

KJTS GROUP BERHAD
Registration No. 202201020004 (1465701-T)

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

1. PURPOSE AND OBJECTIVES

The objective of the Terms of Reference of the Audit and Risk Management Committee (“ARMC”) is to establish a documented, formal and transparent procedure for the ARMC to support and advise the Board of Directors (“Board”) of KJTS Group Berhad (“Company”). The ARMC shall:

- (a) provide assistance to the Board of the Company in fulfilling its fiduciary responsibilities on the oversight of the integrity of the accounting and financial reporting for the Company and all its subsidiaries (“Group”);
- (b) maintain oversight of the establishment and implementation of risk identification, assessment and management program of the Group and to provide timely input to management on critical risk issues;
- (c) review the internal control framework and policies of the Group and assessing the processes related thereto;
- (d) review the Group’s compliance with the applicable laws, rules and regulations and code of business conduct;
- (e) review the implementation and monitoring of the Whistleblowing Policy and Procedures for the Group, and ensuring effective administration thereof;
- (f) review related party transactions and conflict of interest situation;
- (g) evaluate the quality of the audits performed by the internal and external auditors;
- (h) enhance the effectiveness and independence of both the external and internal auditors’ functions through active participation in the audit process;
- (i) review and assess the suitability, objectivity and independence of external auditors;
- (j) provide assurance that the financial information presented by management is relevant, reliable and timely;
- (k) ensure financial statements comply with applicable financial reporting standards; and
- (l) report to the Board and review the sustainability initiatives of the Group.

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2. COMPOSITION AND MEMBERSHIP

- 2.1 Members of the ARMC shall be appointed by the Board amongst its Directors and shall comprise at least three (3) members, all of whom must be Non-Executive Directors, and majority of whom must be Independent Non-Executive Directors.
- 2.2 The Chairman of the Board must not be a member/chairman of the ARMC.
- 2.3 All members of the ARMC should be financially literate and have sufficient understanding of the Group's business and must be able to read, analyse, interpret and understand financial statements, and ask pertinent questions about the Company's reporting process.
- 2.4 At least one (1) member of the ARMC:-
- (a) must be a member of the Malaysian Institute of Accountants ("MIA"); or
 - (b) if not a member of the MIA, he/she must have at least three (3) years' working experience; and
 - (i) must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - (c) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities").
- 2.5 The appointment terminates when a member ceases to be a Director. No Alternate Director shall be appointed as a member of the ARMC.
- 2.6 A former partner of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting etc) of the Company or any entity within the Group is required to observe a cooling-off period of at least three (3) years before being appointed as a member of the ARMC.
- 2.7 All members of the ARMC shall possess wide range of necessary skills to discharge his/her duties.
- 2.8 All members of the ARMC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- 2.9 The term of office, the effectiveness and performance of the ARMC and each of its members shall be reviewed by the Nominating Committee annually to determine whether the ARMC and its members have carried out their duties in accordance with these terms of reference of the ARMC.

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2.10 Where the members of the ARMC for any reason are reduced to less than three (3), the Board shall based on the recommendation of the Nominating Committee, within three (3) months from the occurrence of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

3. CHAIRMAN

3.1 The Chairman of the ARMC shall be appointed by the Board and shall be an Independent Non-Executive Director.

3.2 In the absence of the Chairman of the ARMC, the other members of the ARMC shall amongst themselves elect a Chairman who must be an Independent Non-Executive Director to chair the meeting.

4. SECRETARY

The Company Secretary or his/her other appointed representative shall be the Secretary of the ARMC.

5. QUORUM AND MEETING PROCEDURES

5.1 The ARMC shall meet at least four (4) times each year. The Chairman of the ARMC may request for additional meetings as he/she considers necessary. ARMC meetings shall be conducted separately from the board meeting to enable objective and independent discussion during the meeting.

5.2 If any member is unable to be physically present, he/she may choose to participate by means of a conference telephone or any other audio, audio-visual, or communication equipment which allows all persons participating in the meeting to hear and speak with each other and the person shall be deemed to be present in person and shall be entitled to vote or be counted in a quorum accordingly.

