

BBSB International Limited
(incorporated in the Cayman Islands with limited liability)
(the “**Company**”)
(Stock code: 8610)

Risk Management Policy
(the “**Policy**”)

(Adopted pursuant to a resolution passed by the board (“**Board**”) of directors (“**Directors**”) of the Company on 23 June 2025)

1. Purpose

- 1.1 The Board of Directors (the “Board”) of BBSB International Limited (“the Group”) recognizes the importance of implementing a sound risk management programme to ensure that the risks that the Group is exposed to as part of its business operations are properly understood and appropriately managed.
- 1.2 The Board of the Group also recognizes that due to the nature and size of the Group, it faces additional challenges in adopting best practice systems of risk management and internal controls.
- 1.3 This Policy sets out the broad principles, responsibilities and practices that will be used to manage the Group's risk exposures and the various risk management systems and internal controls operated by the Group to respond to those risks.
- 1.4 The implementation of the risk management systems and the management of risks within the Group on a day-to-day basis are the responsibility of the Chief Executive Officer with the assistance of the senior management.
- 1.5 Having identified and prioritized a particular risk in the business, it is management's responsibility to assess the risk, and where necessary, take appropriate action to eliminate, mitigate or transfer the risk, to the extent possible in the most cost-effective way.
- 1.6 It is the responsibility of all the Group's employees and stakeholders to ensure the Group complies as appropriate with its legal, regulatory, contractual and compliance obligations, and to take appropriate action as required to manage, monitor and report on risks.
- 1.7 When necessary, the Group may engage independent specialists to assist it to implement and monitor appropriate risk management practices within the business.

2. Objective

- 2.1 To ensure that the Group has a culture and practices in place to encourage the identification, assessment and management of risks that may affect the Group's ability to meet its business objectives.

- 2.2 To ensure that in managing risk, the Group complies with all relevant laws, regulations and contractual obligations, and that appropriate recognition is given to the Group's social and community obligations.
- 2.3 To ensure that the Group has in place a structured and effective approach to risk management.
- 2.4 To ensure that its risk management programme is appropriate for the Group, taking account of the business environment that the Group operates in and the Group's assessed tolerance to risk.
- 2.5 To ensure that effective monitoring and regular reporting of risk under the risk management programme is conducted.

3. Scope

- 3.1 This Policy covers the risk management practices for the Group, its controlled entities and its exposures and obligations under any joint venture operations and investments.
- 3.2 The Policy also provides a risk management framework by which the Group's various stakeholders can understand and assess how the Company is managing its risk exposures and obligations.
- 3.3 This Policy has important implications for all the Group's employee. If you do not understand the implications of this Policy or how it applies to you, you should raise the matter with the Chief Executive Officer.

4. Risk Roles and Responsibilities

- 4.1 The Board of the Group is ultimately responsible for overseeing the establishment and implementation of effective risk management systems and the monitoring of internal controls and compliance.
- 4.2 The Board has delegated this role to the Group's Audit Committee. The Audit Committee is also responsible for reviewing and updating the Group's risk profile, and monitoring the effectiveness of the risk management framework.
- 4.3 At least annually the Audit Committee will review the implementation of the Company's risk management policy and assess the framework.
- 4.4 The Group will provide risk management training to our employees from time to time ensuring that all employees are aware of risk management culture.

5. Risk Management Framework

- 5.1 A sound framework of risk oversight, risk management and internal controls is fundamental to the Company's commitment to good corporate governance.

- 5.2 The management of risk within the Group is recognized as a critical part of its business operations. It underpins reliable financial reporting, compliance with relevant legal and regulatory obligations, efficient and effective business operations and safe and environmentally responsive activities.
- 5.3 The Group's strategic and business plans are formulated in the context of the key risk exposures identified by the Group and the requirements to effectively manage those risk as part of the Group's operations.
- 5.4 To manage the risk exposures faced by the Group, The Board recognizes the need to identify areas of significant business risk and to develop and implement strategies to investigate these risks as a basis of implementing a formal system of risk management and internal control and compliance.
- 5.5 This Policy requires the Group to undertake a formal risk assessment review and to routinely monitor and reassess material risk exposures within the Group.

