

RESEARCH ARTICLE

RISK ASSESSMENT OF SUNCON: AN EMPIRICAL STUDY OF CONSTRUCTION SECTOR IN MALAYSIA

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ABSTRACT - Risk assessment plays a crucial and vital role in the construction sector. This research paper presents an empirical study on the risks associated with SunCon, an extraordinary pure-play construction company in Malaysia. The objectives of this study are to analyse the potential risks exposed to SunCon company and suggest risk management strategies that could help to mitigate or control those potential risks. The research conducted primarily focuses on the financial risk exposure of SunCon by analysing the secondary data that gathered from annual report. The research conducted a time-series comparative analysis of SunCon's financial performance from 2018-2022. The quantitative approach is used in this research methodology in order to evaluate the risk exposure direct to SunCon in terms of the company's financial performance. The risk measurement analyses the risk exposed including Z-score, liquidity risk, debt risk, credit risk, and interest rate risk. The findings provide an empirical analysis of SunCon's risk management strategies in terms of their financial risk over the past five years. To accomplish the objectives of the study, the study also suggested the risk control strategies that can be implemented by SunCon to mitigate the risks. In conclusion, this research provides significant implications on potential risks exposed to SunCon and the strategies to mitigate those risks. This research paper put concerns of the importance of risk management practices in the dynamic construction sector.

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1.0 INTRODUCTION

The construction sector is an essential sector that plays a vital role that contributes significantly to the socioeconomic development of Malaysia (Mahmood et al., 2017). In other words, this situation can be understood as the construction sector is important in contributing to national income and helps in enhancing Malaysia's economy (Ismael et al., 2009). Through the observation of rapid economic growth in recent years in Malaysia, it is proven by the statistic that the construction sector has played a significant role in this development. According to the Department of Statistics Malaysia, the construction sector contributed approximately 4.5% to Malaysia's Gross Domestic Product (GDP) in 2020, which is equivalent to a total value of RM 182.5 billion (Department of Statistics Malaysia, 2021). In addition, Construction Industry Development Board (CIDB) Malaysia (2014) claimed that the construction sector has grown to be a substantial contributor to the Malaysia's economic growth, with an average 18% of annual growth rate in recent years.

It is undeniable that risks are one of the crucial factors that are unavoidable in the construction sector. This is because construction projects are inherently risky and complex due to their size, nature, and various stakeholders involved (Goh et al., 2018). In general, there are various types of risks that might significantly impact the success of the construction project which are project management risks, financial risks, regulatory and legal risks, health and safety risks, and technological risks. According to the CIDB report on Construction Industry Risk Management in Malaysia, the most common risks faced by construction projects in Malaysia are project management risks (35.6%), followed by financial risks (21.1%), regulatory and legal risks (17.8%), health and safety risks (14.4%), and technological risks (11.1%).

In addition, the construction sector in Malaysia will not only face internal risks but also be subject to various external risks, which include political, economic, social, and environmental risks. For instance, the recent Covid-19 pandemic issue had brought a big issue to the construction sector and disrupt the construction sector because it forced the stop and cancelation of construction progress due to the standard operating procedures (SOP). The implementation of the SOP has a serious impact on the construction sector in Malaysia, including increasing project cost, delay of projects, disruptions in the supply chain, and shortage of labour workforce. As mentioned above, construction sector organizations are highly vulnerable to several risks due to the nature of their projects including cost overruns, project delays, and labor disputes (Razak et al., 2020).

This study aims to assess the risk exposure Sunway Construction Group Berhad (SunCon), one of the leading construction companies in Malaysia, by conducting an empirical analysis of the construction sector in Malaysia. SunCon is one of the major players in the construction sector in Malaysia. SunCon's success in the construction sector can be

attributed to its strong focus on quality and innovation. According to the SunCon's annual report 2019, SunCon was chosen as the winner of the Contractor of The Year Award at the Malaysian Construction Industry Excellence Awards (MCIEA) 2019. This reward is organized by CIDB Malaysia annually. Despite its success, SunCon is definitely exposed to various risks associated with the construction sector as well. Based on the study conducted by Aziz et al. (2021), the study stated that the construction sector is inherently risky due to its complex and dynamic nature, with the presence of various risks such as financial, contractual, environmental, technological, and political risks. Therefore, even though SunCon is a company that is leading in construction sector in Malaysia, but their business operation is still subject to particular risks, including macroeconomic risks, project execution risks, and regulatory risks, which can significantly impact the company's financial performance and reputation. This shows the importance of risk management in the construction sector as it is always an essence as a vital role in order to achieve success in this particular industry. Effective risk management is crucial for the success and sustainability of construction projects and companies (Yuan et al., 2019). Hence, it is essential to assess SunCon's risk exposure to identify potential threats to their business operations by developing effective risk management strategies to mitigate potential risks and ensure the company's long-term sustainability. In a nutshell, the objectives of this study are:

- To analyse the potential risks exposed to SunCon Company
- To suggest risk management strategies that help to mitigate potential risks

1.1 Case Study Company

Sunway Construction Group Berhad (SunCon) is one of the well-known and leading construction company in Malaysia which focuses on a comprehensive construction project across a range of sectors. SunCon is an integrated construction services company which involves in providing integrated services and products across different phases of construction, including building construction, civil and infrastructure, mechanical, electrical, plumbing, geotechnical engineering, manufacturing, precast concrete sales, and sustainable energy. The company established an excellent reputation in the construction sector in Malaysia by always delivering high-quality projects.