5.3 The main venue of the meeting shall be the place where the Chairman is present.

5.4 The quorum for the meeting shall be two (2) members, majority of members present must be Independent Non-Executive Directors.

5.5 The Company Secretary, in consultation with the Chairman of the ARMC, shall draw up the agenda of the meeting. The agenda, together with the relevant support papers, shall be circulated at least five (5) business days, or shorter notice where it is unavoidable prior to each meeting to the members of the ARMC and other attendees as appropriate.

5.6 The ARMC may, as and when deemed necessary, invite any Board members or any member of management or any employee of the Company or consultants, who the ARMC thinks fit, to attend its meetings to assist and provide pertinent information as necessary.

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5.7 A matter put to vote at the ARMC meetings shall be decided by a simple majority of the votes, each member of the ARMC having one (1) vote. In the event of an equality of votes, the Chairman has a second or casting vote.

5.8 A member of the ARMC who has an interest or is involved directly or indirectly in any matter under consideration by the meeting, shall abstain from deliberating and voting.

5.9 The ARMC shall meet at least once a year with the internal and external auditors without the presence of any Executive Directors, management or employees of the Company. The Chairman of the ARMC may request for additional meetings if he considers it necessary. The management, the internal and external auditors may request for a private session with the ARMC to discuss any matter of concern.

6. MINUTES

6.1 Upon conclusion of the ARMC meeting, the minutes are to be circulated in a timely manner. The Company shall cause minutes of all proceedings of the ARMC meeting to be entered in the books for that purpose. Minutes of each meeting shall be signed by the Chairman of the meeting at which proceedings were held or by the Chairman of the next succeeding meeting.

6.2 Minutes shall be kept by the Company at the Registered Office and shall be open for inspection by any ARMC member or Board member.

6.3 The minutes of each ARMC meeting shall be distributed to the Board members for notation.

7. WRITTEN RESOLUTION

7.1 A resolution in writing signed by a majority of the ARMC members for the time being (in accordance with the quorum that is required by an ARMC meeting) shall be as valid and effectual as if it had been passed at a meeting of the ARMC duly called and constituted.

7.2 The resolution may consist of several documents in like form, each signed by one (1) or more ARMC members. Such document may be accepted as sufficiently signed by a ARMC member if it is transmitted to the Company by facsimile or other electrical or digital written message, which include a signature of the said ARMC member.

8. REPORTING

The ARMC, through its Chairman, shall report a summary of significant matters to the Board at the next Board meeting after each ARMC meeting. When presenting any recommendations to the Board for approval, the ARMC will provide such background and supporting information as may be necessary for the Board to make an informed decision.

9. AUTHORITY

In carrying out its duties, the ARMC shall have the following authority in accordance with a procedure to be determined by the Board and at the expense of the Company:

- (a) have explicit authority to investigate any matter within these terms of reference and is also authorised to seek any information it requires from any employee and the employees are directed to co-operate with any request made by the ARMC;
- (b) have the resources which are required to perform its duties as set out in these terms of reference or any statute or laws;
- (c) have full and unrestricted access to all information and documents which are required to perform its duties as well as to the internal and external auditors and management of the Group;
- (d) obtain independent or external professional advice or other advice it considers necessary in the discharge of its responsibilities and may invite persons with relevant experience to attend its meetings, if necessary;
- (e) have direct communication channels with the external auditors and person(s) carrying out the internal audit function; and
- (f) where the ARMC is of the view that the matter, they reported to Board has not been satisfactorily resolved, resulting in a breach of the ACE Market Listing Requirements of Bursa Securities ("ACE LR"), the ARMC shall promptly report such matter to Bursa Securities.

Notwithstanding anything contrary hereinbefore stated, the ARMC does not have executive powers and shall report to the Board on matters considered and its recommendations thereon, pertaining to the Group.

10. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the ARMC are as follows:

Financial Reporting

- 10.1 Review the quarterly results and the year-end financial statements of the Group, before submission to the Board for approval, focusing particularly on:
- (a) any changes in or implementation of major accounting policy changes;
 - (b) adoption of new and/or revised accounting standards;

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- (c) any significant matters highlighted including financial reporting issues, significant judgement made by management, significant and unusual events or transactions and how these matters are addressed;
 - (d) significant adjustment arising from audit;
 - (e) major judgemental areas;
 - (f) whether significant contingent liabilities and commitments have been properly disclosed;
 - (g) the going concern assumption; and
 - (h) compliance with accounting standards, regulatory and other legal requirements;
- 10.2 Review and provide advice on whether the financial statements taken as a whole provide a true and fair view of the Company's financial position and performance;
- 10.3 Ask probing questions to ascertain whether the financial statements are consistent with operational and other information known, where there are significant matters requiring judgement;

Risk Management

- 10.4 Ensure that an appropriate risk reporting structure is established to facilitate reporting of risk to management and the Board;
- 10.5 Review and assess the adequacy and effectiveness of the risk management framework, policies and processes, which include identifying, managing, monitoring, treating and mitigating significant risks of the Group, and recommend for approval by the Board;
- 10.6 Ensure infrastructure, resources and systems are in place for risk management, i.e. ensure that staff responsible for implementing the risk management systems perform those duties independently of the risk originating activities of the Company and the Group (where applicable);
- 10.7 Review and assess the risk appetite and risk tolerance for the Group;
- 10.8 Review the significant and key risks identified including reviewing of periodic risk management and business exposures reports from the respective business units of the Company and the Group (where applicable) on risk exposures, risk portfolio compositions and risk management activities and assess the mitigating actions put in place to manage these risks to ensure that the risks are effectively managed in accordance with the Group's risk management policies and strategies;

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10.9 Review the Statement on Risk Management and Internal Control (which has been reviewed by the external auditors) for inclusion in the Company's Annual Report, and recommend for approval by the Board;

10.10 Review the adequacy of resources for managing the risk management framework;

Internal Controls

10.11 Review on the overall adequacy and effectiveness of the system of internal control including information technology controls to prevent data breaches and cybersecurity threats, the Group's financial, audit and accounting organisations and personnel and the Group's policies and compliance procedures with respect to business practices, through a review of the results of work performed by internal and external auditors and other consultants, where required and discussions with key senior management;

10.12 Review the sustainability reporting by ensuring the effective identification, management and reporting of material sustainability matters (i.e. risks and opportunities) affecting the economic, environmental and social aspects of the Group's businesses towards achievement of sustainability goals across the Group;

10.13 Review the employees' code of business practice, vendors' code of business practice, the whistle-blowing policy and the outcome of any defalcation cases investigated.

External Auditors

10.14 Consider and recommend to the Board on the appointment or re-appointment of external auditors and to fix their fees (audit and non-audit), after assessing their independence and capabilities as well as the effectiveness of the external audit process;

10.15 Review the following and report the same to the Board:

- (a) letter of resignation from the external auditors or suggestions for their dismissal, including a copy of any written representations or statement of circumstances in relation with the resignation made by the external auditors, if applicable; and
- (b) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment.

10.16 Assess the suitability, objectivity and independence of the external auditors on an annual basis based on the policies and procedures that have been established and the annual performance evaluation of the external auditors undertaken by the ARMC. The policies and procedures must include among others consideration on:

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- (a) the criteria to guide decisions on the appointment and re-appointment of the external auditor. The criteria should include an assessment of the competence, audit quality and resource capacity of the external auditor in relation to the audit. The assessment should also consider information presented in the Annual Transparency Report of the audit firm. If the Annual Transparency Report is not available, the ARMC may engage the audit firm on matters typically covered in an Annual Transparency Report including the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks;
- (b) the appropriateness of audit fees to support a quality audit;
- (c) requirement for non-audit service to be approved by the ARMC before they are rendered by the external auditor and its affiliates while taking into account the nature and extent of the non-audit services and the appropriateness of the level of fees;
- (d) requirement to obtain written assurance from the external auditor 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; and
- (e) the conduct of an annual evaluation on the performance of the external auditor and undertaking follow-up measures, where required.

10.17 Review the following with the external auditors and report the same to the Board:

- (a) audit plan, its scope and nature;
- (b) their coordination with component auditors where more than one (1) audit firm is involved in the audit of the Group's financial statements.
- (c) audit report;
- (d) evaluation of the system of internal controls;
- (e) the assistance given by the employees to the external auditors, including any difficulties or disputes with management encountered during audit; and
- (f) external auditors' management letter and management's response thereto.

