

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

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

**A. Composition of Audit Committee**

- (1) The Audit Committee shall be appointed by the Board from amongst the Directors of the Company which fulfils the following requirements:-
  - (a) the Audit Committee must be composed of not fewer than three (3) members;
  - (b) all Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Directors; and
  - (c) at least one (1) member of the Audit Committee:-
    - (i) must be a member of the Malaysian Institute of Accountants; or
    - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-
      - (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
      - (bb) he must be a member of one of the association of accountants specified in Part II of First Schedule of the Accountants Act 1967; or
    - (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").
- (2) No alternate director shall be appointed as an Audit Committee member.
- (3) No former key audit partner shall be appointed as a member of the Audit Committee before observing a cooling-off period of at least two (2) years.
- (4) The members of the Audit Committee shall elect a Chairman among themselves who shall be an Independent Director. The Chairman of the Audit Committee shall not be the Chairman of the Board.
- (5) All members of the Audit Committee should be financially literate and are able to understand matters under the purview of the Audit Committee. Audit Committee members should undertake continuous professional development

to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

- (6) Where practical, a member of the Audit Committee who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves.
- (7) In the event of any vacancy in the Audit Committee resulting in the non-compliance with Para 15.09(1) and Para 15.10 of the Main Market Listing Requirements of Bursa Securities, the Company must fill the vacancy within three (3) months from the occurrence of such vacancy.
- (8) The Nomination Committee shall review the term of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee has carried out its duties in accordance with its Terms of Reference.

#### **B. Secretary of the Audit Committee**

The Company Secretary of the Company or such substitute as appointed by the Directors or the Audit Committee from time to time shall act as the secretary of the Audit Committee.

#### **C. Duties and Responsibilities of Audit Committee**

The main duties and responsibilities of the Audit Committee shall be:-

- (1) Review the following and report the same to the Board of the Company:-
  - (i) with the external auditors, the audit plan, the evaluation of the system of internal control and the audit report;
  - (ii) the assistance given by Management and employees of the Company to the external auditors and internal auditors;
  - (iii) 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;
  - (iv) the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations;
  - (v) the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:-
    - (a) changes in or implementation of major accounting policy changes;
    - (b) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed; and

- (c) compliance with accounting standards and other legal requirements;
  - (vi) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
  - (vii) any letter of resignation from the external auditors and any questions of resignation or dismissal; and
  - (viii) whether there is reason (supported by grounds) to believe that the Company's external auditors is not suitable for re-appointment;
- (2) Establish policies and procedures to assess the suitability and independence of external auditors;
- (3) Establish policies and procedures in governing circumstances for contracts of non-audit services to be entered with external auditors;
- (4) Recommend the nomination of a person or persons as external auditors and to review and assess the suitability of the external auditors for re-appointment, taking into consideration their independence and objectivity and the cost effectiveness of the audit;
- (5) Oversee the Company's internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Company's assets from misappropriation and encourage legal and regulatory compliance;
- (6) Assist the Board in identifying the principal risks in the achievement of the company's objectives and ensuring the implementation of appropriate systems to manage these risks;
- (7) Discuss with the external auditors before audit commences, the nature and scope of audit and ensure co-ordination where more than one audit firm is involved;
- (8) Discuss problems and reservations arising from audits and any matter the auditors may wish to discuss in the absence of Management, where necessary;
- (9) Review the external auditors' management letter and the response thereto;
- (10) Review any appraisal or assessment of the performance of the internal auditors;

- (11) Review any letter of resignation from internal auditors and provide the internal auditors an opportunity to submit reasons for resigning;
- (12) Meet the external auditors and internal auditors at least twice a year, without Management being present to discuss their remit and any issues arising from the external and audit internal audits carried out;
- (13) Consider the major findings of any internal investigations;
- (14) Report to Bursa Securities on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Securities; and
- (15) Carry out other functions as may be directed by the Board.

#### **D. Rights of the Audit Committee**

In performing of its duties and responsibilities, the Audit Committee shall:-

- (1) have the authority to investigate any matter within its Terms of Reference;
- (2) have the resources which are required to perform its duties;
- (3) have full and unrestricted access to any information pertaining to the Company;
- (4) have direct communication channels with the external auditors and internal auditors;
- (5) be able to obtain independent professional or other advice at the expense of the Company in accordance with the steps set out in the Board Charter or invite outsiders with relevant experience and expertise to attend the Audit Committee meetings to brief the Audit Committee, if necessary; and
- (6) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

#### **E. Procedure of Committee Meetings**

##### **(1) Frequency of Meetings**

The Audit Committee shall meet at least four (4) times in each financial year although additional meetings may be called as and when required or upon the request of external auditors to consider any matters that the external auditors believe should be brought to the attention of the Audit Committee.

(2) **Venue and Participation**

The Audit Committee meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enable the Audit Committee members as a whole to participate for the entire duration of the meeting, and that all information and documents for the meeting must be made available to all members prior to or at the meeting.

(3) **Notice**

Except in the case of an emergency, the notice of the Audit Committee meetings and meeting materials shall be circulated at least five (5) business days before each meeting to members of the Audit Committee. Notice of meetings shall be given in writing and sent to the member either personally or by fax or e-mail or by post or by courier to his/her address as appearing in the Register of Directors or to the address provided by the Audit Committee member, as the case may be.

(4) **Quorum**

The quorum shall consist of a majority of Independent Directors and shall not be less than two (2).

If at any meeting, the Chairman of the Audit Committee is not present within fifteen (15) minutes of the time appointed for holding the same, the members of the Audit Committee present shall choose one of their number who shall be an Independent Director to be Chairman of such meeting.

(5) **Attendance**

The Audit Committee may extend an invitation to other board members and Management to attend meetings as it deems necessary.

(6) **Voting**

A resolution put to the vote of the meeting shall be decided on a show of hands. In the case of an equality of votes, the Chairman shall be entitled to a second or casting vote (except where 2 members form the quorum).

(7) **Keeping of Minutes**

The Company shall cause minutes of all proceedings of the Audit Committee meetings to be entered in books kept for that purpose.

Minutes of each meeting signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting shall be evidence of the proceedings to which it relates.

**(8) Custody, production and inspection of such minutes**

Minutes shall be kept by the Company at the Registered Office and shall be open for inspection by any of the Audit Committee member or Board member.

**F. Circular Resolution**

The Audit Committee is also allowed to carry out their resolutions by way of written resolutions. A resolution in writing signed or approved via letter, telex, facsimile, email by all Audit Committee members shall be effective for all purposes as a resolution passed at a meeting of the Audit Committee duly convened, held and constituted. Any such resolution may be contained in a single document or may consist of several documents all in the like form signed by one or more members.

The Audit Committee shall review its Terms of Reference periodically and may recommend to the Board any changes it considers necessary.

This Terms of Reference was last reviewed on 21 May 2018.