

# Audit and Risk Management Committee Report

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## AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit Committee was established on 26 July 1994 and renamed as the Audit and Risk Management Committee ("ARMC") on 31 May 2018 to serve as a Committee of the Board.

The Board is pleased to present the ARMC Report to provide insights on the discharge of the ARMC's functions during the FPE2025 in compliance with Rule 15.15 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("ACE LR").

## COMPOSITION

The present members of the ARMC comprise:

**Tan Lay Chee** (Chairman)  
Independent Non-Executive Director

**Dr. Ch'ng Huck Khoon** (Member)  
Non-Independent Non-Executive Director

**Lee Lisa** (Member)  
Independent Non-Executive Director  
(Appointed as member w.e.f. 21 November 2025)

**Datin Ong Poh Lin Abdullah** (Member)  
Independent Non-Executive Director  
(Resigned as member w.e.f. 31 October 2025)

The members of the ARMC are Non-Executive Directors with a majority of them being Independent Directors. This satisfies the test of independence under ACE LR and meet the requirements of the MCCG.

Mr. Tan Lay Chee, the Chairman, is an Independent Non-Executive Director and is a member of the Malaysian Institute of Accountants ("MIA"). Ms. Lee Lisa is also a member of the MIA. The Company complies with Rules 15.10 and 15.09(1)(c)(i) respectively of the ACE LR.

The performance of the ARMC and each of its members were reviewed by the Board on 23 May 2024 and 28 May 2025 and the Board was satisfied that they are able to discharge their functions, duties and responsibilities in accordance with the Terms of Reference of the ARMC which have been reviewed by the Nominating Committee, thereby supporting the Board in ensuring appropriate corporate governance standards within the Group.

## SECRETARY

The secretaries to the ARMC are the Company Secretaries of the Company.

## TERMS OF REFERENCE

The detailed Terms of Reference of the ARMC outlining the composition, duties and functions, authority and procedures of the ARMC are published and available on the Company's website at [www.erdasan.com.my](http://www.erdasan.com.my).

# Audit and Risk Management Committee Report (Cont'd)

## MEETINGS

The ARMC held seven (7) meetings during the FPE2025. Details of attendance of ARMC meetings were as below:-

Name of Directors	Designation	No. of Meetings Attended	Percentage of Attendance (%)
<b>Tan Lay Chee</b>	Chairman	7/7	100
<b>Dr. Ch'ng Huck Khoon</b>	Member	7/7	100
<b>Datin Ong Poh Lin Abdullah</b> <i>(Resigned as member w.e.f. 31 October 2025)</i>	Member	7/7	100
<b>Lee Lisa</b> <i>(Appointed as member w.e.f. 21 November 2025)</i>	Member	-	-

Notices of meetings were sent to the ARMC members at least one (1) week in advance. The ARMC members are provided with the agenda and relevant meeting papers before each meeting. All deliberations during the ARMC meetings were duly minuted. Minutes of the ARMC meetings were tabled for confirmation at every succeeding ARMC meeting.

The Directors of the key subsidiaries and members of senior management were invited to the ARMC meetings to facilitate direct communication as well as to provide clarification on the Group's operations and area of concerns. The Internal Auditors attended the ARMC meetings to table the Internal Audit report and assist Risk Management Working Group to present the Risk Management reports.

The previous External Auditors ("EA") of the Company, Messrs. UHY had attended two (2) ARMC meetings held during FPE2025 during their tenure as the EA. One (1) private session held on 23 May 2024 between the ARMC and Messrs. UHY, without the presence of the executive members and management. Messrs. UHY had presented the Audit Planning Memorandum ("APM") and draft Audited Financial Statements for the financial year ended 31 March 2024 before the same were proposed for the Board's approval. Messrs. UHY also briefed on the audit findings, significant risks, audit focus areas, financial assertion risks and also the summary of planned audit approach for each key audit areas.

Messrs. UHY was then resigned as EA of the Company on 12 November 2024 and the Company had appointed Messrs. Morison LC PLT ("Messrs. Morison") as the new EA of the Company on 20 November 2024. Messrs. Morison attended three (3) ARMC meetings and three (3) private sessions with ARMC during the FPE2025 without the presence of the Executive Director and the management. Messrs. Morison had on 20 February 2025 tabled the APM prior to the commencement of audit of financial statements for FPE2025. The main particulars outlined included audit timeline, deliberation on key areas of audit focus etc. Due to change of financial year end from 31 March to 30 September, Messrs. Morison tabled the APM on 25 August 2025 which outlined new audit timeline, key areas of audit focus and proposed audit fees.

The EA were encouraged to raise any matters they considered important to bring to the attention of the ARMC. The Chairman of the ARMC also ensured that there were communication and flow of information between the EA and the management which were necessary to allow unrestricted access to information for the EA to perform their duties effectively.

The Chairman of the ARMC presented the ARMC's recommendations together with the respective rationale to the Board for approval of the annual audited financial statements and the unaudited quarterly financial results. As and when necessary, the Chairman of the ARMC would convey to the Board matters of significant concern raised by the Internal Auditors or EA.

# Audit and Risk Management Committee Report (Cont'd)

## SUMMARY OF WORKS DURING THE FINANCIAL PERIOD ENDED 2025

During the FPE2025 and up to the date of this report, the summary of works undertaken by the ARMC to meet its responsibilities in the discharge of its function and duties comprised the followings:-

### 1. Overview of Financial Performance and Reporting

- Reviewed the unaudited quarterly financial results for the quarters ended 31 March 2024, 30 June 2024, 30 September 2024, 31 December 2024, 31 March 2025, 30 June 2025 and 30 September 2025 before recommending the same for the Board's approval;
- Reviewed the financial performance and financial highlights of the Group;
- Reviewed the identified significant matters pursuant to Rule 15.12(1)(g)(ii) of the ACE LR;
- Reviewed the draft audited financial statements for the FPE2025 before recommending the same for the Board's approval;
- Reviewed the Group's compliance with the accounting standards and relevant regulatory requirements.

