

## **Completion of the Special Independent Review Report**

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### **BACKGROUND**

This announcement outlines the key findings from the Special Independent Review (“**SIR**”) commissioned by YNH Property Berhad (“**YNH**”), conducted by UHY Advisory (KL) Sdn Bhd (“**UHY**”). The review was initiated in response to concerns raised by regulatory authorities and a qualified opinion issued by the former external auditors, Baker Tilly Monteiro Heng PLT, on the Group’s audited financial statements for the financial year ended 30 June 2023.

### **SCOPE OF REVIEW**

The review focused on 17 Joint Venture Arrangements (“**JVAs**”) and Turnkey Construction Agreements (“**TCAs**”) entered into by Kar Sin Berhad (“**KSB**”), a wholly-owned subsidiary of YNH. These agreements collectively involved payments amounting to over RM1.1 billion, raising questions about governance practices, compliance with applicable regulations, and potential undisclosed related party transactions (“**RPTs**”).

### **KEY FINDINGS**

#### **1. Use of Shared Company Secretary and Common Addresses**

- Most JV companies which including an identified associated company, share the same registered and business addresses. The company represented that the use of these common business addresses was due to the dormant nature of these entities. UHY has concluded that this could raise concerns about potential RPTs and interconnected operations which warrant further scrutiny.
- Finding also revealed that same Company Secretary has been appointed for several JV companies. The centralization of the company secretary role across several JV companies streamlines corporate filings and ensures consistency. The company has clarified that while the company secretary does not influence business transactions, the role provides an additional safeguard to protect KSB’s interests in JV properties when a Power of Attorney (PA) may not be enough.

#### **2. Overlapping of Shareholders and Directorships**

- The overlapping directorships and shareholdings across multiple companies suggest an interconnected network, where business decisions from one entity could influence others. The concentration of power in a small group of individuals across several companies warrant careful scrutiny to ensure that all transactions are fair, properly disclosed, and legally compliant.

#### **3. Potential Related Party Transactions Not Properly Disclosed**

- Two (2) of the JV companies shared common director and shareholder, and the common director and shareholder was also previously a shareholder and employee of the Company. This has indicated that the TCAs with the said JV companies would falls under RPTs in accordance with Malaysian Financial Reporting Standard 124 – Related Party Disclosures
- It was also noted that a separate legal opinion suggests that, given the arrangement under the JVAs and TCAs is for the development of the project by KSB based on the agreed profit sharing formula between the parties without asset transfers, they do not fall within the definition of RPTs under the Companies Act 2016.
- In determining if the remaining JVs and TCAs are RPTs, the Company has been advised to assess whether it has significant influence over these entities, their directors or shareholders and whether the JV entities, its directors or shareholders

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are accustomed to act in accordance with the directions or instructions of KSB, YNH or their directors.

### **4. Internal Control Weaknesses**

- There were no documented policies or procedures available for review relating to contracting and payment processes.
- The limit of authority for payment approvals was either not well defined or insufficient.
- Security deposits for JVAs and TCAs were mostly authorized solely by the Finance Manager, regardless of the transaction size.

## **RECOMMENDATIONS**

UHY proposed several measures to address the governance lapses as below:

- **Strengthen the Investment Policy**

The establishment of Investment Committee on 30 December 2023 is to oversee and make decisions regarding investments. This committee will play a key role in shaping the investment strategy, ensuring alignment with the organization's goals and risk tolerance, and providing oversight of joint venture and turnkey agreements. It will also conduct thorough checks on potential contracts and provide recommendations to the Board on approval or rejection. It is recommended to implement a formal investment policy to guide the structured review process of JVAs and TCAs, including procedures for identifying and approving related party transactions.

- **Proper Limit of Authority and Segregation of Duties**

Establish clear guidelines for authority limits to ensure that all payments are subject to appropriate approvals based on predetermined thresholds. For substantial payments exceeding a specified threshold, approval should be sought from YNH's Board of Directors rather than from the Boards of Directors of the respective subsidiaries.

- **Establishment of Policies and Procedures for Payment**

The establishment of policies and procedures for payments aims to create a standardized and secure process for making payments to suppliers, contractors, and third parties, ensuring accuracy, timeliness, and compliance with laws and organizational guidelines. It is recommended that all payments be properly authorized before processing, with sign-offs by designated personnel in accordance with the authority limits. No payment should be processed without proper authorization.

## **BOARD'S COMMITMENT**

The Board will further review the insights provided by the SIR Report and is proactively implementing recommended improvements. The Company remains committed to continually refining governance structures, enhancing transparency, and ensuring comprehensive regulatory compliance. The Audit Committee will evaluate the identified potential related-party matters and determine appropriate measures moving forward.

This announcement is dated 10 April 2025.