6. Key Risk Factors

6.1 The Group operates in infrastructure construction industries which expose the Group to specific risks and uncertainties which need to be identified and monitored on an on-going basis.

6.2 Key risk factors faced by the Group include:

a) Operational Risks

For the Group's business operations are primarily exposed to labour shortage risk, project delay risk and health and safety risk.

b) Labour Shortage Risk

The Group maintained an internal list of approved subcontractors which are reviewed and update on a continuing basis to mitigate the risks of labour shortage and aging problem.

c) Project Delay Risk

The Group may expose to the event of project delays which may or may not cause by the Group. We will from time to time communicate with our customers and subcontractors to ensure all site's work progress are kept up-to-date.

d) Health and Safety Risk

The Group adopted safety and health policy for all our employees, subcontractors and workers work within the Group. Occupational health and safety management system are complied to promote safe and healthy working environment.

e) Credit Risks

The Group may expose to risks such as bad debts if the credit granted is not timely collected by us. Finance department is responsible for monitoring overdue payments closely and prepare aging reports showing to the customer on overdue amounts. We monitor and evaluate overdue payments with appropriate follow-up actions such as actively communicating with customers, an internal assessment system were also adopted to assess the credit rating of our customers.

f) Market Risks

The Group are exposed to changes related to macroeconomic policy, market demand, competitive landscape and other market changes. Our Directors closely monitor works forecast by the government from time to time and the number of new projects approved so as to adjust our business strategies and assess our participation in the public or private sectors.

7. Compliance

7.1 The Group seeks to conduct its business in accordance with the laws, rules and policies issued or endorsed by regulator, best market practice and the highest standards of integrity and fair dealing. It is imperative that all employees and directors of the Group act in conformity with their own and the Group's responsibilities under the legal and regulatory system.

8. Contingency Plan

8.1 The Group has identified two types of foreseeable critical events. The first type refers to adverse economic situations, which include macro events such as unfavourable changes in government policy and the regional economic downturn.

8.2 As a preventive measurement, the Group maintain a healthy financial and stable liquidity and strives to keep itself well informed of market information in a timely manner so that the Group's financial well-being will be maintained in an optimal way during such difficult situations.

8.3 The second type consists of critical events, which risks could be managed and or minimized, as well as remedial actions actively pursued by the Group. The following outlines every such event and contingency plans implemented.

9. Risk Management Practices

9.1 The Group maintains a number of policies and procedures which are designed to manage specific business risks. These include:

- Audit Committee Terms of Reference
- Disclosure Policy
- Securities Trading Policy
- Code of Conduct of Directors
- Comprehensive Insurance Program (Include director's and officer's liability)

- Regular Reporting
- Defined authorities for expenditure
- Procedures to define and manage environmental, training, health and safety matters

9.2 The Group has undertaken a strategic risk assessment to formally identify, collate and prioritise its key business risks.

9.3 The Chief Executive Officer and the Head of Finance is required to state in writing to the Board that the Company's financial reports present a true and fair, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

10. Risk Management Process

The application of the generic risk management process depends on the context of the particular decision making or operating activity it is being considered for. Regardless of the context, the risk management process comprises of five activities:

- Determine Context
- Risk Assessment
- Risk Treatment
- Risk Monitoring
- Risk Reporting

10.1 Determine Context

Before the risk assessment meeting, the Directors and Senior Management should go through the below steps in order to brainstorm/determine the context of risks to be discussed:

- a) Define the internal and external parameters to be taken into account when managing risk, setting the scope and risk criteria for the remaining process.
- b) Establish the internal context which is anything within the Company that influence the way the Company manages risk, in which principally refers to the Company's culture, processes and structure.
- c) Establish the external context including but not limited to the political, legal, regulatory, financial, technological, economic, natural and competitive environment, whether international, national, regional or local; key drivers and trends having impact on the objectives of the Company; and perceptions and values of external stakeholder.

