

Statement on Risk Management and Internal Control

The Statement on Risk Management and Internal Control is made in accordance with Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. This Statement outlines the nature and scope of the enterprise risk management and internal control systems within the Group during the year under review.

BOARD RESPONSIBILITY

The Board remains committed to establishing and maintaining a robust, effective, and efficient framework of enterprise risk management and internal control to safeguard shareholders’ investments and protect the Group’s assets. This framework is designed to identify and manage risks faced by the Group, thereby supporting the achievement of its business objectives. The Board recognises, however, that while the enterprise risk management and internal control system provides reasonable assurance, it cannot completely eliminate the possibility of material losses or unforeseen circumstances.

RISK MANAGEMENT GOVERNANCE

The Board regards risk management as an integral component of all business operations and assumes overall responsibility for managing significant risks to ensure that the Group’s exposures remain within acceptable levels of tolerance. While the enterprise risk management and internal control system provides reasonable assurance of effective risk mitigation, the Board recognises that it cannot fully eliminate the possibility of material losses, business disruptions, or unforeseeable events.

To discharge its oversight function, the Board has delegated to the Board Risk, Investment and Compliance Committee (“BRICC”) the responsibility of reviewing the adequacy and effectiveness of the Group’s Enterprise Risk Management (“ERM”) framework. This encompasses the key processes of risk identification, assessment, mitigation, monitoring and reporting. In addition, BRICC oversees the evaluation of key risks, funding options, costs, and expected returns associated with major investment proposals, prior to the Board’s consideration and approval.

At the Management level, a Risk Management Committee (“RMC”) was established in May 2013 to facilitate the implementation of risk management across the Group. Chaired by the Managing Director, the RMC comprises heads of business units and support functions who serve as risk owners. The RMC is responsible for driving day-to-day risk management activities, including monitoring key risks, implementing mitigation measures, reporting progress, and identifying new and emerging risks.

The establishment of the RMC ensures clear accountability for enterprise risk at the senior leadership level. It provides a structured platform for coordination among risk owners, thereby strengthening the Group’s capacity to assess, mitigate, and manage risks across all business segments, both domestically and internationally.

ENTERPRISE RISK MANAGEMENT SYSTEM

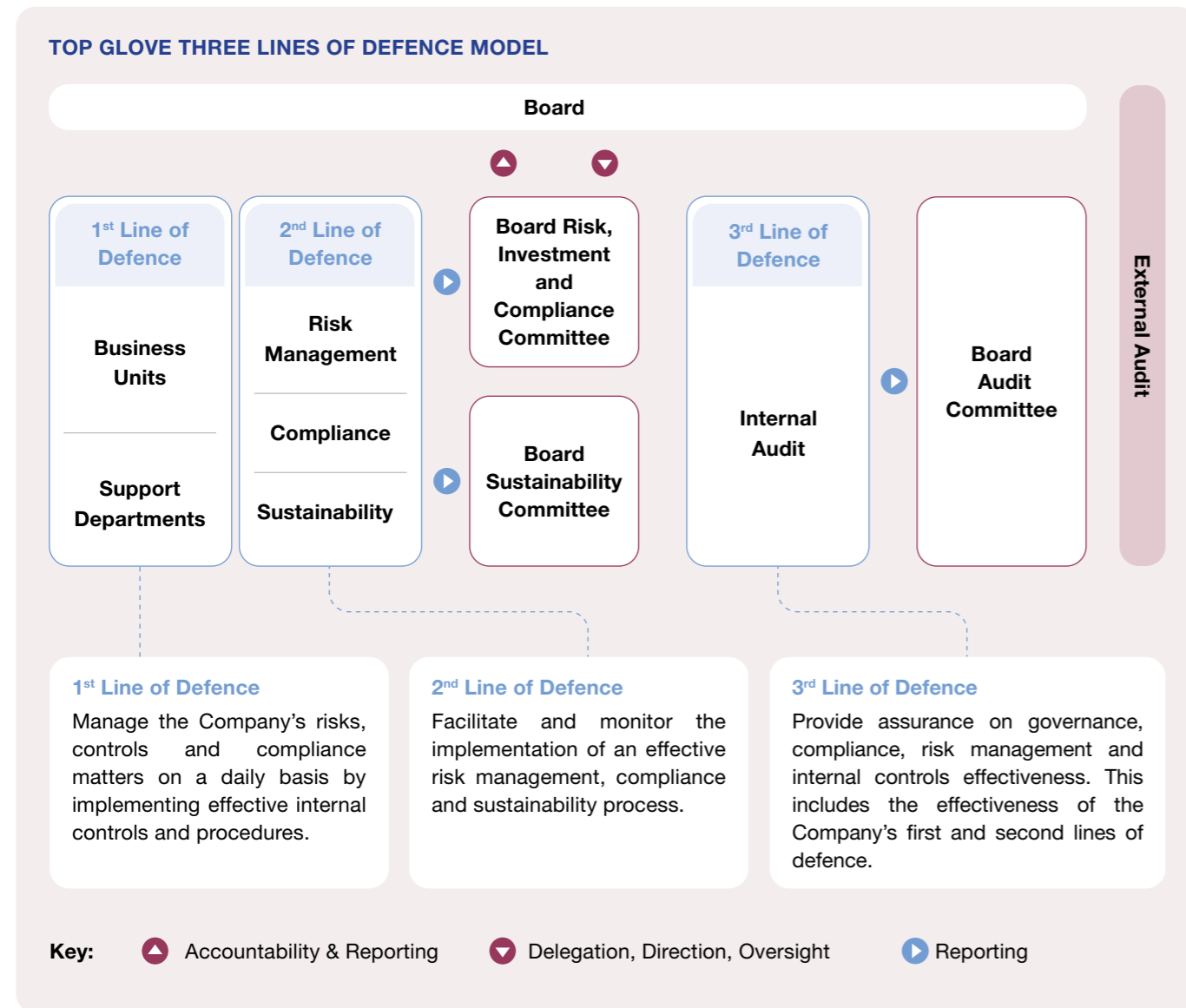
The Group’s ERM Framework is established in accordance with ISO 31000:2018 Risk Management Guidelines, under which risks arising from business and manufacturing operations are continuously identified and incorporated into the risk register. Each risk is assessed to determine its rating: Extreme, High, Medium or Low; based on a matrix that considers both the likelihood of occurrence and the potential financial and non-financial consequences. Risk owners are then tasked with implementing mitigation measures to reduce exposures to a residual risk level that is within acceptable tolerance.

