



Statement on Risk Management and Internal Control

The Malaysian Code of Corporate Governance under Principle 6 states that the Board should establish a sound risk management framework and internal controls systems to safeguard shareholders' investments and the Group's assets.

BOARD RESPONSIBILITIES

The Board acknowledges the importance and responsibilities of maintaining a good system of risk management and internal controls and risk management which includes determining the Group's level of risk tolerance and in conjunction with the management of the Group, the establishment of an appropriate internal control environment and framework, reviewing the integrity, effectiveness and adequacy of these systems to safeguard shareholders' investment and the Group's assets.

The system of risk management and internal control covers not only financial control but also operational and compliance control. The Board believes that this is a continuing process and more importantly a concerted effort by all employees of the Group. As part of its review, the Board will continue taking necessary measures to strengthen its risk management and internal control system to address any weaknesses identified.

SYSTEM OF RISK MANAGEMENT

The Board acknowledged that all areas of the Group's activities involve some degree of risks and recognises that effective risk management is part of good business management practice for the successful achievement of the Group's business objectives.

Day to day operations in respect of commercial, financial, legal compliance and operational aspects of the Group are closely monitored by the Management and they are delegated with the responsibilities to manage identified risks within defined parameters and standards. Significant risks will be highlighted to the Board and deliberation of risks and mitigating responses are carried out. The Risk Management Framework and Risk Management Policies to be adopted by the Board serves as guidance notes to the Management on the systematic approach to assess and manage risk.

Objectives of the Risk Management Framework and Policies are as followings:-

- a. To identify and prioritise potential risk areas and risk events;
- b. To develop methods to evaluate identified risks; and
- c. To develop risk management, risk mitigation and risk response strategies and plans.

SYSTEM OF INTERNAL CONTROL

The key measures implemented in the Group are as follows:-

- i. A well-defined organisation structure with distinct lines of accountability that sets out the authority delegated to the board and management committees;
- ii. A process of hierarchical reporting which provides a documented and auditable trail of accountability;
- iii. Documented policies and procedures for all significant processes;
- iv. Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators for effective monitoring and decision making;
- v. Consistent monitoring of results against budget, with major variances being followed up and management action taken, where necessary;
- vi. Close involvement in the daily operation by the senior management; and
- vii. Review of quarterly and annual financial results by the Audit and Risk Management Committee.

Statement on Risk Management and Internal Control (Cont'd)



INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to an independent professional firm to review the adequacy and integrity of the internal control systems of the Group.

The functions of the internal audit are as follows:-

1. Perform audit work in accordance with the pre-approved internal audit plan;
2. Carry out review on the system of internal controls of the Group;
3. Review and comment on the effectiveness and adequacy of the existing control policies and procedures;
4. Provide recommendations, if any, for the improvement of the control policies and procedures; and
5. Review and comment on the implementation status of the recommendation by the internal audit function.

The internal audit function reports directly to the Audit and Risk Management Committee and is independent of the management. The internal audit reports are submitted to the Audit and Risk Management Committee who would review and deliberate on the findings before making the necessary recommendations to the Board to strengthen its system internal control and policies.

CONCLUSION

The Board have received assurance from the Executive Directors 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 Group.

The Board is committed towards operating a sound system of internal control and effective risk management practices throughout the Group and is of the view that they are adequate to safeguard shareholders' investments and the Group's assets. There were no material losses incurred during the financial period as a result of weaknesses in internal control that would require a separate disclosure in the annual report. The Board will, when necessary, take the necessary steps to further enhance the Company's system of risk management and internal control to adapt to the ever changing and challenging business environment.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the ACE Market Listing Requirement of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement on Risk Management and Internal Control ("SORMIC") pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG3"), Guidance for Auditors on Engagements to Report on the SORMIC included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for financial period ended 30 June 2020. The External Auditor has reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of internal controls. The External Auditors' report was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purpose or parties. As stated in their report, the External Auditors do not assume responsibility to any person other than the Board in respect of any aspect of this report.

AAPG 3 does not require the External Auditors to consider whether the Directors' SORMIC covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and Internal control system including the assessment and opinion by the Board and management thereon,

This Statement was made in accordance with a resolution of the Board dated 23 October 2020.