### 2. Oversight of External Auditors

- Evaluated External Auditors by considering their qualification, credentials, reputation and experience prior to re-appointment;
- Reviewed the Audit Planning Memorandum for the FPE2025 prepared by the External Auditors, entailing mainly the overview of audit approach and areas of audit emphasis of the Group;
- Met four (4) times with the External Auditors without the presence of the Executive Directors and management throughout the FPE2025;
- Reviewed and monitored the suitability and independence of the External Auditors. As part of the annual audit exercise, assurance from the External Auditors was sought in confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; Upon reviewed and being satisfied with the results, the same has been recommended to the Board for approval.

### 3. Oversight of Internal Auditors

- Met with the Internal Auditors to discuss on the development of Internal Audit Plan for the FPE2025 based on the business direction of the Group;
- Reviewed and adopted the risk-based Internal Audit Plan for the FPE2025, upon agreeing on the auditable areas and the timing of the audits;
- Reviewed the Internal Audit Reports for the FPE2025 and assessed the Internal Auditors' findings and the management's responses and made the necessary recommendations to the Board of Directors for approval.

### 4. Review of Related Party Transactions and Conflict of Interest

- Reviewed any related party transaction and conflict of interest situation that arose, persist or may arise within the Group including any transaction, procedure or course of conduct that raises the questions on management integrity, and the measures taken to resolve, eliminate or mitigate such conflicts.

### 5. Oversight of Internal Control Matters

- Reviewed and confirmed the minutes of the ARMC meetings;
- Reviewed the disclosures in Corporate Governance Overview Statement for the inclusion in the Annual Report 2025;
- Reviewed the disclosures in ARMC Report and Statement on Risk Management and Internal Control to be included in the Annual Report 2025.

# Audit and Risk Management Committee Report (Cont'd)

## SUMMARY OF WORKS DURING THE FINANCIAL PERIOD ENDED 2025 (CONT'D)

### 6. Employees' Share Option Scheme ("ESOS")

- Reviewed and verified options allocated and granted during the financial period pursuant to the Company's ESOS were in accordance with the allocation criteria approved by the ESOS Committee and in compliance with the By-Laws of the ESOS.

### 7. Risk Management

- Reviewed the Risk Management Reports for the FPE2025 and assessed the report's findings and the management's responses and made the necessary recommendations to the Board of Directors for approval.

The Board is satisfied that the ARMC has carried out its responsibilities and duties in accordance with the ARMC's Terms of Reference.

## INTERNAL AUDIT FUNCTION

### 1. Appointment of Internal Auditors

The Group has appointed an independent professional firm of consultant to support the internal audit function, namely Finfield Corporate Services Sdn. Bhd.. The outsourced Internal Auditors report directly to the ARMC, providing the Board with a reasonable assurance of adequacy of the scope, functions and resources of the internal audit function. The purpose of the internal audit function is to provide the Board, through the ARMC, assurance of the effectiveness of the system of internal control in the Group.

The internal audit function is independent and performs audit assignments with impartiality, proficiency and due professional care.

### 2. Summary of Internal Audit and Risk Management ("IARM") Reviews during the FPE2025

During the FPE2025, IARM reviews were conducted in accordance with the risk-based audit plan approved by the ARMC. The reviews encompassed the following areas: -

- Revenue and account receivables cycle – focusing on customer concentration risk, effectiveness of debt collection, profit margins and costing, unmet customer orders, contractual terms with customers, management of bad debts and related legal actions, as well as controls over customer returns, discounts and credit notes;
- Purchasing and payables cycle – covering key suppliers and subcontractors, availability and pricing of raw materials, new supplier approvals, purchase authorisations, accuracy of purchasing and creditor reporting, management of prepayments, compliance with customs procedures for imports and Licensed Manufacturing Warehouse, identification of common and special material purchases, Sales and Service Tax compliance and adherence to the Unclaimed Moneys Act;
- Information Technology ("IT") - including the evaluation of the Group's IT control environment, IT assets and procurement management, cybersecurity measures, data backup and recovery process and CCTV system backup adequacy,;
- Risk management – facilitating identification, assessment, and monitoring of key risks, including evaluation of their likelihood and potential impact, and updating the risk register for ongoing oversight.

The Internal Auditors also reviewed implementation of corrective action plans or agreed course of action on the findings reported. The findings and recommendations were highlighted to the management for their comments and further action. Internal audit reports were presented to the ARMC and also reported to the Board.

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## INTERNAL AUDIT FUNCTION (CONT'D)

### 3. Total costs incurred for the FPE2025

Total costs incurred for the outsourced internal audit and risk management function of the Group for the FPE2025 is RM41,300 (FY2024:RM48,850).

## CORPORATE GOVERNANCE PRACTICES

Apart from discharging its duties with respect to the internal audit, financial reporting and external audit, the ARMC also reviewed the disclosures made in respect of the financial results and Annual Report of the Company in line with the principles and spirit set out in the MCCG, other applicable laws, rules, directives and guidelines. In addition, before finalising the various governance disclosures in the Annual Report, the ARMC together with all other Board Members and management had reviewed the Corporate Governance Overview Statement, Corporate Governance Report, ARMC Report, Statement on Risk Management and Internal Control together with other compliance disclosures.