

Statement on Risk Management and Internal Control

1. INTRODUCTION

The Board acknowledges that the practice of good corporate governance is an on-going process and not just an annual matter to be covered as compliance in the Annual Report. The Board is committed to practise the highest standards of corporate governance and observing best practices throughout the Group. The Board's Statement on Risk Management and Internal Control is in compliance with Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad ("Bursa") Main Market Listing Requirements ("Listing Requirements") and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

2. RESPONSIBILITY

The Board recognises their responsibility for the Group's system of internal control, which is designed to identify and manage the principal risks facing the business in pursuit of its objectives, to review its adequacy and integrity and to ensure good corporate governance. The Management is accountable to the Board for monitoring the Group's system of internal control and for providing assurance to the Board that it has done so.

The system of internal control covers risk management, financial, operational, administration, human resource, information technology and compliance controls to safeguard shareholders' investments and the Group's assets. This system is designed to manage rather than to eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board is of the view that the system of internal control and risk management in place for the year under review, and up to the date of approval of this Statement on Risk Management and Internal Control, is sound and sufficient to safeguard the Group's assets, as well as the shareholders' investments, and the interest of other stakeholders. The Board has received assurance from the Group Managing Director ("Group MD") and the Chief Financial Officer ("CFO") that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the Group's risk management and internal control system.

3. INTERNAL CONTROL

The key processes that the Board has established in reviewing the adequacy and integrity of the system of internal control and risk management systems include the following:

- 3.1 Operational and follow-up audits are conducted throughout the financial year based on approved annual audit plan to provide reasonable assurance that the systems of internal controls and its framework, and governance processes put in place by Management continue to operate satisfactorily and effectively and to add value and improve the Group's business operations.
- 3.2 A meeting of Heads of Divisions which is chaired by Dato' Roslan bin Hamir is held monthly to deliberate on the KFima Group's financial performance, internal audit reports, business development, legal/litigation, operational, and corporate issues. The Group MD will update the Board of any significant matters that require the Board's immediate attention.
- 3.3 The Group MD actively participates and involves in the day-to-day running of the major businesses and regular discussions with the senior management.