

# Business Dynamics and Risk Factors



Business Risk Management is an essential discipline in our business operations.

SunInc has long recognised the importance of risk management as a critical part of corporate governance. In view of this, SunInc has implemented and maintained a comprehensive Enterprise Risk Management (“ERM”) Framework, which is applied across the organisation as well as at every business unit. Proactive steps are taken to manage all possible risks before they occur in order to minimise the financial impact to SunInc. To ensure a consistent, disciplined and systematic manner in the management and monitoring of risks, SunInc has invested in a risk management software known as the Corporate Risk Scorecard, which also functions as the permanent database for risks, management actions and controls.

The risks that have been identified to have the most significant potential impact on SunInc are set out below.

## Market, regulatory and other external factors

- SunInc’s overseas operations in the construction and building materials divisions expose SunInc to risks of trade or foreign exchange restrictions, increased tariffs, foreign currency fluctuations and other risks associated with international operations such as political, economical and social instability of those countries.

- The high level of competition in the local market as well as the rising raw material costs in the building materials division can significantly reduce the profitability of this division.
- The increasing competition for strategic landbanks in the local market can affect the future profitability of the property division.
- The effectiveness in managing the cost, level and availability of funding is important to the financial performance of SunInc and its ability to deliver returns to shareholders.

## Business and operational factors

- The loss of the services of key management staff can negatively impact SunInc’s ability to implement business strategies.
- The low traffic volumes of SunInfra’s toll road operation will continue to erode the operating results of SunInc.
- The timely completion of overseas projects is important to ensure that all contractual obligations are met thus enhancing SunInc’s reputation with stakeholders.