

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) and the Practice Note No. 9 of Bursa Malaysia Securities Berhad Listing Requirements and as guided by the Statement on Internal Control: Guidance for Directors of Public Listed Companies, the Board of Directors ("Board") is committed to maintain a sound system of risk management and internal control to safeguard shareholders' investment and the Company's assets. The Board of LBS Bina Group Berhad ("LBGB" or "Group" or "Company") is pleased to present the below mentioned statement for the financial year ended 31 December 2016.

## BOARD RESPONSIBILITY

The Board assumes overall responsibility for the Group's system of internal control and for reviewing its adequacy and integrity. The Group's internal control system and management information systems includes compliance with existing laws, regulations, rules, directives and guidelines. The Board ensures that appropriate policies on risk management and internal control are set and seeks regular assurance that the system is functioning adequately and that integrity is maintained. The Board also confirms that necessary actions have been or are being taken to remedy any significant failings and weakness identified from the review.

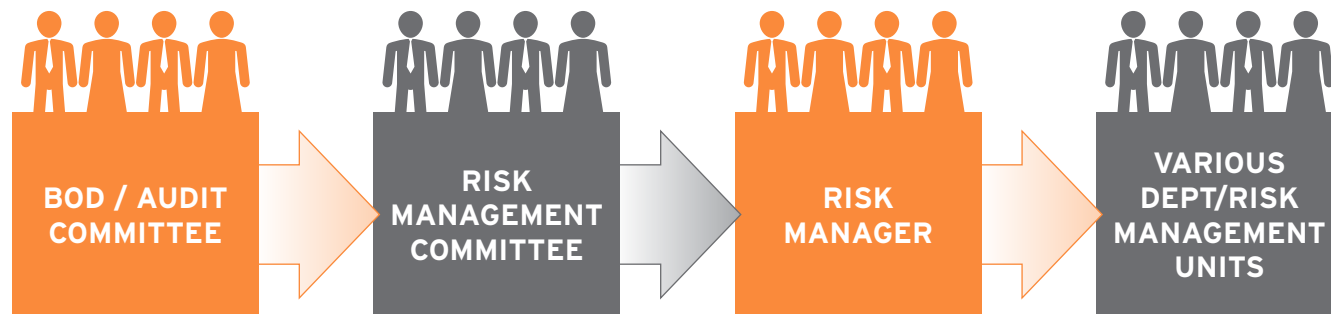
The Board recognises that such a system of internal controls has its inherent limitations as it is designed to manage, rather than to eliminate risks that may hinder the achievement of the Group's business objectives. Accordingly, the system can only provide reasonable assurance, and not absolute assurance against material misstatement or loss.

## INTERNAL AUDIT FUNCTION

The Internal Auditors conducts regular reviews and appraisals of the effectiveness of the system of internal controls of the Company impartially, proficiently, and with due professional care. Reports will be presented to the Audit Committee on a quarterly basis or more frequently, if required.

## RISK FRAMEWORK

Risk Management and internal controls are treated as an integral part of overall management process. Risk Management framework consists mainly of the Risk Manager and Risk Management Committee ("RMC").





# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

## MAIN FEATURES OF RISK MANAGEMENT FRAMEWORK

The Risk Management Committee is to maintain and mitigate the risks oversight within the Group.

The risk management framework outlines the Group's risk management system, defines management's responsibilities, and sets the Group's risk appetite and risk tolerance. The framework is incorporated into the risk policy and guideline document that has been approved by the Board.

## RISK IDENTIFICATION

Risk assessments are undertaken by Risk Manager together with each of the Head of Departments (HODs) to identify and update risks profile bi-yearly.

## RISK EVALUATION

On a bi-yearly basis, the Risk Management Committee meets to deliberate on the significant risks profiles identified by each of the HODs in the Group. Matters deliberated include the revised risk profiles, control procedures and status of management action plans.

## RISK MANAGEMENT

The significant risk issues evaluated by the Risk Management Committee are to discuss during Audit Committee meetings. The Risk Management Committee reports to the Audit Committee at least twice a year. The Audit Committee reviews the Group's risks profile and effectiveness of the mitigating measures or management action plans that implemented by management.

## KEY ELEMENTS AND PROCESSES OF INTERNAL CONTROLS

Other key elements and processes of the Group's system of internal control are:

- The Group's Internal Audit Department, which reports to the Audit Committee, performed regular reviews of business processes to assess the effectiveness of internal controls. Internal audits were carried out to review the adequacy of the internal control systems, compliance with policies and procedures. The work of the internal auditors is in accordance with audit plans approved by the Audit Committee and revised as and when deemed appropriate.
- Operational structure with defined lines of responsibilities and delegation of authority. A process of hierarchical reporting has been established that is documented and provides auditable trails to ensure accountability.
- The operational policies and procedures are periodically reviewed and updated if any to ensure effective management of the Group's operations.
- The Audit Committee holds regular meetings to deliberate on findings and recommendations for improvement by the internal auditors on the state of the internal control system, and reports to the Board.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

- The Audit Committee and the Board monitor and review the Group performance and financial results at their quarterly meetings; and
- Weekly HOD and other relevant meetings are held periodically to deliberate and discuss on operational issues that are in-progress or outstanding.

### ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has received assurance from the Group Managing Director and an Executive Director who are both primarily responsible for the management of the financial affairs of the Group that the Group's risk management and internal control is operating adequately and effectively in all material aspects. It is therefore of the view that risk management and internal control system is satisfactory and no material internal control failures nor have any reported weaknesses resulted in material losses or contingencies during the financial year.

### REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

### SUMMARY

The Board is satisfied that the present Risk Management and Internal Controls available is overall satisfactory, adequate and effective for the Group's business. The Board however recognizes the ever changing dynamic business environment, and hence will endeavor to continue improving, and enhancing the existing system of risk management and internal controls to ensure their continued relevance.