In the year 1983, SunCon was founded as a subsidiary of Sunway Group, which is a diversified conglomerate company that is involved in several industries including education, healthcare, hospitality, property development, and many more. However, SunCon was incepted for the focus on the construction sector, and it successfully become one of the largest construction companies in Malaysia.

Besides that, SunCon is the number one pure-play contractor listed on Bursa Malaysia¹. SunCon was listed on Bursa Malaysia on 28 July 2015 with the stock code 5263. This listing allows the company to access the capital market and funds raising through the issuance of equity or debt securities. Through the visit to the Bursa Malaysia website, SunCon information is easy to be found because the company is required to release regular financial reports and other disclosures to the market due to it is subject to various regulations and reporting requirements as a public listed company.

2.0 LITERATURE REVIEW

2.1 Risk Management

There is an extensive literature in the field of risk management or risk studies. According to the study by Kakabadse et al. (2020), they found that risk management is helpful for organizations to identify both internal and external risks that may have an impact on their business objectives. They emphasized that risk management is crucial for organizations because it helps to identify potential risks and opportunities that may arise from risk management practices. Risk assessment is one of the important aspects of risk assessment in which it helps organizations to prioritize their risk management efforts and allocate resources accordingly (Maqbool et al., 2020). For example, Bajaj et al. (1997) highlighted in their study that identifying, investigating, and evaluating is the process of risk identification. They discovered that the top-down approach technique is the most widely used method of risk identification, where the investigator examines the project from an overall point of view. However, Baker et al. (1999) claimed that the most effective way to identify risks for qualitative use is based on personal and corporate experience, brainstorming, and engineering judgment. Besides that, some scholars have examined various risk management strategies used in some developing nations. For instance, the risk management of a power project in India (Gupta and Sravat, 1998), identification risks and examination risk management actions in India (Pawar and Pagey, 2017), and the risks in a hydro power project in Turkey (Ozdoganm and Birgonul, 2000). These researchers focused on the identification, consequences, and allocation of risks rather than the key issue of how organizations or contractors manage risk.

2.2 Malaysia Construction Sector Background

Since 2009, there are many construction policies have been introduced into Malaysia. In terms of macroeconomic policy, Malaysia government introduced a more market-oriented policy which is New Economic Model that aims to propel the country to become an economically advanced country and minimize the 2008 Global Financial Crisis's impact². In Malaysia's construction sector, the government implemented microeconomic reforms by introducing the Industrialised

¹ https://www.bursamalaysia.com/trade/trading_resources/listing_directory/companyprofile?stock_code=5263

² https://www.pmo.gov.my/dokumenattached/NEM_Report_I.pdf

Building System (IBS) Roadmap 2011-2015 and the Construction Industry Transformation Plan 2016-2020 in late 2008 and early 2009 respectively. Besides that, the study conducted by Mohd Ali et al. (2020) emphasized the fundamental of the growth in Malaysia's construction sector by examining data from 1981 to 2017. The study found that government policies, investment, and infrastructure development are the main drivers of growth in the construction sector in Malaysia. Last but not least, a study from Hamid et al. (2019) focused on examines the impact of government policies on the construction sector in Malaysia.

2.3 Risk Management in Construction Sector

Risk is defined as an integration of the possibility, severity, and exposure of every threat associated with an activity (Jannadi & Almishari, 2003). The statement is supported by Mehr and Cammack (1961) by clarifying the risk as the changes of loss or damage. Therefore, the risk is playing important role in the construction sector. This is because the complex nature of business activities and operations in the construction sector are directly resulting a high degree of exposure to risk for an organization (Adnan, 2008). In the study by Banaitienne and Banaitis (2012), it was also stated that the complexity of construction projects is integrated with various uncertainty. Latham (1994) stated that there is no single construction project is risk free, risks are only may be managed, mitigate, transferred, shared, or accepted. However, risk cannot be ignored.

Besides, there are extensive previous study that investigated on the relationship of risk management with construction sector. Ahmed and Azhar (2017) emphasized the importance of risk management in construction projects and provided insights on how to effectively manage risks in the construction sector. The approach in the study involves identifying, analyzing, and managing risks using a comprehensive knowledge base. In addition, the study conducted by Fenton and Griffiths (2018) provided an overview of risk management in construction projects by identifying the main types of risks in the construction sector and highlighting the importance of risk management in mitigating those risks. Furthermore, a study by El-Sabek and McCabe (2018) clarified that the risks in construction sector increase the level of uncertainty in the industry, thereby making it one of the most dynamic and hazardous business with high-risk exposure. Nevertheless, research by Alshamrani and Jeong (2019) proposed an integrated risk management framework for construction projects. Their research focused on how integrating risks management process is able to provide a comprehensive framework that helps to mitigate and manage risks in the construction sector. Finally, a literature study on the application of risk management knowledge to China's construction industry clarified the importance of risk managing strategies and the essential of risks evaluation in the construction sector (Shen, 1990).

