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the major business functions of the Group and in accordance with the internal audit plan approved by the Audit Committee. The internal audit independently reviews the system of internal controls implemented by Management within the Group. The internal audit provides an assessment of the adequacy and integrity of the Group's system of internal controls and provides recommendations, if any, for the improvement of the control policies and procedures.

The internal audit reports are reviewed by the Audit Committee and forwarded to the Senior Management and MRMC so that any recommended corrective actions could be implemented. The Senior Management and risk sub-committees are responsible for ensuring that the necessary corrective actions on reported weaknesses are taken within the required time frame. A total of RM90,451/- inclusive of services tax and disbursements was incurred on internal audit activities for the financial year ended 30 June 2022.

### OTHER INTERNAL CONTROL PROCESSES

Apart from risk management and internal audit, the Group's system of internal controls also comprises the following key elements:-

#### (a) Integrity and Ethical Values

##### • Code of Ethics and Conduct

The Board believes ethical corporate culture begins from the top which the control environment sets the tone for the Group by providing fundamental discipline and structure.

The Board has set the tone at the top for corporate behavior and corporate governance. All employees shall adhere to the Code of Ethics and Conduct of the Group, which sets out the principles and standards to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing within the Group and with external parties.

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### • Whistleblowing Policy and Procedure

The Board has formalised a set of Whistleblowing Policy and Procedures to provide an avenue for stakeholders of the Company to raise concerns related to possible breach of business conduct, non-compliance with laws and regulatory requirements as well as other malpractices. The Whistleblowing Policy and Procedures set out the protection accorded to whistleblowers who disclose such irregularities in good faith.

### • Anti-Bribery and Corruption Policy

In line with the provisions of Section 17A of the Malaysian Anti-Corruption Commission Act 2009, the Group has adopted a culture of zero tolerance towards all forms of bribery and corruption as already enunciated in our Group's policies, codes of conduct, and core values.

The Anti-Bribery and Corruption Policy has been developed to fulfill the legal and regulatory requirements and sets out the overall position on bribery and corruption in all forms. The Anti-Bribery and Corruption Policy provides information and guidance to the Directors, employees and business associates on standards of behaviour and to uphold their responsibilities which must be adhered to, recognised, as well as dealing with bribery and corruption.

All applicable laws, rules and regulations set by the government, are to be complied with by the Group and are expected to adopt and comply with the Malaysian Anti-Corruption Commission Act 2009 including any amendment thereof.

## (b) Authority and Responsibility

### • Organisation Structure

The Group has a clear organisational structure that formally defines the lines of reporting, as well as the accountabilities and responsibilities of the respective functions within the Group. The corporate structure enhances the ability of each subsidiary or division, as the case may be, to focus on its assigned core or support functions within the Group.

### • Board Committees

The Board has established several Board Committees to assist in discharging its duties. These include the Audit Committee, Nomination Committee, Remuneration Committee and Board Risk Management Committee. These Board Committees have been delegated with specific duties to review and consider all matters within their scope of responsibility as defined in their respective terms of reference.

### • Limits of Authority

The Group has clear limits of authority which defines the approving limits that have been assigned and delegated to each approving authority within the Group. The limits of authority are reviewed periodically and updated in line with the changes in the organisation.

## (c) Planning, Monitoring and Reporting

### • Performance Monitoring and Reporting

The Group's management team monitors and reviews financial and operating results, including monitoring and reporting of performance against the operating plans. The management team formulates and communicates action plans to address the areas of concern.

### • Performance Review

The preparation of periodic and annual results as well as the state of affairs of the Group are reviewed and approved by the Board before the same are released to the regulators whilst the full year financial statements are audited by the external auditors before their issuance to the regulators and shareholders.

### • Financial Budgeting

Annual budgets are prepared and reviewed by Senior Management prior to tabling to the Board for approval. Actual performance is reviewed against the budget with explanations provided for material variances.

## (d) Policies, Guidelines and Procedures

### • Documented Policies and Procedures

Internal policies and procedures, which are set out in a series of clearly documented standard operating manuals covering most areas within the Group, are maintained and subject to review as considered necessary.

### • ISO 9001:2008 Accreditation

The Construction Division of the Group has been accorded full ISO 9001:2008 accreditation in line with the Group's quest to improve its internal system's strength consistently.

## (e) Communication and Investor Relations

### • Reporting to Shareholders and other Stakeholders

The Group has established processes and procedures to ensure the quarterly and annual reports, which cover the Group's performance, are submitted to Bursa Securities for release to shareholders and stakeholders on a timely basis. All quarterly results are reviewed by the Board prior to their announcements.



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The Annual Report of the Group is issued to the shareholders within the stipulated time as prescribed under the MMLR of Bursa Securities.

### BOARD ASSURANCE AND LIMITATION

The Board acknowledges its overall responsibility for reviewing the adequacy and integrity of the Group's systems of internal control, identifying principal risks and establishing an appropriate control environment and framework to manage risks. The Board continues to derive its comfort of the state of risk management and internal control of the Group from the following oversight mechanisms and information compiled for these oversight processes:-

- periodic review of financial information covering financial performance and quarterly financial results;
- BRMC's oversight of risk management framework, changes in risk magnitudes and status of management implementation of risk mitigation plan;
- Audit Committee's review and consultation with Management on the integrity of the financial results and audited financial statements;
- audit findings and reports on the review of systems of internal control provided by the internal auditors and status of Management's implementation of the audit recommendations; and
- Management's assurance that the Group's risk management and internal control systems have been operated adequately and effectively, in all material respects.

The Board also received assurance from the Group Managing Director and Group Chief Financial Officer of the Company that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Company.

For the financial year under review, the Board is satisfied that the existing level of systems of risk management and internal control is effective to enable the Group to achieve its business objectives and there were no material losses resulted from significant control weaknesses that require additional disclosure in this Annual Report.

The Board recognises that the systems of risk management and internal control should be continuously improved in line with the evolving business development. Nonetheless, it should be noted that all risk management systems and systems of internal control could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems of risk management and internal control in the Group can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

The Board will continue to monitor all major risks affecting the Group and take necessary measures to mitigate them and continue to enhance the adequacy and effectiveness of the risk management and internal control systems of the Group.

### REVIEW OF STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the MMLR of Bursa Securities and pursuant to the scope set out in the Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Group for the financial year ended 30 June 2022.

AAPG 3 does not require the External Auditors to consider whether this Statement covers all risk and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems.

Based on their review, the External Auditors have reported to the Board that nothing has come to the attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal controls of the Group.

The Statement on Risk Management and Internal Control was approved by the Board on 13 October 2022.