CYL CORPORATION BERHAD (**516143-V**)
(Incorporated in Malaysia)

POLICY ON EXTERNAL AUDITORS

1. INTRODUCTION

The purpose of this Policy is to detail certain responsibilities of the Audit Committee regarding the External Auditors, as laid down in the Terms of Reference of the Audit Committee, being:

(a) establishing policies and procedures to assess the suitability and independence of External Auditors;

(b) reviewing and monitoring the suitability and independence of the External Auditors; and

(c) establishing policies and procedures in governing circumstances for contracts of non-audit services to be entered with External Auditors.

This Policy requires the External Auditors of the Company to be independent in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.

2. Selection and Appointment of External Auditors

If a need for a change of External Auditors or in the event a vacancy arises, the Audit Committee shall follow the procedures below for selection and appointment of new External Auditors:-

(a) identify the audit firms that meet the criteria for appointment and request for proposals for consideration;
(b) assess the proposals received and shortlist the suitable audit firms; and
(c) interview the shortlisted audit firms.

If need be, the Audit Committee may request the Managing Director or any one Executive Director to facilitate steps (a) to (c) above.

Once the assessment process is completed, the Audit Committee shall report to the Board of the process adopted in undertaking the review, the audit firm recommended by the Audit Committee and the basis for the recommendation.

If the audit firm recommended by the Audit Committee is endorsed by the Board, shareholders' approval for the appointment shall be sought at the general meeting.

In assessing the audit firms, the following criteria shall be taken into account:

- audit approach and methodology;
- market, ethical and professional reputation ;
- independence of the audit firm ;
- internal governance processes;
- key personnel and resources;
- reasonableness of fees; and
- any other criteria deemed fit by the Audit Committee and/or the Board.

3. Independence of External Auditors

The Audit Committee shall review the independence of the External Auditors annually. In evaluating independence, the Audit Committee shall consider whether the External Auditors is independent both in fact and in appearance.

The External Auditors shall be precluded from providing services that might threaten its independence or conflict with its assurance and compliance role. The independence of the External Auditor will be impaired where the External Auditor provides services which:

- create conflict of interests between the External Auditors and Company;
- result in the External Auditors functioning in the role of management;
- place the External Auditors in the position of auditing its own work; and
- place the External Auditors in the position of being an advocate for the Company.

The External Auditors shall observe and comply with the By-Laws (on Professional Ethics, Conduct and Practice) of the MIA in relation to provision of non-audit services. As a general rule, the following non-audit services may not be performed by the External Auditors for which no safeguard can eliminate or reduce the threat on the External Auditors' independence:

(a) provision of accounting and bookkeeping services, including payroll services and the preparation of financial statements or financial information;

(b) provision of valuation services if the valuations would have a material effect, separately or in the aggregate, on the financial statements on which the External Auditors will express an opinion;

(c) preparing tax calculations of current and deferred tax liabilities (or assets) for the purpose of preparing accounting entries that are material to the financial statements on which the External Auditors will express an opinion and provision of certain tax services that would create self-review and advocacy threats;

(d) provision of internal audit services;

(e) provision of information technology ("IT") systems services involving the design or implementation of IT systems that (i) form a significant part of the internal control over financial reporting or (ii) generate information that is significant to the Company's accounting records or financial statements on which the External Auditors will express an opinion;

(f) provision of litigation support services;

(g) provision of dispute resolution services;

(h) provision of recruiting services; and

(i) provision of corporate finance services involving promoting, dealing in, or underwriting the Company's shares that would create an advocacy or self-review threat that is so significant that no safeguards could reduce the threat to an acceptable level.

4. Rotation of Audit Engagement Partner

The Audit Engagement Partner responsible for the external audit shall be subject to rotation at once in least every seven (7) financial years.

5. External Auditors performance review

The Audit Committee shall review the performance of the External Auditors on an annual basis.

In reviewing the performance of the External Auditors, the Audit Committee shall consider:

(a) the quality and rigour of the audit;
(b) the quality of service provided;
(c) the External Auditors' internal quality control procedures;
(d) communication with the Board and/or Audit Committee;
(e) the External Auditors' independence and objectivity;
(f) the External Auditors' adequacy of resources; and
(g) any other criteria deemed fit by the Audit Committee and/or the Board.

6. Authorisation and Reporting

It is the Company's policy that non-audit fees paid to the External Auditors in a financial year shall be no more than 50% of the total amount of audit fees paid to the External Auditors.

For audit and audit related services, the External Auditors shall table the fees when presenting the annual Audit Planning Memorandum to the Audit Committee.

The Managing Director or any one Executive Director is authorised to engage non-audit services up to a fee of RM30,000 and report to the Audit Committee accordingly.

Any engagement for non-audit services above a fee of RM30,000 must be approved in advance by the Audit Committee with a recommendation by the Managing Director or any one Executive Director. Referrals to the Audit Committee must be in writing and must contain the following:

- nature and details of the non-audit services;
- estimated fees;
- justifications as to why the non-audit services is best provided by the External Auditors; and
- a statement on why the engagement will not impair the External Auditors' independence and objectivity.

Where referral to the Audit Committee is required but critical timing issues mean that this is not feasible within the given timescale, the Chairman of the Audit Committee may approve the appointment of the External Auditors for non-audit services and such approval shall be ratified by the next Audit Committee meeting.

A report is to be submitted to the Audit Committee annually, detailing all work undertaken by the External Auditor. The report should include the nature of the non-audit services provided, the related fee and total fees in aggregate and as a percentage of the approved audit fee.

The Audit Committee will report in the Company's Annual Report on the amount of audit fees paid or payable to the External Auditors, stating the amount incurred by the Company and the amount incurred on a group basis respectively and the amount of non-audit fees paid or payable to the External Auditors, or a firm or corporation affiliated to the External Auditors, stating the amount incurred by the Company and the amount incurred on a group basis respectively.

7. Review of the Policy

This Policy was last reviewed by Audit Committee on 17 September 2019.

This Policy shall be reviewed periodically and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Audit Committee's duties and responsibilities.