Internal Audit

10.18 In relation to the internal audit function, the responsibilities of the ARMC are to review:

- (a) the adequacy of the scope, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;

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- (b) the internal audit plan, programme, processes, and the reporting structure;
- (c) whether the internal audit function is carried out in accordance with a recognised framework;
- (d) the findings of the internal auditor's reports, investigations undertaken and whether or not appropriate actions are taken by the management, based on the recommendations of the internal auditors;
- (e) the effectiveness of internal audit function, including the ability, competency and qualifications of the internal audit team and / or outsourced internal auditors (if any) to perform its duties;
- (f) and approve matters concerning the employment and the annual appraisal or appointment (or reappointment on annual basis) of head of in-house internal audit and / or outsourced internal auditors (as the case may be) and the reasons for the resignation or termination of either party;
- (g) any special audit which the ARMC deems necessary.

Related Party Transactions ("RPT") and Conflict of Interest ("COI")

- 10.19 Monitor, review and report to the Board any RPT, Recurrent RPT ("RRPT") and COI situation that arose, persist or may arise within the Company or Group, including any transaction, procedures or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts;
- 10.20 In reviewing any RPT or RRPT, the ARMC shall review the terms thereof to determine whether such RPT or RRPT will be conducted at arm's length basis and in the best interest of the Company or Group, and on normal commercial terms in the ordinary course of business and on terms not more favourable to the related party than those generally available to the public and will not prejudice the shareholders or disadvantage to the Group; and
- 10.21 To review the process used to procure the shareholders' mandate for RRPT.

Sustainability Management

- 10.22 Review the implementation of the Group's sustainability matters in respect of compliance with the law and regulatory requirements;
- 10.23 To review the Group's Sustainability Statement to be published in the Company's Annual Report;
- 10.24 To review the Sustainability Report for the issuance with the Company's Annual Report;
- 10.25 Review and deliberate the Group's sustainability strategy and governance structure and assess the adequacy and effectiveness of resources in delivering the Group's business strategy;

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10.26 Review and deliberate on any matter related to climate-related risk issues, including its progress against target, and considering risk and opportunities during the review of policies, business strategies, risk management and expenditure; and

10.27 Review and deliberate any other matters related to Environmental, Social & Governance (“ESG”), Compliance and sustainability matters as defined by the Board or Board Committees.

Others

10.28 Review all financial related reports/statements as required by the ACE LR, for inclusion in the Annual Report;

10.29 Verify allocation of units or options issued pursuant to the various incentive or retention schemes implemented by the Group (if any);

10.30 Obtain regular updates from the management regarding compliance matters;

10.31 Review findings, queries or investigation by the regulatory agencies (if any);

10.32 Review the adequacy and appropriateness of Anti-Bribery and Corruption Policy, and Whistleblowing Policy, when necessary;

10.33 Conduct an annual assessment of its own performance. The Nominating Committee shall review the terms of office and assess the ARMC and each of its members annually to determine whether the ARMC and its members have carried out their duties in accordance with these terms of reference and report to the Board accordingly; and

10.34 Carry out any other functions that may be mutually agreed upon by the ARMC and the Board.

11. REVIEW OF THE WRITTEN TERMS OF REFERENCE

11.1 Any amendments to these terms of reference of the ARMC shall be approved by the Board. These terms of reference will be reviewed and updated periodically in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the ARMC’s responsibilities.

11.2 The written terms of reference will be made to public on the Company’s website.

12. MISCELLANEOUS

- 12.1 The provisions under this TOR have been drafted in a manner to also incorporate the provisions under the ACE LR and other statutes, regulations and guidelines applicable to the ARMC. In the event the applicable provisions of the ACE LR and/or relevant governing statutes, regulations and guidelines relating to ARMC are from time to time amended, modified or varied, such amendments, modifications and variations shall be deemed inserted herein whereupon this TOR shall be read and construed subject to and in accordance with the amended, modified or varied ACE LR, statutes, regulations and guidelines.