3.0 METHODOLOGY

This study employed quantitative approach which specifically analysing financial statement to evaluate the risk factors that may directly affect the SunCon's financial performance in term of their risk's exposure and management. This approach requires the researcher to collect and analyse numerical data in order to achieve an expended overview of result of the research topic. There are five categories of financial risk indicator that can help in calculating and analysing the financial risks ratio exposed to SunCon.

3.1 Data Collection and Sampling Selection

The data this study was collected from the annual reports of SunCon for the period of year 2018 to 2022. The sample annual reports were selected for the consecutive 5 years since year 2018. All the sample annual reports were retrieved from Bursa Malaysia³.

3.2 Risk Measurement

3.2.1 Altman Z-Score

The Altman Z-Score is a financial risk indicator that assess the financial health and bankruptcy risk of a company. Altman (1968) introduced the the model of Altman Z-Score which uses the combination of multiple financial ratios to provide a single numerical value that indicates the financial risk of the company in terms of the likelihood of a company facing financial distress or company bankruptcy.

The formula used to evaluate a company Z score is $Z\text{-Score} = 1.2A + 1.4B + 3.3C + 0.6D + 1.0E$, where A = working capital / total assets, B = retained earnings / total assets, C = earnings before interest and taxes (EBIT) / total assets, D = market value of equity / total liabilities, and E = sales / total assets.

The result value from Altman Z-Score can interpret the financial health and bankruptcy risk of the company. If the value of result is greater than 3, it means that the company is not having financial distress and not likely to go bankrupt. If the value of result is in between 1.8 to 2.99, it signifies that the company bankruptcy falls within a standard zone, indicating a moderate level of financial distress risk. If the value of the result is below 1.8, the company is within the distress zone and the probability of bankruptcy and having financial difficulties is high.

³ https://www.bursamalaysia.com/market_information/announcements/company_announcement?company=5263&cat=AR,ARCO

3.2.2 Liquidity Risk

The liquidity risk represents the potential risk that a company could not fulfil its short-term financial obligations, where the company has insufficient cash or current assets to pay its debts on time. The previous study conducted by Chen et al. (2018) examined the effect of liquidity risk on assessing the financial performance for companies in the United Kingdom retail sector. It shows the importance for a company to use liquidity risk to evaluate its financial performance. There are four financial ratios that were used in this study in order to analyse the liquidity risk of SunCon: current ratio, quick ratio, cash ratio, and operating cash flow ratio.

The current ratio measures the ability of a company to pay off its short-term liabilities with its short-term assets. The formula of current ratio is $\text{current ratio} = \text{current assets} / \text{current liabilities}$. The result of value ratio above 1 indicates the company is having a relatively better liquidity position. Higher current ratio is better for the company in terms of financial risk because it represents the company has sufficient short-term assets to cover its short-term liabilities. Besides that, the quick ratio measures the ability of a company to pay off its short-term liabilities with its short-term assets without relying on company inventory. The formula of quick ratio is $\text{quick ratio} = (\text{current assets} - \text{inventory}) / \text{current liabilities}$. The result of value ratio above 1 indicates the company is having a relatively better liquidity position. Higher current ratio is better for the company in terms of financial risk because it represents the company has sufficient short-term assets to cover its short-term liabilities without company inventory asset.

Furthermore, the cash ratio measures the ability of a company to pay off its short-term liabilities with its cash only. It provides the most conservative measure of liquidity. The formula of cash ratio is $\text{cash ratio} = \text{cash} / \text{current liabilities}$. The result of value ratio above 1 indicates the company is having a relatively better liquidity position. Higher current ratio is better for the company in terms of financial risk because it represents the company has sufficient cash to cover its short-term liabilities. Finally, the operating cash flow ratio measures the ability of a company to pay off its short-term liabilities with cash flow generated from a company's operations. The formula of operating cash flow ratio is $\text{operating cash flow ratio} = \text{cash flow from operation} / \text{current liabilities}$. The result of value ratio above 1 indicates the company is having a relatively better liquidity position. Higher current ratio is better for the company in terms of financial risk because it represents the company has generated more cash from its operation in order to cover its short-term liabilities.

3.2.3 Debt Risk

Debt risk is a type of financial risk assessment indicator that help to evaluate a company's level of financial risk associated with a company's debt obligations. According to Li and Han (2019) which investigated the effect of debt risk toward financial performance in restaurant industry, they found that there is an inversely proportional relationship between debt risk and financial performance for a company. By assessing the company's debt risk, it can reveal whether the company's financial is having too heavy of debt and may have an impact on its financial stability. Two commonly used ratios for debt risk assessment in this study are the Debt Ratio and the Debt-to-Equity Ratio.

