Kinergy Advancement Berhad
Kinergy Group
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Terms of Reference of The Audit Commitee

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TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Objectives

The principal objectives of the Audit Committee (the "Committee") are to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Committee shall:-

a) Provide assurance that the financial information presented by management is relevant, reliable and timely;

b) Ensure financial statements comply with applicable financial reporting standards;

c) Oversee compliance with laws and regulations and observance of a proper code of conduct;

d) Determine the quality, adequacy and effectiveness of the Group's control environment;

e) Evaluate the quality of the audits performed by the internal and external auditors;

f) As another peer to the Whistleblowing policy and procedures; and

g) Ensure and oversee the Anti-Bribery & Corruption Policy (AB&C Policy) and laws & regulations governing its operation related to Malaysia Anti-Corruption Act 2009 (amended 2018).

2. Composition

The Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members, all of whom shall be independent directors.

All members of the Committee should be financially literate and at least one (1) member of the Committee must be:-

a) A member of the Malaysian Institute of Accountants ("MIA"); or

b) If he is not a member of MIA, he must have at least three (3) years of working experience and:

   i. He must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
   ii. He must be a member of one (1) of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

c) Fulfils such other requirements as prescribed under Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities")

No alternate director shall be appointed as a member of the Committee.

No former partner of the Group's external audit firm shall be appointed as a member of the Committee unless the said former partner has observed a cooling-off period of at least three (3) years before being appointed as a member of the Committee. The former partner in this Clause refers to all former partners of the audit firm and/or the affiliate firm(s) (including those providing advisory services, tax consulting, etc.)

The term of office and performance of the Committee and each of its members shall be reviewed by the Nominating Committee annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

3. Chairman

The members of the Committee shall elect a Chairman from amongst their number who shall be an independent director and shall not be the Chairman of the Board.

In the absence of the Chairman of the Committee, the other members of the Audit Committee shall amongst themselves elect a Chairman who must be an independent director to chair the meeting.

4. Retirement and Resignation

If any member of the Committee retires, re-designates, resigns, dies, or for any reason ceases to be a member or Chairman resulting in non-compliance with paragraphs three (3) above, the Board and the members of the Committee shall within three (3) months of the event appoint/elect such new member(s) or Chairman as may be required to fill the vacancy.

5. Secretaries

The Company Secretaries shall be the Secretaries of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

6. Meetings

The Committee shall meet at least four (4) times a year, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman’s discretion.

Upon the request of the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the directors or shareholders.

Notice of Committee meetings shall be given to all the Committee members unless the Committee waives such requirement.

The Committee members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all people participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting. A member participating in a meeting in the manner aforesaid may also be taken into account.

In ascertaining the presence of a quorum at the meeting. Any meeting held in such manner shall be deemed to be held at such place and it shall be agreed upon by the members attending the meeting provided that at least one (1) of the members present at the meeting was at such place for the duration of that meeting. All information and documents must be made equally available to all participants prior to or at/during the meeting.

The Chairman of the Committee shall engage on a continuous basis with the Chairman of the Board, senior management, such as the Managing Director and the Chief Financial Officer, the internal auditors and the external auditors in order to be kept informed of matters affecting the Group.

The Chief Financial Officer and a representative of the internal and external auditors respectively should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Committee. The Committee shall be able to convene meetings with the external auditors, the internal auditors or both, without executive Board members or employees present whenever deemed necessary and at least twice a year with the external auditors.

Any questions that arise at any meeting of the Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Committee shall have a second or casting vote.

7. Minutes

Minutes of each meeting shall be kept at the registered office and distributed to each member of the Audit Committee and also to the other members of the Board. The Committee Chairman shall report on the proceedings of each meeting to the Board.

The minutes of the Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

The Audit Committee members may inspect the minutes of the Audit Committee at the Registered Office or such other place as may be determined by the Audit Committee.

8. Quorum

The quorum for the Committee meeting shall be the majority of members present who must be independent directors.

9. Circular Resolution

A resolution in writing signed by a majority of the Committee members for the time being shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted. Any such resolution may consist of several documents in like form each signed by one (1) or more Committee members.

Any such document may be accepted as sufficiently signed by a Committee member if transmitted to the Group by telex, telegram, cable, facsimile or other electrical or digital written message to include a signature of a Committee member.

