

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Introduction

The Board of Directors (“Board”) of Country Heights Holdings Berhad is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2023, which has been prepared pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. The statement below outlines the nature and scope of risk management and internal control of the Company during the financial year under review.

## Responsibility and Accountability

The Board acknowledges its overall responsibility for the risk management and internal control system to cover the financial, compliance and operational controls of the Group as well as reviewing the adequacy, integrity, and effectiveness of the Group’s system of risk management and internal controls. The Group’s system is designed to manage the key areas of risk within an acceptable risk profile, rather than eliminating, the risk of not adhering to achieve the policies and business objectives and goals. The system of risk management and internal controls of the Group provides reasonable but not absolute assurance against occurrence of any material misstatement, losses, fraud or breaches of laws or regulations.

The Board believes that the review on the adequacy and effectiveness of the system of risk management and internal control is a concerted and continuous process. Such reviews are conducted through the Audit and Risk Management Committee (“ARMC”) established by the Board and Management. The Board has, through the ARMC, carried out the process of identifying, evaluating, monitoring and managing the key operational and financial risks affecting the achievement of its corporate objectives throughout the period.

The Board is also assisted by the Management to implement approved policies and procedures on risk and control. The Management identifies and evaluates the risks faced by the Group and designs, implements and monitors an appropriate system of internal controls in line with policies approved by the Board.

The Board is of the view that the system of internal controls in place for the financial year under review is sound and adequate after taking into consideration of the costs and benefits to safeguard the Group’s assets and to protect the stakeholders’ interests in ensuring achievement of the business objectives and enhancing shareholder value.

## KEY FEATURE OF THE GROUP’S INTERNAL CONTROL SYSTEM

Key elements of the Group’s internal control system that have been established to facilitate the proper conduct of the Group’s businesses are described below.

### 1. Control Environment

- Organisation Structure & Authorisation Procedures

The Group maintains a formal structure with well-defined delegation of responsibilities and accountability. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures in order to enhance the internal control system of the Company’s various operations.

Key functions such as finance, tax, treasury, corporate, legal matters and contract awarding are controlled centrally.

- Monitoring and Reporting Procedures

The Executive Chairman, Managing Director, Executive Director, and the Management meets on a regular basis with all divisional heads to consider the Group’s financial performance, business developments, management and corporate issues.

The Divisional Heads and Business Unit Heads are responsible to ensure that the Standard Operating Procedures which include policies and procedures are continuously reviewed and update promptly.

The Divisional Heads and Business Unit Heads are responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls.

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- Human Resource Policy

Comprehensive and rigorous guidelines are in place, to ensure that the Company has a team of employees who are equipped with all the necessary knowledge, skills and abilities to carry out their responsibility effectively. Corporate values, which emphasize ethical behaviors, are set out in the Group's HR Portal.

### 2. Risk Management

The Board acknowledges that all areas of the Group's business activities involve some degree of risk. The Group is committed to ensuring and to manage risks within defined parameters and standards, and promotes profitability of the Group's operations in order to enhance shareholder value.

The Audit & Risk Management Committee ("ARMC") continuously review the on-going process of identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives throughout the financial year under review.

The risk management process involves the senior management as well as the Executive Directors through direct participation in periodic management meetings. These meetings are held to assess and monitor the Group's risk as well as deliberate and consider the Group's financial performance, business development, management and corporate issue.

The Board determines the Company's level of risk tolerance and actively identifies, assess, and monitor key business risks to safeguard shareholders' investments and company's assets.

The Company Officer responsible for managing internal controls and legal and regulatory compliance at the company is the Head of Group Finance.

### 3. Internal Audit Function.

In accordance with the Malaysian Code on Corporate Governance, the Group has an internal audit function to review the adequacy and integrity of its system of internal controls.

The Group has outsourced its internal audit function to an independent professional service provider, Talent League Sdn. Bhd. ("IA Consultant"). The duty of the internal audit function is to examine and evaluate major processes of operations of the Group in order to assist the Board in the effective discharge of the Board's responsibilities.

The IA Consultant aims to advise management on areas for improvement, highlight on significant findings in respect of any non-compliance and subsequently perform follow-up reviews to determine the extent to which the recommendations have been implemented.

The IA Consultant reports independently to the ARMC. In the course of performing its duties, the IA Consultant has unrestricted access to all functions, records, documents, personnel, or any other resources or information, at all levels throughout the Group. Being an independent third party, the IA Consultant is able to perform the internal audit function with impartiality, proficiency and due professional care.

The IA Consultant adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the Group. The performance of the internal audit function is carried out as per the internal audit plan approved by the ARMC. The internal control findings, weaknesses and recommendations as well as the management responses and action plan were deliberated during the half yearly reviews with the ARMC. The key management team is responsible for ensuring correction, corrective actions, preventive actions and recommendations on reported weaknesses are attended within the required time frame.

During the financial year under review, the IA Consultant had conducted various internal audit assignments every quarter and made recommendations in improving the system of internal controls to the ARMC. The areas of internal audit covered during the financial year were as follows:

- Hotel Management and operations for Mines Beach Resort

Total costs paid to Outsourced Internal Auditors for the financial year under review and up to the date of this report amounted to RM30,000.

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### 4. Information and Communication

Information critical to the achievement of the Company's business objectives are communicated through established reporting lines across the Company. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

A whistleblowing policy has been established together with the detailed processes of the policy. The policy is made known to all employees on the Group's website, with a dedicated channel being formed where whistleblowers may direct their grievances and complaints directly to the - Chairman of the ARMC.

### 5. Review & Monitoring Process

Regular management meetings are held to discuss and monitor the Group's operations and performance, including meetings to discuss deviation of results against performance targets, with significant variances explained for and corrective management action formulated, where necessary. In addition to the above, schedule and ad-hoc meetings are held at operational and management levels to identify, discuss and resolve business and operational issues as and when necessary.

### 6. Assurance From Executive Chairman & Management

According to the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, the Board has received assurance from the Executive Chairman, Managing Director, Executive Directors and Management regarding the adequacy and effectiveness of the Group's risk management and internal control operation in all material aspect. It is therefore of the view that risk management and internal control system is satisfactory and no material internal control failures was noted.

### 7. Review of The Statement on Risk Management & Internal Control

As required by paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in this Annual Report for Financial Year Ended 31 December 2023. Their limited assurance review was performed in accordance with 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.

AAPG 3 does not require the external auditors to consider whether this Statement on Risk Management and Internal Control 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.

Based on their review, the external auditors have reported to the Board that nothing has come to their attention that caused them to believe that this Statement on Risk Management and Internal Control is not prepared in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guideline, nor is factually inaccurate.

## CONCLUSION

The Board is of the opinion that the system of risk management and internal control that has been instituted throughout the Group is satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Company's 2023 Annual Report. The Board and the Management will continue to review and take measures to strengthen and improve the internal control environment from time to time based on the recommendations proposed by the IA Consultant.

The Board recognises that the development of the system of internal control is an ongoing process as part of its efforts in managing the risks faced by the Group. Consequently, the Board maintains an ongoing commitment to further strengthen the control environment within the Group.

This Statement is dated 29 April 2024.