

# Statement On Risk Management And Internal Control

The Malaysian Code of Corporate Governance requires listed companies to establish and maintain a sound risk management framework and internal controls to safeguard shareholders' investment and the Group's assets. This Statement on Risk Management and Internal Control is prepared in accordance with Paragraph 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

## BOARD RESPONSIBILITIES

The Board of Directors ("the Board") recognises the importance of maintaining a good system of risk management and internal controls and risk management to safeguard shareholders' investment and the Group's assets. The Board acknowledges its overall responsibility for reviewing the adequacy and integrity of the Company's system of risk management and internal control, identifying principal risks and establishing an appropriate control environment and framework to manage risks and evaluating the Group's operational effectiveness and efficiency.

The Board has reviewed the adequacy and effectiveness of the system of risk management and internal controls of the Group. It recognises that due to inherent limitations, such systems are designed to manage rather than to eliminate the risk of business failure. As such, these systems could only provide reasonable but not absolute assurance against material misstatements or losses and the effectiveness of an internal control system may vary over time.

## 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. Operationally, the respective directors of the subsidiary companies and key management staff are responsible for managing the risks of their departments and periodic management meetings are held to address significant issues faced by the Group so as to ensure significant risks are closely monitored and appropriately addressed. Significant risks are highlighted to the Board on an exception basis. The abovementioned practices/initiatives serves as the on-going process used to identify, evaluate and manage significant risks that affect the achievement of the Group's business objectives.

## 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 management reporting system to facilitate the collection, processing, monitoring and dissemination of critical information for management review and decision;
- (iii) Performance reports such as quarterly financial review, business development and other corporate matters are regularly provided to the Directors for discussion and deliberations at Board of Directors meeting;
- (iv) Review of quarterly and annual financial results by the Audit and Risk Management Committee;
- (v) Regular meetings by the management team to discuss and review reports and business developments and to resolve key operations and managements issues;
- (vi) Review the adequacy and effectiveness of the system of internal control, with the assistance of the internal audit function; and
- (vii) Direct involvement of the executive directors in running the business and operations of the Group and is responsible to report to the Board on significant changes which may affect the operations of the Group.

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## 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.
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 Requirements of Bursa Malaysia, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this annual report. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control issued by the Malaysian Institute of Accountants for inclusion in the annual report and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respect, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, or nor is factually inaccurate.

The external auditors are not required to consider whether the Directors' Statement on Risk Management and Internal Control covers all risk and control, or to form an opinion on the adequacy and effectiveness of the Company's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon in accordance with RPG (Revised 2015). The external auditors are also not required to consider the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This Statement was made in accordance with a resolution of the Board dated 31 July 2019.