

## **EXTERNAL AUDITORS POLICY**

### **1. Introduction**

The Audit and Risk Management Committee ("ARMC") of the Board of Directors ("the Board") of Kobay Technology Bhd. ("the Company") is responsible for reviewing, assessing and monitor the performance, suitability and independence of external auditors. The objective of this External Auditors Policy ("the Policy") is to outline the guidelines and procedures for the ARMC to assess and monitor the external auditors' performance.

### **2. Selection and Appointment**

Pursuant to Section 172(2) of the Companies Act 1965, the Company shall at each annual general meeting appoint or re-appoint the external auditors of the Company, and the external auditors so appointed shall, hold office until the conclusion of the next annual general meeting of the Company.

The Board has delegated to the ARMC the responsibility for the appointment, remuneration and removal of external auditors.

Should the ARMC determine a need for a change of external auditors, the ARMC will follow the following procedures for selection and appointment of new external auditors :-

- (a) the ARMC to identify the audit firms who meet the criteria for appointment and to request for their proposals of engagement for consideration ;
- (b) the ARMC to assess the proposals received and shortlist the suitable audit firms;
- (c) the ARMC will meet and/or interview the shortlisted candidates;
- (d) the ARMC may delegate or seek the assistance of the Chief Financial Officer ("CFO") to perform items (a) to (c) above;
- (e) the ARMC will recommend the suitable audit firm to the Board for appointment as external auditors; and
- (f) the Board will enclose the recommendation proposed by the ARMC and seek shareholders' approval for the appointment of the new external auditors and/or resignation/removal of the existing external auditors at the general meeting.

### **3. Independence**

The external auditors are precluded from providing any services that may impair their independence or conflict with their role as external auditors. The ARMC shall obtain a written assurance from the external auditors 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 requirements.

### **4. Non-audit service**

The external auditors can be engaged to perform non-audit services that are not, and are not perceived to be, in conflict with the role of external auditors. This excludes audit related work in compliance with statutory requirements.

The prohibition of non-audit services is based on three (3) basic principles as follows :-

- (a) external auditors cannot function in the role of Management;

- (b) external auditors cannot audit their own work; and
- (c) external auditors cannot serve in an advocacy role of the Company and its subsidiaries (“the Group”).

The external auditors shall observe and comply with the By-Laws of the Malaysian Institute of Accountants in relation to the provision of non-audit services, which include the following :-

- i) accounting and book keeping services;
- ii) valuation services;
- iii) taxation services;
- iv) internal audit services;
- v) IT systems services;
- vi) Litigation support services;
- vii) Recruitment services; and
- viii) Corporate finance services.

All engagement of the external auditors to provide non-audit services are subject to the approval/endorsement of the ARMC.

Management shall obtain confirmation from the external auditors that the independence of the external auditors will not be impaired by the provision of non-audit services.

#### 5. Rotation of Audit Partner

The audit partner responsible for the external auditors for the external audit of the Group is subject to rotation at least every five (5) financial years, or at any duration as prescribed by the relevant professional or regulatory body from time to time.

#### 6. Annual Reporting

The External Auditors shall issue an annual audit plan for review and discussion with the ARMC.

The External Auditors shall also provide a management letter to the ARMC upon completion of the annual audit.

#### 7. Annual Assessment

The ARMC shall carry out annual assessment on the performance, suitability and independence of the external auditors based on the following four (4) key areas :-

- i) quality of service;
- ii) sufficiency of resources;
- iii) communication and interaction; and
- iv) independence, objectivity and professional scepticism.

The ARMC may also request the CFO and/or Head of Internal Audit to join the annual assessment of the external auditors.

8. Review of the Policy

The ARMC will review the Policy periodically to ensure that it continues to remain relevant and appropriate.