QES GROUP BERHAD

Company Registration No. 201401042911(1119086-U)
(Incorporated in Malaysia)

TERMS OF REFERENCE FOR AUDIT COMMITTEE

1. OBJECTIVES

The main function of the Audit Committee ("AC") is to assist the Board in fulfilling their responsibility to oversee QES Group Berhad ("the Company") and its subsidiaries ("the Group") accounting and financial reporting matters. The AC provides additional assurance to the Board by giving an objective and independent review of financial, operational and administrative controls and procedures, establishing and maintaining internal controls, reinforce the independence of the Company's External Auditors, evaluate the quality of the Internal Auditors and oversee compliance with laws and regulations together with observance of a proper code of conduct. The AC Terms of Reference ("TOR") is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Constitution of the Company.

The AC TOR also endeavours to comply with the MCCG as a guide, wherever possible.

2. COMPOSITION

The composition of the AC is in compliance with the Listing Requirements of Bursa Securities and the Constitution of the Company.

3. CHAIRMAN

(a) The members of the AC shall elect a Chairman from amongst their numbers who shall be an Independent Director

(b) In the absence of the Chairman of the AC, the other members of the AC shall amongst themselves select a Chairman who must be an independent director to chair the meeting.

(c) The roles of the AC Chairman are as follows: -
- Planning and conducting of meetings;
- Overseeing the reporting of any potential issues and other issues discussed in its meetings to the Board thereafter;
- Encouraging open discussion amongst its members and other invitees during meetings;
- Maintaining active ongoing dialogue with Management and both Internal and External auditors.

4. RETIREMENT AND RESIGNATION

If any member of the AC retires, re-designates, resigns, dies, or for any reason ceases to be a member or Chairman resulting in non-compliance with paragraphs 2 (a) above, the Board and the members of the AC 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. SECRETARY

The Company Secretary shall be the Secretary of the AC and shall be responsible, in conjunction with the Chairman, for circulating agenda prior to each meeting and also circulating minutes of the meeting to all members.

6. AUTHORITY

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

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

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

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

(d) obtain, at the expense of the Company, other independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary;

(e) able to convene meetings with the external auditors, the person(s) carrying out the internal audit function or activity, or both, excluding the attendance of other directors and employees of the listed corporation, whenever deemed necessary; and

(f) where the AC is of the view that the matter reported by it to the Board has not been satisfactorilyresolved resulting in a breach of the ACE Market Listing Requirements of Bursa Securities, the AC shall promptly report such matter to Bursa Securities.

7. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the AC shall be: -

(a) To review the following, in relation to External Auditor, and report the same to the Board: -

- To review the engagement, compensation, performance, qualifications and independence of the external auditors, its conduct of the annual statutory audit of the Company's financial statements, and the engagement of the external auditors for all other services;

- To review and approve the Company's quarterly and annual financial statement for recommendations to the Board, focusing in particular on any changes in or implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from the audit, going concern assumption and compliance with accounting standards and other regulating or legal requirements;

- To monitor the effectiveness of the external audit firm's recommendations in addressing weaknesses observed during previous audits, particularly on internal controls relevant to financial reporting process.

- To establish policies to consider the nature and extent of the non-audit services rendered and the appropriateness of the level of the fees;

- To obtain written assurance from 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 environments;

- To review the following with the external auditor: -

    - ✓ the audit plan, its scope and nature.

    - ✓ the audit report.

    - ✓ the results of their valuation of the accounting policies and systems of internal accounting controls within the Company.

    - ✓ the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit.

    - ✓ to assess the suitability objectivity and independence of external audit firm on an annual basis.

    - ✓ to discuss problems and reservations from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of the management, where necessary).

(b) To do the following, in relation to the internal audit function: -

- ensure that the person responsible for the internal audit has relevant experience, sufficient standing and authority to discharge his function effectively.

- review the internal audit plan, processes and results of the internal audit assessment, investigation undertaken and whether or not appropriate action is taken on therecommendation.

- ensure person responsible for internal audit reports directly to AC.

- review any appraisal or assessment of the performance of members of the internal audit function.

- approve any appointment or termination of senior staff members of the internal audit function.

- take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reason for resigning.

- ensure the internal audit has sufficient resources to carry out its role effectively.

(c) To review any related party transactions entered into by the Company and any conflict of interest situations that may arise within the Company;

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

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

(f) To monitor the Company's compliance with relevant laws, regulations and code of conduct;

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

(h) To consider and examine such other matters as the AC considers appropriate;

(i) To perform such other functions as may be requested by the Board;

(j) To review with Management: -

- audit reports and management letter issued by the external auditors and the implementation of audit recommendations.

- interim financial information.

(k) The recommendations of the AC are subject to approval of the Board.

8. INVITEES AT MEETINGS

The General Manager of Finance Department, the Head of Internal Audit and a representative of the external auditors shall normally attend meetings. Other Board members and employees may attend any particular meeting upon the invitation of the AC, specific to the relevant meeting. The AC shall meet with the external auditors without executive Board members present whenever deemed necessary.

9. FREQUENCY OF MEETINGS

The Chairman shall call for meetings, to be held not less than 4 times a year. The external auditors may request a meeting if they consider one necessary.

10. PROCEEDINGS OF MEETINGS

The proceedings, reporting procedures and minutes of the AC meetings is conducted in full compliance with the Listing Requirements of Bursa Securities and the Constitution of the Company.

11. QUORUM

The quorum for the AC meeting shall comprise of a majority of independent directors**.**

12. CIRCULAR RESOLUTION

A resolution in writing signed by a majority of the AC members for the time being shall be as valid and effectual as if it had been passed at a meeting of the AC duly called and constituted. Any such resolution may consist of several documents in like form each signed by a majority of AC members. Any such document may be accepted as sufficiently signed by AC member if transmitted to the Company by electronic or any communication facilities to include a signature of an AC member.

13. REVIEW OF THE WRITTEN TERMS OF REFERENCE

(a) Any amendments to these terms of reference are to 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 Audit Committee responsibilities.

(b) The written terms of reference will be made available to public on the Company's website.

The Terms of Reference of the Audit Committee is adopted on 14 April 2022.