The debt ratio measures the proportion of a company's total debt to its total asset. The debt ratio is important to signify if there are enough assets to pay off debts for the company. The formula of debt ratio is $\text{debt ratio} = \text{total liabilities} / \text{total assets}$. The result of value ratio above 1 indicates the company is having more debt to its total assets, which means the company's leverage of debt is high and relies on debt financing. This result in a riskier situation for the company. Apart from that, the debt-to-equity ratio measures the proportion of a company's total debt to its shareholders' equity. The debt-to-equity ratio is important to signify if there are enough shareholder equity to pay off debts for the company. The formula of debt-to-equity ratio is $\text{debt to equity ratio} = \text{total liabilities} / \text{shareholder's equity}$. The result of value ratio above 1 indicates the company is having more debt to its shareholder's equity, which means the company's leverage of debt is high and relies on debt financing. This result in a riskier situation for the company.

3.2.4 Credit Risk

Credit risk evaluates the borrower's ability to generate sufficient cash flows to meet their debt obligations. In 2017, Wang et al. (2017) proposed the relationship between credit risk and financial performance of companies in the manufacturing sector aims to examine how the credit risk to affect the company's financial performance in terms of profitability, market value, and many more aspects. Therefore, it shows the importance for this study to investigate the credit risk for SunCon in order to evaluate the risk exposure for the company. The financial ratio used in this study to evaluate the credit risk assessment for SunCon is cash flow-to-debt ratio.

The cash flow-to-debt ratio measures the ability of a company to generate total cash flow to cover its total debt obligations. It is important to show if the company's operation cash flow generated in a period is sufficient to pay back its debt. The formula of cash flow-to-debt ratio is $\text{cash flow-to-debt ratio} = \text{cash flow from operation} / \text{total liabilities}$. Higher result value of the cash flow-to-debt ratio indicates the company is having a great financial position and can generate cash to repay debts easily. If the result of this ratio is low, it represents the business is having a high credit risk and the company may not be able to repay the debts.

3.2.5 Internal Rate Risk

The interest rate risk is a type of financial risk assessment indicator that help to analyse the potential impact of changes in interest rates on the company's financial performance. It is important to assess the company's ability to cover its interest

expenses and there are two types of financial ratio used in this study for the interest rate risk assessment which are the interest coverage ratio and the fixed charge coverage ratio.

The interest coverage ratio measures the ability of a company to generate operating income to cover its interest expenses. The formula of interest coverage ratio is $\text{interest coverage ratio} = \text{earnings before interest and tax} / \text{interest expense}$. Higher result value of the interest coverage ratio indicates the company is having a great financial position and can generate profit to cover interest expenses comfortably. If the result of this ratio is low, it means that the business is having a high interest risk and the company may have difficulty covering its interest expenses. Moreover, the fixed charge coverage ratio measures the ability of a company to generate operating income to cover its all-fixed charges including interest expense and lease payments. The formula of fixed charge coverage ratio is $\text{fixed charge coverage ratio} = (\text{earnings before interest and tax} + \text{lease liabilities}) / (\text{interest expense} + \text{lease liabilities} + \text{other fix liabilities})$. Higher result value of the fixed charge coverage ratio indicates the company is having a great financial position and a stronger ability to cover fixed charges and suggests a lower interest risk. It signifies that the company generates sufficient operating income to meet its fixed obligations comfortably. Conversely, a lower ratio indicates a higher interest risk, as the company may struggle to cover its fixed charges. Table 1 presents a comprehensive summary of the equations used in the methodology of this study.

Table 1. Risk measurements

Risk Categories	Equation
Altman Z Score	
Z Score	$Z\text{-score} = 1.2a + 1.4b + 3.3c + 0.6d + 1.0e$
Liquidity Risk	
Current ratio	$\text{Current ratio} = \text{Current Assets} / \text{Current Liabilities}$
Quick ratio	$\text{Quick ratio} = (\text{Current Assets} - \text{Inventory}) / \text{Current Liabilities}$
Cash ratio	$\text{Cash ratio} = \text{Cash} / \text{Current Liabilities}$
Operating cash flow ratio	$\text{Operating cash flow ratio} = \text{Cash Flow from Operation} / \text{Current Liabilities}$
Debt Risk	
Debt ratio	$\text{Debt ratio} = \text{Total Liabilities} / \text{Total Assets}$
Debt to equity ratio	$\text{Debt to equity ratio} = \text{Total Liabilities} / \text{Shareholder's Equity}$
Credit Risk	
Cash flow-to-debt ratio	$\text{Cash flow-to-debt ratio} = \text{Cash Flow from Operation} / \text{Total Liabilities}$
Interest Rate Risk	
Interest coverage ratio	$\text{Interest coverage ratio} = \text{Earnings Before Interest and Tax} / \text{Interest Expense}$
Fixed charge coverage ratio	$\text{Fixed charge coverage ratio} = (\text{Earnings Before Interest and Tax} + \text{Lease Liabilities}) / (\text{Interest Expense} + \text{Lease Liabilities} + \text{Other Fix Liabilities})$

4.0 FINDINGS AND DISCUSSION

4.1 Descriptive Statistics

Table 2 shows the analysis of SunCon Financial Statement with the use of time-series analysis. This allows the collected data within a company to be compared for several years.