10.2 Risk Assessment

Having determined the context of risk to be discussed, Directors and Senior Management along with the Department Heads should hold a meeting annually to discuss and address the key risks faced by the Company using relevant and up-to-date information. These meetings should be properly recorded in minutes with the relevant sign off of the attendees.

The following steps should be conducted during the risk management meeting:

a) Risk Identification

Having determined the context of risks to be discussed, management should reveal and discuss the risks faced by the Company in the Strategic, Financial, Operational and compliance aspects.

b) Risk Analysis

For the identified risk, management should:

- Consider the causes and sources of risk, the potential positive and negative impact or consequence; and the likelihood that those consequences can occur.
- Conduct assessment of each risk based on the realistic, worst case of a potential exposure over a 12 month period (or longer period if appropriate to the context of the assessment).
- The risk ratings are determined based on the likelihood of a risk occurring and the potential impact, the below tables summarize the risk scaling of likelihood and impact
- Risk scaling: Rating of likelihood table

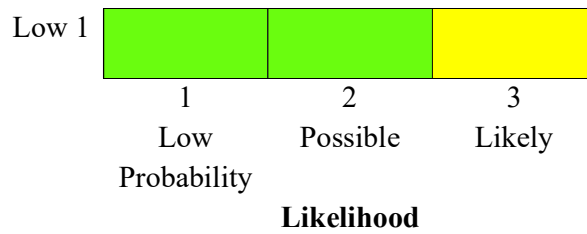
Rating	Descriptor	Description
1	Low probability	Likelihood of occurrence is very low/unlikely to occur in the upcoming 3 years
2	Possible	Possible to occur within a 3 year business cycle
3	Likely	Likely to occur in current year

- Risk scaling: Rating of impact table

Rating	Descriptor	Description
1	Division 1 – Low	Impact is minor and can be contained
2	Division 2 – Moderate	Could cause reasonable damage in the short to medium term
3	Division 3 - High	Could seriously weaken the survival of the business without threatening its short-term existence

- The matrix below depicts these risk ratings

	High 3			
Impact	Moderate 2			



Red - risks in this area are a major concern

Yellow - risks in this area are risk that will pose moderate impact to the business

Green - risks in this area should not be too much of a worry at Company level, but my still be a concern at department level

10.3 Risk Treatment

- a) For the identified risks, management should determine whether or not to reduce the current level of risk to an acceptable level through implementation of additional controls or risk mitigating actions.
- b) Each major risk should be assigned a "Risk Owner" who assumes accountability for ensuring that appropriate responses to the risk are designed and actioned.

10.4 Risk Monitoring

- a) Once an appropriate risk treatment has been determined, the Company's monitoring and review processes should ensure that:
 - the risk control and treatment measures are effective in both design and operation;
 - emerging risks are analyzed;
 - lessons from events, changes and trends are analyzed and learnt; and
 - changes in the external and internal context are detected including changes to the risk itself which require revision of risk treatments and priorities.
- b) Internal audit function should take into account the risk assessment result in formulating its internal audit plan to assess and provide periodic assurance that the risk treatments together with the associated key controls implemented are carried out as intended and continue to be effective. The internal audit plan and assessment/ review result should be reviewed and approved by the Audit Committee annually supported by minutes.

