



CYL CORPORATION BERHAD
200001013537 (516143-V)
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF
THE AUDIT COMMITTEE**



TERMS OF REFERENCE OF THE AUDIT COMMITTEE (“AC”)

A. COMPOSITION OF THE AC

- (1) The AC shall be appointed by the Board of Directors of the Company (“Board”) from amongst their members and shall consist of at least three (3) members.
- (2) All AC members must be Non-Executive Directors, with a majority of them being Independent Non-Executive Directors.
- (3) At least one (1) member of the AC:-
 - (i) must be a member of the Malaysian Institute of Accountants (“MIA”); or
 - (ii) if he/she is not a member of the MIA, he/she must have at least three (3) years’ working experience and:-
 - (a) he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (b) he/she must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1976; or
 - (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).
- (4) The members of the AC shall elect a Chairman from amongst its members who shall be an Independent Non-Executive Director.
- (5) The Chairman of the Board shall not be a member of the AC.
- (6) No alternate Director(s) shall be appointed as member(s) of the AC.
- (7) In the event of any vacancy in the AC, resulting in non-compliance with paragraphs (1), (2), (3) and (4) above, the Board shall take necessary steps to fill in the vacancy within three (3) months from the occurrence of the event.
- (8) All AC members shall be financially literate and should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- (9) No former partner of the external audit firm shall be appointed as a member of the AC before observing a cooling-off period of at least three (3) years. This shall apply to all former partners of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting, etc.).
- (10) The Nomination Committee shall review the term of office and performance of the AC and each of its members annually to determine whether the AC and its members have carried out their duties in accordance with the AC’s Terms of Reference.



- (11) The Board may from time to time and in its absolute discretion, revise the composition, roles and responsibilities of the AC.

B. SECRETARY

The Company Secretary of the Company or such substitute as appointed by the Board or AC from time to time shall act as the Secretary of the AC.

C. DUTIES AND RESPONSIBILITIES OF THE AC

The AC shall undertake the following duties and responsibilities:-

- (1) Review the following and report the same to the Board of the Company:-
- (i) with the External Auditors, the audit plan, its scope and nature, including any changes to the scope of 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, including any difficulties or disputes encountered during audit;
 - (iii) the adequacy of the scope, competency and resources of the internal audit function (including the name and qualification of the person responsible for the internal audit function) and that it has the necessary authority to carry out its work. Person(s) carrying out the internal audit function or activity must be free from any relationship or conflict of interest situation, which could impair their objectivity and independence;
 - (iv) the internal audit plan, processes, the results of the internal audit assessments and investigations undertaken and whether or not appropriate actions are taken on the recommendations and monitor Management's implementation of the recommended actions;
 - (v) the quarterly results and year-end financial statements of the Company, 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;
 - (c) adoption of new and/or revised accounting standards;
 - (d) the going concern assumption; and
 - (e) compliance with relevant accounting standards and other legal/regulatory 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 conflict of interest or potential conflict of interest situation that arise, persist or may arise or persist within the Group and the measures taken to resolve, eliminate or mitigate the conflict of interest;
 - (viii) any letter of resignation from the External Auditors and any questions of resignation or dismissal, including a copy of any written representations or statement of circumstances in relation with the resignation made by the External Auditors, where applicable; and
 - (ix) whether there is reason (supported by grounds) to believe that the Company's External Auditors is not suitable for re-appointment;
- (2) Review the accuracy and adequacy of the disclosure of information in the financial statements taken as a whole, provide a true and fair view of the Company's financial position and performance;
 - (3) Establish policies and procedures to assess the suitability, objectivity and independence of the External Auditors to safeguard the quality and reliability of audited financial statements;
 - (4) Establish policies and procedures for engagement of non-audit services to be provided by the External Auditors;
 - (5) Recommend the nomination of External Auditors and conduct an annual evaluation on the suitability of the External Auditors for re-appointment;
 - (6) Obtain written assurance from the External Auditors confirming their independence throughout the conduct of the audit engagement in accordance with relevant professional and regulatory requirements;
 - (7) Review the appropriateness of audit fees to support a quality audit;
 - (8) Review the non-audit services provided by the External Auditors and/or its affiliate firms to the Company and its subsidiaries ("Group") for the financial year, including the nature of the non-audit services, fee of the non-audit services individually and in aggregate relative to the external audit fees, and safeguards deployed to eliminate or reduce any threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided;
 - (9) Review the effectiveness of the Company's internal control and the timeliness of and reports on the effectiveness of corrective or remedial actions taken by Management;
 - (10) 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;
 - (11) Review the Statement on Risk Management and Internal Control which forms part of the Annual Report;
 - (12) 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;