Table 2. Time-series analysis for SunCon

Year	2018	2019	2020	2021	2022
Altman Z Score					
Z-Score	2.4206	2.0649	1.5888	1.7752	2.0175
Liquidity Risk					
Current ratio	1.4513	1.6122	1.0907	1.0231	1.4833
Quick ratio	1.4489	1.5919	1.0905	0.9727	1.5549
Cash ratio	0.4579	0.5488	0.1675	0.0997	0.4451
Operating cash flow ratio	0.1785	0.0784	0.0735	0.2406	-0.1949
Debt Risk					
Debt ratio	0.6619	0.6392	0.6647	0.6152	0.6328
Debt to equity ratio	1.9619	1.7727	1.9844	1.6004	1.7246
Credit Risk					
Cash flow-to-debt ratio	0.1628	0.0686	0.0692	0.2079	-0.1520
Internal Rate Risk					
Interest coverage ratio	43.8383	20.4327	17.6635	37.7006	13.5307
Fixed charge coverage ratio	23.3759	12.1268	14.7647	33.4962	10.2402

The detailed interpretation result is presented using graphs below according to the risk ratio category.

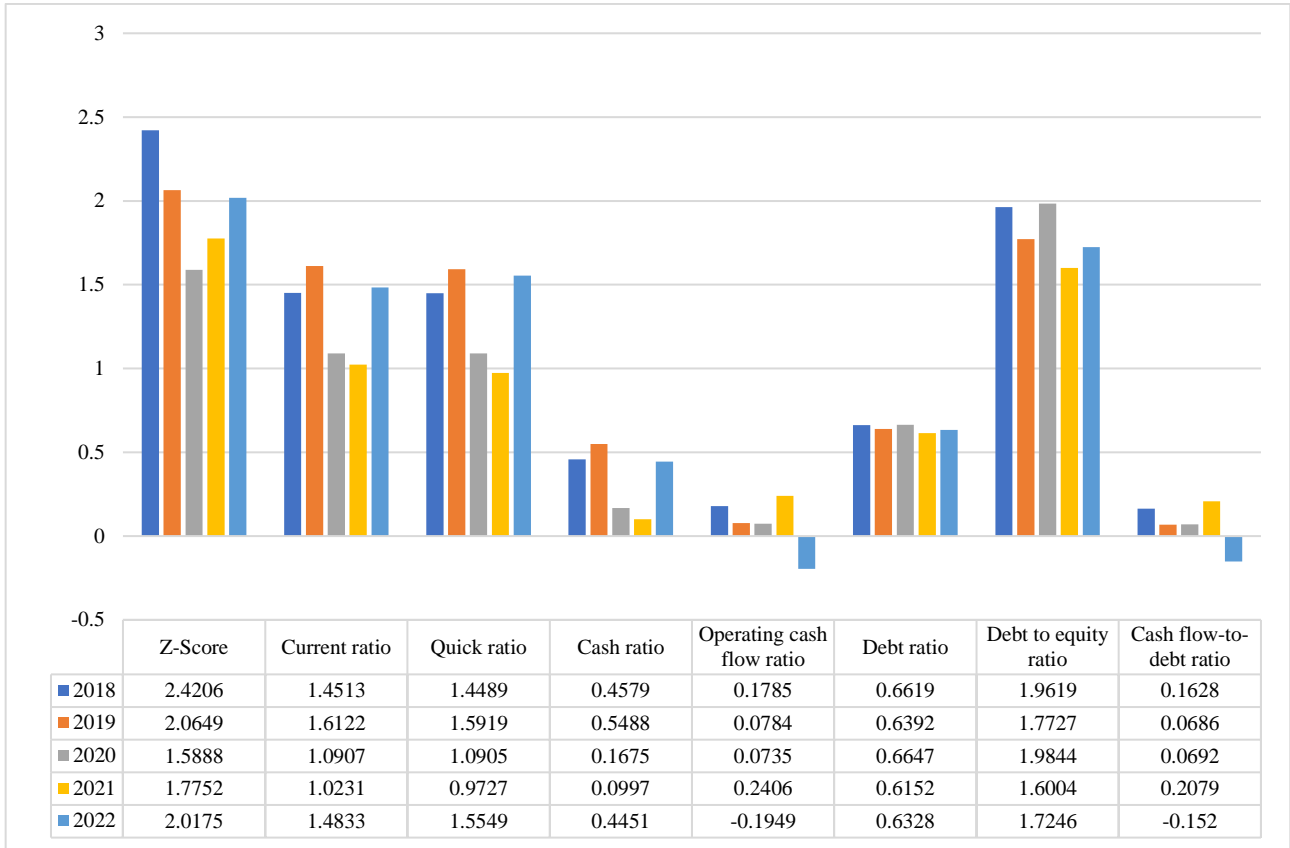


Figure 1. SunCon risk exposure assessment

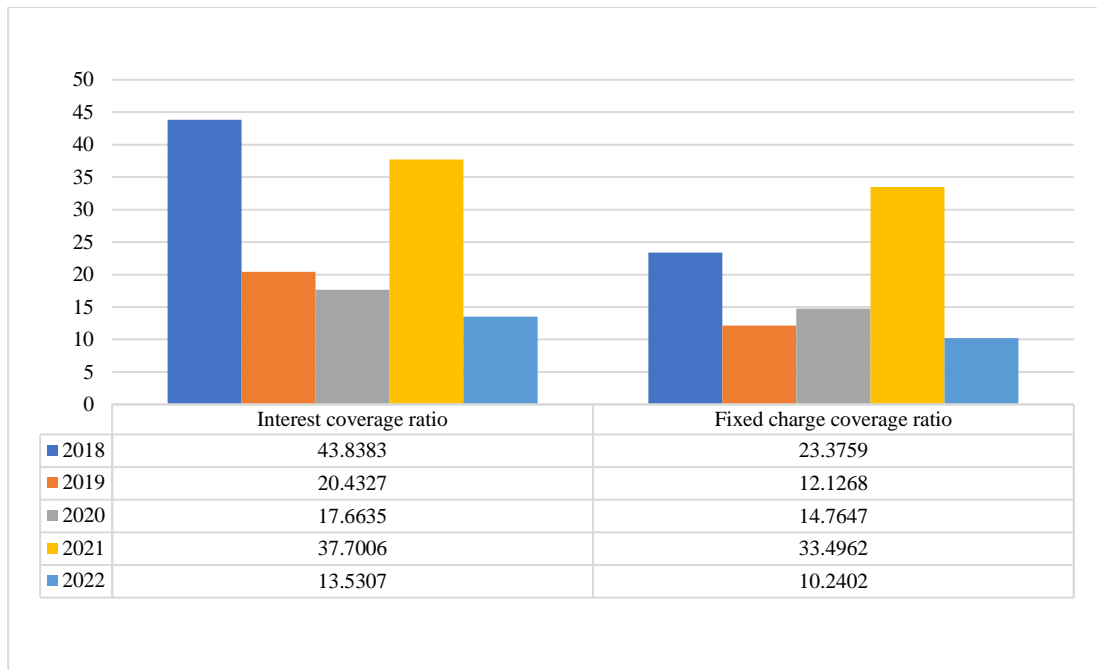


Figure 2. SunCon risk exposure assessment 2

4.2 Risk Analysis of SunCon

The highest Z score for SunCon is in 2018 with the value of 2.4206. However, it is considered a moderate level of financial distress risk since it is between the zone 1.8 to 3. There are two years of SunCon’s Z score performance that fall into financial distress zone which are 2020 and 2021, with the Z score of 1.5888 and 1.7752 respectively. In another word, SunCon is facing the probability of bankruptcy due to its Z score performance is lower than 1.8, and this shows their company are exposed to high risk in term of its financial status.

The financial performance for SunCon in terms of liquidity risk is considered \ great, especially in the current ratio. The current ratio for all 5 years is above 1, which means the company has enough current assets to cover its short-term liabilities. The highest current ratio from SunCon is in 2019 with a ratio of 1.6122. Besides that, SunCon has 4 over 5 years with