



DESTINI BERHAD

ENTERPRISE RISK MANAGEMENT

SUMMARY OF STATUS OF THE STEPS TAKEN/TO BE TAKEN BY THE BOARD OF DIRECTORS OF DESTINI

Pursuant to condition (v) of the approval letter dated 22 September 2011 by Bursa Malaysia Securities Berhad and with reference to the circular to shareholders of Destini Berhad ("Destini") dated 26 April 2012, a summary of the status of the high risk areas in the business processes of Destini and its subsidiaries ("Destini Group" or "Group") identified by Grant Thornton Consulting Sdn Bhd ("Grant Thornton") in their updated enterprise risk management report dated November 2012 is set out as follows:-

i. Strategic Management & Governance

| No. | Risk | Classification | |
|-----|---|----------------------------|----------------------------|
| | | Status as at December 2011 | Status as at November 2012 |
| 1. | High Turnover of Senior/Top Management | Satisfactory* | Satisfactory* |
| 2. | Poor Investment Decision | Satisfactory | Satisfactory |
| 3. | Unsuccessful Regularisation Plan | Satisfactory | Satisfactory |
| 4. | Ineffective Internal Control System | Adequate | Adequate* |
| 5. | Reputational Risk | Satisfactory | Satisfactory |
| 6. | Non-Compliance with Statutory Requirements | Adequate | Satisfactory |
| 7. | Absence of Group Business Plan | Satisfactory | Satisfactory* |
| 8. | Threat from New Product in Market | Satisfactory | Satisfactory |
| 9. | Lack of Support from Financial Institution | Satisfactory | Satisfactory |
| 10. | Loss of OEM and Key Suppliers | Satisfactory | Satisfactory |
| 11. | Overdependence on a contract with Malaysian government related agency | Satisfactory | Satisfactory |
| 12. | Violation of Contract Covenant | Adequate | Adequate |
| 13. | Limitation of Internal Audit Scope | Adequate | Adequate* |
| 14. | Risk of Unfavourable Credit Rating | Satisfactory | Satisfactory |
| 15. | Untimely Reporting to the Authorities | Adequate | Satisfactory |
| 16. | Changes in Government Budget | Satisfactory | Satisfactory |
| 17. | Entrance of New Competitor | Satisfactory | Satisfactory |
| 18. | Absence of Business Continuity Plan | Satisfactory | Satisfactory |



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ii. Finance

| No. | Risk | Classification | |
|-----|---|----------------------------|----------------------------|
| | | Status as at December 2011 | Status as at November 2012 |
| 1. | Inaccurate Financial Results Submitted to Authority | Satisfactory | Satisfactory |
| 2. | Ineffective Management of Receivables | Satisfactory | Satisfactory |
| 3. | Weak Management of Fixed Assets/Capital Assets | Satisfactory | Satisfactory |
| 4. | Data Security Threats due to IT Problems | Satisfactory | Satisfactory |

iii. Human Resource

| No. | Risk | Classification | |
|-----|--|----------------------------|----------------------------|
| | | Status as at December 2011 | Status as at November 2012 |
| 1. | Low Morale among Staff | Satisfactory | Satisfactory |
| 2. | Lack of Training Program | Satisfactory | Satisfactory |
| 3. | Succession Planning and Retention of Skilled Staff | Adequate | Adequate |
| 4. | Dependence on Key/Senior Staff | Adequate | Adequate |

iv. Information Technology

| No. | Risk | Classification | |
|-----|---|----------------------------|----------------------------|
| | | Status as at December 2011 | Status as at November 2012 |
| 1. | Inadequate System Back up | Satisfactory | Satisfactory* |
| 2. | Server Down due to Improper Maintenance | Satisfactory | Satisfactory* |
| 3. | Safety of Server Room | Satisfactory | Satisfactory |



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v. Operations

| No. | Risk | Classification | |
|-----|----------------------------|----------------------------|----------------------------|
| | | Status as at December 2011 | Status as at November 2012 |
| 1. | Delay in Customer Delivery | Satisfactory | Satisfactory |

vi. Corporate Affairs

| No. | Risk | Classification | |
|-----|---|----------------------------|----------------------------|
| | | Status as at December 2011 | Status as at November 2012 |
| 1. | Absence of Panel Solicitor/Qualified In-House Legal Advisor | Satisfactory | Satisfactory |

vii. Logistics

| No. | Risk | Classification | |
|-----|--|----------------------------|----------------------------|
| | | Status as at December 2011 | Status as at November 2012 |
| 1. | Improper Transportation of Dangerous Goods | Satisfactory | Satisfactory |

Classification noted with “*” represents the following:

- With point of recommendation to consider for further improvement; and/or
- Follow up is required in seeing through the completion of actions/measures taken.

Grant Thornton's Conclusion based on the ERM report dated November 2012

Based on Grant Thornton's review, the Group has taken sufficient steps and measures to mitigate and address all high risks identified in the ERM report.

The management should continuously monitor the progress of the action plan and assess the degree of change in the organisation's residual risk position on an on-going basis and utilise the risk profile described in the ERM report to support their strategic planning process.



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Audit Committee's Opinion

Audit Committee is in the opinion that the management has taken sufficient steps and measures to mitigate and address all risks identified in the ERM report, and pleased to note that there are no risk areas classified as "Weak".

Noted that there are no major or material issues highlighted in the ERM report. However, in order to provide reasonable assurance on the risk areas classified as "Satisfactory", the management will ensure that all the steps taken/ to be taken for the risk areas be fully monitored and implemented accordingly to ensure that the risk areas' status are maintained.