- (13) Review the External Auditors' management letter and Management's response thereto including the status of previous audit recommendations;
- (14) Conduct a performance evaluation of the internal audit function annually;
- (15) Review whether the internal audit function is carried out in accordance with a recognised framework;
- (16) Review any letter of resignation from the Internal Auditors and provide the Internal Auditors an opportunity to submit reasons for resigning;
- (17) Review the internal audit reporting structure to ensure the internal audit function is independent of the activities it audits and it reports directly to the AC;
- (18) Meet the External Auditors and Internal Auditors at least twice a year, without Management being present to discuss any issues arising from the external and audit internal audits carried out;
- (19) Review the implementation and effectiveness of the Whistleblowing Policy, by which the employees, contractors, service providers, suppliers and members of the public may, in confidence, raise concerns about possible improprieties or misconduct on the part of the Group or its employees, including but not limited to, breaches of law or internal policies and procedures;
- (20) Exercise its powers and carry out its responsibilities as may be required from time to time under the Whistleblowing Policy;
- (21) Report to the Board any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board;
- (22) Review the systems and controls for ethical behaviour and the prevention of bribery and corruption and receive reports on findings and recommendations for improvement from the Internal Auditors;
- (23) Direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts;
- (24) 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
- (25) Conduct any other activities or investigation as may be authorised or directed by the Board.

D. MEETING PROCEDURES

(1) Quorum

In order to form a quorum for the meeting, the majority of the members present must be Independent Non-Executive Directors.



If the Chairman of the AC is not present within fifteen (15) minutes of the time appointed for holding the same or is unable/unwilling to chair the meeting, the members of the AC present shall elect one (1) of their number of whom is an Independent Non-Executive Director to be the Chairman of the meeting.

(2) Frequency of Meeting

Meetings shall be conducted at least four (4) times in each financial year, or more frequently as circumstances may dictate.

The Chairman may call for additional meetings of the AC when required or upon the request made by any AC member, the Internal Auditors or the External Auditors.

(3) Notice and Venue

The Secretary, with the concurrence of the Chairman of the AC, shall be responsible for drawing up and circulating the agenda and the notice of AC meetings.

The notice of the AC meetings and meeting materials shall be circulated at least five (5) business days (or a shorter period where it is unavoidable) before each meeting to the members of the AC.

The notice of every meeting shall be given in writing and be served to the AC member either personally or by fax, e-mail, post or courier to his/her address in the Register of Directors or to the address provided by the AC member, as the case may be.

An AC meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enables all AC members as a whole to participate for the entire duration of the meeting.

The technology to be used for the purpose of this paragraph must enable each AC member taking part in the meeting to communicate simultaneously with each of the other AC members and may include telephone, television, video conferencing, or any other audio and/or visual device which permits instantaneous communication.

A virtual AC meeting shall be deemed to constitute provided the following conditions are met:-

- (a) all AC members for the time being entitled to receive notice of the AC meeting shall be entitled to receive notice of a virtual meeting. Notice of any such meeting shall be given by an appropriate form of technology (or in such other manner) as may be permitted by the Constitution of the Company; and

- (b) an AC member may not leave a virtual meeting by disconnecting from the technology used unless he/she has previously expressly notified the Chairman of the meeting of his/her intention to leave the meeting and an AC member shall be conclusively presumed to have been present and to have formed part of the quorum at all times during such a meeting until such notified time of his/her leaving the meeting.

The main venue of the meeting shall be the place where the Chairman is present or the Chairman of the meeting is present, if the meeting is not chaired by the Chairman.