the quick ratio above 1, which indicates the company is managing good quick ratio performance most of the time. The only year that the quick ratio is less than 1 is 2021 with a ratio of 0.9727. This is because SunCon's current assets for that year is relatively lower than other years and have a relatively high inventory on hand, hence resulting in relatively poor financial performance in term of quick ratio. However, although SunCon is doing great and have a relatively financial stable in overall liquidity risk management, the company is having a comparatively poor performance in cash ratio and operating cash flow ratio. All five years for both risk ratio factors are below 1 which represent the company is associated with a high financial liquidity risk in terms of cash and operational income risk ratio because the company has no sufficient cash and operation income in order to cover its short-term liability.

In terms of debt risk from SunCon, it shows a minor fluctuation over the years, but it still remains relatively stable in an overall view. All the five years debt ratio is below 1 which means the company is managing well of the debts relative to its total assets. The proportion of total debts is always in a relatively low-risk situation for SunCon. The decreasing trend of SunCon's debt ratio indicates a positive sign to its company debt risk exposure, where the debt ratio decreased from 0.6619 to 0.6328, from 2018 to 2022. However, the debt risk for SunCon is relatively a high-risk exposure in terms of debt-to-equity ratio. The high value of the debt-to-equity ratio indicates that SunCon relies more on debt financing than equity, which generally considers as a high-risk financing method. However, SunCon is showing a good effort in managing the debt risks because the debt-to-equity ratio is showing a decreasing trend as well. This shows the company is making a good effort to manage the debt risk.

