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|  | EXTERNAL AUDITORS ASSESSMENT POLICY | Doc. No. : CG-12 |
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1. INTRODUCTION

Pursuant to Section 271 of the Companies Act, 2016 (“CA2016”), the external auditors of a Public Company shall be appointed or re-appointed for each financial year, and the external auditors so appointed shall hold office until the conclusion of the next annual general meeting of the Company.

CN Asia Corporation Bhd (the “Company” or the “Group”) has established its External Auditors Assessment Policy (the “Policy”) which set out the procedure of assessing, monitoring, reviewing and supervising the performance, suitability and independence of external auditors of the Group.

The Board of Directors (the “Board”) has assigned the duty of external audit assessment to the Audit Committee (“AC”).

2. OBJECTIVES

The objective of the Policy is to outline the guidelines and procedures to be undertaken by the AC for the selection, appointment and assessment of external auditors.


The independence of the external auditors is the key element of the Company’s policy, the selection criteria will ensure that the external auditors are independent and have the relevant expertise and skill for such an appointment.

3. PROCEDURES

3.1 SELECTION AND APPOINTMENT OF EXTERNAL AUDITORS

The AC will observe the following procedures for selection and appointment of new external auditors, when they determine a need to change the external auditors: -

- (a) to identify the audit firms which meet the following criteria for appointment:
 - must be registered with the Audit Oversight Board under Part IIIA of the Securities Commission Malaysia Act 1993;
 - provide a fee quotation which is cost effectiveness for its audit services (fee quotation will not be the main determining factor in the selection of preferred external auditors);
 - must satisfy the AC and the Board that it is independent from the Company and its ability to maintain independence throughout the engagement;
 - there being no conflict of interest situations that could affect the independence of the external auditors; and
 - professional competency and industry experience i.e. the breadth and depth of resources, expertise and experience of the engagement team members.
- (b) to assess the proposals received and shortlist the suitable audit firms

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- (c) to meet and/or interview the shortlisted audit firms
- (d) to recommend the suitable audit firm to the Board for appointment as external auditors
- (e) upon the Board endorse the recommendation, the external auditors shall be appointed pursuant to Section 271(2) of the CA2016; or to seek shareholders' approval for the appointment of the new external auditors and/or resignation/removal of the existing external auditors at the general meeting pursuant to Section 271(4) of the CA2016.

3.2 NON-AUDIT SERVICE

Before appointing the external auditors to undertake non-audit service, considerations should be given to whether this would create a threat to the external auditors' independence or objectivity. The external auditors should not be appointed unless appropriate safeguards are present to eliminate or reduce the threat to an acceptable level.

The external auditors shall not be considered for non-audit services specifically prohibited by the By-Laws of the Malaysian Institute of Accountants ("By-Laws of the MIA") or promulgations of the International Federation of Accountants for which no safeguard can eliminate or reduce the threat on the external auditors' independence.

The following non-audit services may be provided by the Group's external auditors in pursuant to the By-Laws of the MIA:-

- advice and assurance on the interpretation and implementation of accounting standards, financial reporting matters, tax and governance regulations;
- advice and assurance in respect of direct and indirect tax related matters;
- due diligence investigations related to potential acquisitions, disposals or joint ventures and fund-raising exercises;
- statement on risk management and internal control reviews; and
- attestation reports as required by third parties.

The following non-audit services shall not be provided by the Group's external auditors in pursuant to the By-Laws of the MIA:

- bookkeeping and other services relating to accounting records and corporate financial statements;
- corporate finance services which involve promoting, dealing in, or underwriting shares;
- the design, implementation and operation of financial information systems;
- internal control functions;
- litigation support services;
- recruitment services; and
- valuation of financial instruments.

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All engagements of the external auditors to provide non-audit services are subject to the approval/endorsement by the AC. The Management is obliged to obtain confirmation from the external auditors on their independence which shall not be impaired by the provision of non-audit engagement.

3.3 MONITORING AND REPORTING

The Financial Controller (“FC”) shall report to the AC on an annual basis on any significant non-audit services and its related fees on non-audit services rendered to the Group or its subsidiaries by the external auditors and make disclosure on the nature and extent of non-audit services if the fees on such services are “significant” in accordance with Bursa Securities Listing Requirements.

3.4 ROTATION OF EXTERNAL AUDIT ENGAGEMENT PARTNER

The key audit partner responsible for the external audit of the Group is subject to rotation at last every five (5) financial years in accordance with the By-Laws of the MIA.

3.5 ANNUAL ASSESSMENT

The AC together with the FC will review the external auditors’ performance annually on the suitability and independence of the external auditors on the following areas: -


- calibre of the external audit firm
- quality processes / performance
- expertise of audit team
- independence and objectivity
- audit scope and planning
- audit fees
- communication with the management.

3.6 WRITTEN ASSURANCE FROM EXTERNAL AUDITORS ON THE PROFESSIONAL QUESTIONS OF INDEPENDENCE

The AC is to obtained a written assurance from the external auditors confirming that they are have been professionally independence throughout the conduct of the audit engagement in conformity with all relevant regulatory requirement and practices.

3.7 AUTHORITY AND RESPONSIBILITY

The final authority and responsibility for upholding the assessment of the external auditors in accordance with the Policy shall rest with the Board.

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4. REVIEW OF THE POLICY

This Policy shall be reviewed by the Board at least once a year to ensure it continues to remain effective, relevant and appropriately in line with the relevant laws and legislations.

This External Auditors Assessment Policy was approved by the AC and the Board of Directors on 15 November 2018.