(4) **Voting**

Each member of the AC is entitled to one (1) vote in deciding the matters deliberated in the meeting.

Questions arising at any meeting of the AC must be determined by a majority of votes of the members present, and in the case of an equality of votes, the Chairman has a second or casting vote. The Chairman shall not have a second or casting vote when only two (2) members (one of whom is the Chairman) form a quorum or when only two (2) members are competent to vote on the question at issue.

An AC member shall abstain from discussion or deliberations or excuse himself/herself from the meeting during discussion or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for the AC member.

(5) **Attendance at meetings**

Other members of the Board and Management of the Company may attend the meeting (specific to the relevant meeting) upon the invitation of the AC.

The AC shall meet at least twice annually with the Internal and External Auditors without the presence of any executive Board members, Management or employees. In addition, the Internal and External Auditors may request for a private session with the AC to discuss any matter of concern.

E. KEEPING AND INSPECTION OF MINUTES

- (1) The Company shall cause minutes of all proceedings of the AC meetings to be entered in books kept for that purpose.
- (2) The minutes of the proceedings of meetings including virtual meetings shall be sufficient evidence of such proceeding and of the observance of all necessary formalities if it is certified as correct by the Chairman of the meeting or the next succeeding meeting.
- (3) The books containing the minutes of proceedings of the AC meetings shall be kept at the Registered Office or any other place as may be determined by the Board and shall be open for inspection by any AC member or Board member.



F. WRITTEN RESOLUTIONS OF THE AC

- (1) The AC may pass a resolution by way of a written resolution. A written resolution that is signed in accordance with the quorum required by an AC meeting shall be valid and effectual as if it were a resolution duly passed at an AC meeting duly convened and held.
- (2) Any such document may be accepted as sufficiently signed by an AC member if transmitted to the Company by any technology purporting to include a signature and/or an electronic or digital signature by the AC member and may consist of several documents in like form, each signed by one (1) or more AC members.

G. POWER AND AUTHORITY OF THE AC

The AC shall, in accordance with the procedures determined by the Board and at the expense of the Company:-

- (a) have authority to investigate any matter within the Terms of Reference;
- (b) have the resources which the AC requires to perform its duties;
- (c) have full and unrestricted access to any information and documents of the Company or the Group which is required in the discharge of its duties;
- (d) have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity;
- (e) be able to obtain independent professional or other advice in the performance of its duties at the expense of the Company; and
- (f) be able to convene meetings with the external auditors, person(s) carrying out the internal audit function or activity or both, without the attendance of other Directors and employees of the Company, whenever deemed necessary.

H. REPORTING AND OPERATION OF THE AC

- (1) The AC shall take into consideration the following policies in the discharge of its duties and responsibilities:-
 - (a) Policy on External Auditors;
 - (b) Whistleblowing Policy;
 - (c) Anti-Corruption and Bribery Policy; and
 - (d) Code of Conduct.
- (2) The Chairman of the AC shall report formally to the Board on its proceedings after each AC meeting on all matters within its duties and responsibilities and present the recommendations of the AC to the Board accordingly.
- (3) The Chairman of the AC shall engage on a continuous basis with Management, the Internal Auditors and the External Auditors in order to be kept informed of matters affecting the Company and/or its subsidiaries.
- (4) The AC shall issue an AC Report as part of the Annual Report of the Company, which shall include a summary of the work of the AC in the discharge of its functions and duties for that financial year under reporting, and how it has met its responsibilities.



- (5) The AC shall also provide relevant information and review all reports and statements under the purview of the AC to assist the Board in making the required disclosures in the Annual Report and Corporate Governance Report.
- (6) The AC shall conduct an annual assessment of its own performance. The Nomination Committee shall review the term of office and performance of the AC and each of its members annually to determine whether the AC and its members have carried out their duties in accordance with the Terms of Reference and report to the Board accordingly.
- (7) The AC shall review the Terms of Reference periodically in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's duties and responsibilities and recommend any changes it considers necessary to the Board.

The Terms of Reference shall be made available on the Company's website at www.cylcorporation.com.

The Terms of Reference was last reviewed on 26 June 2023.