Moving to another perspective, in terms of SunCon credit risk, it shows that there is a high credit risk exposed to SunCon. Higher cash flow-to-debt ratio indicates a better ability to generate cash flow to cover debt obligations, which generally implies a lower credit risk. However, SunCon shows that they are having very low value of cash flow-to-debt ratio which represents the company is having very high credit risk. The data shows SunCon's credit risk is extremely high because the company only has the cash flow-to-debt ratio of 0.1628 in 2018 where it still follows a decreasing trend. There is a significant improvement in 2021, which the cash flow-to-debt ratio improved to 0.2079 which indicates SunCon is having a better generate cash flow relative to the debt. However, in 2022, the ratio turned negative at -0.1520. A negative cash flow-to-debt ratio indicates that the company's cash flow was not sufficient to cover its debt obligations, which raises concerns about credit risk. A negative ratio can be an indication of financial distress and may imply difficulty in repaying debt obligations from SunCon.

SunCon is doing extremely well in managing its interest rate risk where the company is totally risk-free in terms of both interest coverage ratio and fixed charge coverage ratio. In 2018, SunCon has the highest interest coverage ratio of 43.8383 which indicates a strong ability to cover interest expenses. However, the ratio faces a little decrease to 20.4327 and 17.6635 in 2019 and 2020 respectively. However, SunCon took immediate action to manage the interest rate risk better 2021, resulting in the increasing of the ratio to 37.7006. However, in 2022, the ratio decreased again to 13.5307 but it is still considered a good interest rate risk management by SunCon since the ratio is above of 1 which means the profit generated is sufficient to cover the interest expense. The high fixed charge coverage ratio from SunCon also indicates a better ability to cover fixed charges, including interest expenses, lease payments, and other fixed obligations. The highest ratio is 33.4962 in 2021 and the lower is 10.2402 in 2022. Overall, the view of the interest rate risk exposed to SunCon is showing a decreasing trend, but it still falls under the healthy financial and low-risk zone.

4.3 Risk Control Strategies for SunCon

In terms of improving the z score for SunCon to achieve the target of reducing the bankruptcy risk, the most direct and significant strategy that can be implemented by SunCon is to improve the company's profitability. Adams and Mastrangelo (2017) stated that z score of a company can be significantly improved by increasing profitability and reducing debt levels. The weightage of the z score also proves that profitability is the most important factor according to its formula. The formula of z score is $z\ score = 1.2A + 1.4B + 3.3C + 0.6D + 1.0E$, where the C that is related to earnings before interest and tax (EBIT) is having the highest weightage in the overall formula. This shows the relationship that higher profitability for a company will result in a better z score that led to the low risk of company bankruptcy and financial distress. Therefore, the suggestion that can be made for SunCon to improve their profitability is to engage more and focus on the infrastructure development project. This is because the sector projects are usually in the form of long-term contracts and projects supported by the government. Engaging in these government-backed projects allows SunCon to generate more profit and develop a stable revenue stream for the company.

Apart from that, in terms of SunCon's liquidity risk performance, it shows mixed performance over the years. However, there is a big space for SunCon to improve its cash and operating cash flow ratio. The liquidity risk is low when using current assets or total assets to cover the debt, but it shows risk for SunCon when the situation is necessary to use cash or operating income to pay off the debts. In order to improve the liquidity risk that is exposed to SunCon, the company should concern and allocate asset resources better. For example, the current assets of the company mostly belong to trade receivables which the company should collect the money as soon as possible to make sure the cash on hand is higher and sufficient to pay off debts.

In addition, in the overview to SunCon in terms of the debt risk exposure, SunCon is in a position that indicates a fluctuating trend but generally stable levels of debt. Debts is good for the company sometimes because it helps in providing the company more fund to operate and invest. In order to manage the debt risk for SunCon, the company should always focus on the company capital structure and monitor debt level, to seek a balance of utilization of resources. SunCon can hire or collaborate with external debt consultant agencies to determine and analyse the debt strategy to develop a debt risk management strategy because sometimes using external agencies can be more helpful as they have a clearer picture of the business. By managing the balance of financial capital structure and debt finance, SunCon is able to mitigate the debt risks exposed to the company.

Furthermore, in terms to mitigate the high level of risk exposure for SunCon's credit risk, it is important to understand the reason affecting the high credit risk for SunCon. The main reason affecting the high-risk exposure toward SunCon is its operating cash flow is too low compared to its high liability. SunCon's cash flow-to-debt ratio reflects fluctuations in bad performance over the years, and the negative ratio in 2022 raises concerns about credit risk. SunCon should pay big attention to this risk exposure and aim to improve its cash flow generation in order to achieve sufficient operating cash flow to cover its debt obligations. The ways that could help SunCon to mitigate the credit risk are increasing operating income by improving trade receivable management, optimizing cash flow management, improving in profitability, and controlling costs and expenses.