Progress and adequacy of these mitigation measures are reviewed on a quarterly basis. Any emerging critical risks are incorporated into the risk register and addressed in line with the Group’s ERM methodology. Outcomes from RMC deliberations are escalated to the BRICC, which in turn reports key risks to the Board to ensure that exposures remain acceptable and that appropriate measures are in place. This structured process supports a dynamic and evolving ERM system that adapts to the Group’s changing risk profile and business environment.

To further strengthen the framework, the Group applies the Three Lines of Defence model, which clearly defines roles and responsibilities for risk management, compliance, and internal control. This structured approach enhances accountability, promotes transparency, and ensures effective oversight across all levels of the organisation.



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INTERNAL CONTROL GOVERNANCE

The Management team, led by the Executive Chairman, Managing Director and Executive Directors, comprises experienced personnel who are subject matter experts in their respective fields. Each member of the Management team is accountable for the conduct and performance of their assigned business units and support functions. Internal control principles are embedded into the day-to-day operational policies and procedures, and regular management meetings are conducted to monitor performance, track the progress of action plans, and gather feedback for continuous improvement.

To fulfil its oversight responsibility, the Board Audit Committee ("BAC") is tasked with reviewing the adequacy and effectiveness of the Group's internal control system. Supporting this function, the Internal Audit Department ("IAD") was established in the financial year ended 31 August 2003 to provide independent assurance on the effectiveness of governance, risk management and internal control processes across the Group.

In addition, the External Auditor provides further assurance to the BAC through the annual statutory audit of the financial statements. Areas of concern identified during the external audit are communicated to the BAC via management letters and are discussed at BAC meetings to ensure that appropriate corrective measures are implemented.

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INTERNAL AUDIT FUNCTION

The Group has in place an in-house IAD which provides to the Board, through the BAC, independent assessment and assurance on the adequacy and effectiveness of the Group's system of internal controls.

The work scope of IAD encompasses the examination and evaluation of the adequacy, existence and effectiveness of the system of internal control, risk management and corporate governance of the group, which includes, inter alia, the following:

- 1 Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information
- 2 Evaluating the system established to ensure compliance with policies, plans, procedures, laws and regulations which could have significant impact on operations
- 3 Examining the means of safeguarding assets and, as appropriate verifying the existence of such assets
- 4 Assessing the economy and efficiency with which resources are employed
- 5 Appraising operations to ascertain whether results are consistent with established objectives and goals and whether the operations are being carried out as planned
- 6 Reporting significant issues related to the business and operational processes for controlling activities of the Group together with recommendations for improvements by issuing periodic audit reports summarising results of audit activities and follow-up reports on a timely basis to BAC and management
- 7 Assisting in the investigation of significant suspected fraudulent activities and notify the BAC and top management of the results

The audit reports are presented and tabled at quarterly BAC meetings to preserve its independence and objectivity. Significant internal audit findings and status update on outstanding management action plan will be brought to the attention of BAC. If deemed necessary, management representative will be required to attend BAC meeting to provide explanation and propose an action plan on the unresolved issues.

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REVIEW OF EFFECTIVENESS

The Board is dedicated to operating a sound system of risk management and internal controls, and recognises that the system must continuously evolve to support the progressive business growth of the Group.

The process for identifying, evaluating and managing risks as outlined in this Statement has been in place for the year under review and up to the date of approval of this Statement. During the financial year ended 31 August 2025, IAD advised controls to mitigate relevant operation risks, assisted to automate certain processes previously covered manually and collaborated with the other lines of defence to improve governance across the Group. Progressively, a number of cost-effective ways to reinforce internal control gaps, cost management and SAP system controls had been proposed by IAD and implemented by the Management. There has been no material adverse impact to the financial performance of the Group as a result of the internal control gaps detected.

The Board, with the assurance of the Managing Director and its Executive Director, concludes that the Group's risk management and internal control system are operating adequately and effectively, in all material aspects.

This Statement does not include the state of internal control in associate companies, which has not been dealt with as part of the Group and is aligned with the approval obtained from the Board Audit Committee Chairman.

REVIEW OF THE STATEMENTS BY EXTERNAL AUDITORS

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scope set out in the Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Integrated Annual Report issued by the Malaysian Institute of Accountants for inclusion in the Integrated Annual Report of the Group for the FY2025, and reported to the Board that nothing has come to their attention that causes them to believe that this Statement included in the Integrated Annual Report is not prepared, in all material respects, in accordance with the disclosures required by Paragraph 41 and 42 of the Statement on Risk Management and Internal Control : Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risk and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and the Management thereon. The report from External Auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements and for no other purposes or parties. The External Auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this Statement.