10.5 Risk Reporting

- a) The above risk assessment result including the identified risks, the related risk impact, likelihood ratings and risk mitigating actions should be registered. Such risk register should be approved by the Board.
- b) Periodically, management should provide a report on the updates of the identified risks and/or any risks that have not been previously identified to the Audit Committee for their consideration. Key risks or significant deficiencies in Company's risk management process should be reported together with the steps taken to deal with them.

c) Annually, management should provide a confirmation on the effectiveness of the risk management system to the Board and Audit Committee should report to the Board on the following:

- consider what are the significant risks and assess how they have been identified, evaluated and managed;
- assess the effectiveness of the Group's risk governance structure in managing the major risks;
- consider whether necessary actions are being taken promptly to remedy any significant failings or weaknesses; and
- consider whether the findings indicate a need for more extensive monitoring of the risk management system.

d) The Company should include the Board of Directors' statement that it has conducted a review of risk management and internal control systems in the annual report under the requirement of the Hong Kong Listing Rules.

11. Fraud Prevention

The Company is responsible for the protection of all its stakeholders' interests, hence the Company and its management places strong emphasis on fraud prevention, reducing the possibility for financial losses and reputational losses arising from fraudulent activities within the Company. This Anti-Fraud Policy applies to directors, senior management and employees of the Group. We encourage all of our business partners, including joint venture partners, associated companies, contractors and suppliers to abide by the principles of this policy. Fraud is defined as acts such as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

a) The Group will maintain a control environment that promotes its values, including the requirement for all levels of employees to adhere to the Code of Conduct. The Group will conduct periodic and systematic fraud risk assessments. The Group's control activities will be designed and adapted to mitigate fraud risks identified internally and by the external auditors.

b) The Group shall effectively communicate its anti-fraud policy and procedures to all levels of employees. The procedures for reporting allegations of fraud by employees and external parties will be clearly communicated.

c) All potential frauds will be fully investigated by the Audit Committee. The Audit Committee will assess every report received to decide if a full investigation is necessary. If there is sufficient evidence to suggest that a case of possible criminal offence or corruption exists, the matter will be reported by the Audit Committee to the relevant local authorities (for instance, Independent Commission Against Corruption (ICAC) in Hong Kong).

d) Records shall be kept for all reported misconducts, malpractices, and irregularities by the Audit Committee. In the event a reported irregularity leads to an investigation, the party responsible for leading/conducting the investigation shall ensure that all relevant information relating to the case is retained, including details of corrective action taken for a period not

exceeding seven years (or whatever other period may be specified by any relevant legislation).

e) The Audit Committee has overall responsibility for implementation, monitoring and periodic review of this policy. If there are any questions about the contents or application of this policy, please contact the Audit Committee. Any changes to this policy will be submitted to the Audit Committee for approval.

12. Internal Controls on Revenue Recognition

The Group acknowledges the importance of maintaining robust internal controls to ensure that revenue is recognised appropriately and in compliance with the relevant accounting standards. The Group has implemented, and will continue to strengthen, the following internal control procedures and risk-mitigation measures to prevent the recurrence of revenue reversals similar to the isolated case described above:

a) Contractual Verification Before Commencement of Works

Prior to the commencement of any works, including preliminary or design-related activities, the Project Directors are required to review and confirm that a formally executed contract or other legally binding documentation is in place. No revenue may be recognised unless such contractual documentation has been reviewed and endorsed by the Project Directors.

b) Written Customer Confirmation for Work Commencement

Any request or instruction to proceed with works, particularly preliminary or design works, must be supported by written confirmation from the customer, such as a Notice to Proceed, Formal Approval Letter, or equivalent document evidencing the customer's acceptance of the relevant scope and payment obligation.

c) Multi-Level Review of Revenue Recognition

Revenue recognition assessments are subject to multi-level review. The Finance Department, in consultation with the Project Management Team, reviews the timing and basis of revenue recognition. All project-based revenue recognition proposals are further reviewed by Senior Management before being reflected in the accounts.

d) Comprehensive Documentation and Record Keeping

The Group maintains comprehensive documentation of all customer communications, approvals, and variations to contract terms to ensure traceability, auditability, and compliance with the Group's revenue recognition policies.