Last but not least, SunCon is performing excellently in terms of managing its interest rate risk. The interest cover ratio and fixed charge ratio indicates that the company is effectively managing it. However, there are some actions that can be taken by SunCon to further optimize the interest rate ratio. The strategies that can be used are always monitoring and concerning the market interest rate and planning a well refinance strategy for existing debts to take advantage of the lower rates and reduce interest expenses. This strategy can help to reduce the interest expenses for SunCon even with more debt financing.

5.0 CONCLUSION

In conclusion, this research paper target to assess the risk exposure of SunCon, which is a well-known pure-play construction company operating in the Malaysian construction sector. Through this empirical study, the researcher analysed various risk factors that impact toward SunCon's performance, especially in terms of the financial part. This study emphasized the importance of risk management in mitigating the risks exposed by SunCon company. The findings and results give an insight into the risks exposed to SunCon several risk aspects. The result shows that the company is relatively bad in managing their bankruptcy risk over the past five years. This is because SunCon's z score is in a decreasing trend from year to year which indicates the bankruptcy risk for the company is getting higher. In terms the liquidity risk aspect, it shows that SunCon is managing well for the past five years. All the five years current ratio for SunCon company shows that the company always has sufficient current assets to overcome short-term liabilities from time to time. The finding shows that SunCon is always concerned about the liquidity risks associated with the company to ensure the company stays in a healthy liquidity financial position.

Moving to another risk aspect in the study, which is debt risk exposure assessment for SunCon, SunCon shows stable control in debt risk for the company where only a minor fluctuation in SunCon's debt risk happened over the past five years. The consistency range value of the debt ratio and debt-to-equity ratio prove that SunCon is always monitoring its debt and managing it in situation that relatively risk-less to the company. Nevertheless, SunCon shows very bad credit risk management over the past five years. The finding indicates SunCon is in a financial position that has extremely high risk in terms of credit risk because all the cash flow-to-debt ratio are in unhealthy condition over the past five years. The situation gets worse when the result shows a negative sign ratio on SunCon's credit risks in an emergency status where the company's operating cash flow detected was not sufficient to cover its debt obligations in 2022. In contrast, SunCon shows excellent risk management in terms of internal rate risk by having an extremely risk-free financial ratio over the past five years. The internal rate risk shows the extraordinarily healthy condition for SunCon's financial performance. However, the decreasing trend in internal rate risk indicates the company is having more risk in 2022 compared to 2018. SunCon management should pay a concern to the decreasing trend of the internal rate risk management and make sure the risk can always be controlled in a healthy financial position.

Besides that, this research paper also aims to suggest strategies to help SunCon mitigate or control the risks exposed to the company. For instance, SunCon is suggested to increase the company's profitability by focusing on the infrastructure development project. The higher profitability enables the company to improve the z score and reduces the likelihood of company bankruptcy. In addition, SunCon is suggested to manage the asset resources wisely, especially in collecting trade receivables because it is the most effective way to decrease the liquidity risk as the company is having more cash money on hand. As SunCon's debt risk is consistently well managed over the past five years, the suggestion that can be given to SunCon is to collaborate with some external debt consultants to seek for advice to either increase or decrease the debt because debt also brings opportunity. As for credit risk, SunCon is suggested to improve in three methods which are to increase profitability, optimize cash flow, and control costs and expenses. Lastly, SunCon is also suggested to refinance when the market interest rate is lower because it helps SunCon to reduce the interest expenses.

In a nutshell, this empirical study has provided valuable insights into the risk exposure of SunCon in the Malaysian construction sector. By analysing and suggesting the key risk factors that expose to SunCon, it provides a signal to SunCon

to emphasize the need to prioritize risk management as a fundamental aspect of its operations. SunCon is able to enhance a better risk management and achieve a better financial performance by implementing proactive risk mitigation strategies that are suggested in this study.

6.0 LIMITATIONS AND RECOMMENDATIONS

Nonetheless, the design of this empirical study is subjected to some limitations. Firstly, the study solely relies on secondary data that were retrieved from SunCon's annual report and Bursa Malaysia's information, which results in the limitation in terms of the depth and comprehensive analysis. Besides that, the study primarily focused on financial risk. The third limitation of the study is it only focused on a single company as the case study.

Therefore, there are some recommendations for future studies to expand the knowledge of risk management in the construction industry. Firstly, a mixed method research strategy that combines primary data and secondary data for the analysis is recommended. The researcher may collect the primary data by interviewing some experts within the company such as financial managers or risk control managers. The combination of primary data and secondary data helps to provide a more comprehensive overview and understanding of the company's risk management. Secondly, future studies are recommended to include multi-dimensional risk analysis that expands the scope of focus including financial risks, operational risks, strategy risks, compliance risks, and reputational risks. The cross-dimension and border range of risk dimension allows the research paper to provide a more holistic view of a company's overall risk management performance. Thirdly, future studies are recommended to conduct in comparative analysis. This is because the current study is only focused on SunCon, but future studies can include more companies for comparison analysis. The comparative analysis enables a broader range of perspective.

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