10. Reporting

The Committee shall report to the Board of Directors, either formally in writing, or verbally, as it considers appropriate matters within its terms of reference at least once a year, but more frequently if it so wishes.

The Committee shall report to the Board of Directors on any specific matters referred to it by the Board for investigation and report.

11. Authority

The Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the expense of the Group,

a) Have explicit authority to investigate any activity within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the Committee;

b) Have full and unlimited/unrestricted access to all information and documents/resources of the Group which are required to perform its duties as well as to the internal and external auditors and senior management of the Group;

c) Obtain, at the expense of the Group, other independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary;

d) Have direct communication channels with the internal and external auditors and person(s) carrying out the internal audit function or activity (if any); and

e) Where the Audit Committee is of the view that the matter they reported to the Board has not been satisfactorily resolved, resulting in a breach of the Main Market Listing Requirements of Bursa Securities, the Committee shall promptly report such matter to Bursa Securities.

12. Duties and Responsibilities

The duties and responsibilities of the Committee are as follows:-

Financial Reporting and Processes

a) To review the quarterly reports on consolidated results and year-end financial statements of the Group before the approval by the Board, focusing particularly on:–

- Changes in or implementation of major accounting policy;
- Significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
- Compliance with applicable accounting standards and other legal requirements;
- Significant adjustments arising from the audit;
- The going concern assumption; and
- Major judgement areas.

b) To monitor the integrity of the Group's financial statements;

c) To report its findings on the financial and management performance, and other material matters to the Board;

d) To consider the major findings of internal investigations and management's response;

e) To review the adequacy and effectiveness of risk management, internal control and governance systems;

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To monitor the Group's compliance with relevant laws, regulations and code of conduct.

External Auditors

a) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one (1) audit firm is involved;

b) To review with the external auditors on:-

- The system of internal control;
- The audit report;
- The results of their evaluation of the accounting policies and systems of internal accounting controls within the Group; and
- The assistance given by the officers of the Group to external auditors, including any difficulties or disputes with Management encountered during the audit;

c) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management, where necessary);

d) To review with Management:-

e) Audit reports and management letter issued by the external auditors and the implementation of audit recommendations;

- Interim financial information; and
- The assistance given by the officers of the Group to external auditors;

f) To consider the appointment and/or re-appointment of the external auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person(s) as auditors

f) Assessing the suitability, independence and performance of the external auditors is done through an annual evaluation.

h) To establish policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the external auditors;

i) To review the letter of resignation from the external auditors;

j) To review whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment;

k) To review the independence and qualification of the Group's external auditors

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Internal Auditors

a) To perform the following, in relation to the internal audit function:-

- Review the effectiveness of internal audit function, including adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- Review the internal audit plan, programmes, and processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate actions are taken on the recommendations of the internal audit function; including its adequacy of scope, resources, independence and its audit methodology with the objective of ensuring its completeness and relevancy to the Group key operations and risk areas
- Review the internal audit plan, consider the internal audit reports and findings of the internal auditors, fraud investigations and actions and steps taken by Management in response to audit findings;
- Review any appraisal or assessment of the performance of members of the internal audit function; and
- Approve any appointment or termination of senior staff members of the internal audit function

b) To monitor the performance of the Group's internal audit function, including review any matters concerning the appointment or re-appointment of internal auditors and the reasons for resignation or termination

Related Party Transactions and Conflicts of Interest Situations

a) To consider any related party transaction entered into by the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transaction annually to shareholders via the annual report, and to review conflicts of interest that arose, persist of may arise within the Group including any transaction, procedure or course of conduct that raises questions of Management integrity and the measures taken to resolve, eliminate, or mitigate such conflicts

Other Matters

a) To verify the allocation of employees' share option scheme ("ESOS") are in compliance with the criteria as stipulated in the by-laws of ESOS of the Group, if any, at the end of the financial year;

b) To consider and examine such other matters as the Audit Committee considers appropriate; and;

c) To consider other matters as defined by the Board.

13. Review of the Written Terms of Reference

Any amendment to this terms of reference can only be approved by the Board. These terms of references will be reviewed and updated periodically in accordance with the needs of the Group and any new regulations that may have an impact on the discharge of the Committee's responsibilities.

The written terms of references should be made public on the Group's website.

This terms of reference is dated 28 February 2025.