



LEON FUAT BERHAD
[Registration. No. 200601036648 (756407-D)]
(Incorporated in Malaysia)

AUDIT COMMITTEE'S POLICY ON EXTERNAL AND INTERNAL AUDITORS

A) EXTERNAL AUDITOR POLICY

1. Objective

The objective of this External Auditor Policy is to outline the guidelines and procedures for the Audit Committee to review, assess and monitor the performance, suitability, objectivity and independence for appointment or re-appointment of the External Auditors of the Company.

2. Appointment, Re-appointment and Removal of External Auditor

In appointing an external auditor, the Audit Committee must consider, among others:-

- (a) the audit firm accreditation with the Audit Oversight Board of the Securities Commission ("AOB");
- (b) the adequacy of the experience and resources of the audit firm;
- (c) the audit firm's audit engagements and clients;
- (d) the size and complexity of the Group's operations;
- (e) the number and experience of supervisory and professional staff assigned to the particular audit;
- (f) the independence of the Principals/ Partners of the audit firm from the influence of the Company's Directors or Senior Management; and
- (g) for audit firm that met the prescribed criteria to compulsorily produce annual transparency report for submission to the AOB, the information presented in the annual transparency report.

The Audit Committee shall observe the following procedures for selection and appointment of external auditors:-

- (a) To identify the audit firms that meet the criteria for appointment and to request for their proposals of engagement for consideration;
- (b) To assess the proposals and fee and shortlist the suitable audit firms;
- (c) To interview/meet with the shortlisted audit firms;
- (d) To recommend to the Board the appointment of the appropriate audit firm as External Auditors; and
- (e) the Board will if deemed appropriate, endorse the recommendation 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.

The Committee may delegate or request for assistance from the Management or Head of the Finance Department to perform tasks (a) to (c) above.

Pursuant to Section 271 (1) of the Companies Act 2016, 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.

Where the external auditors are removed from office or give notice to the Company of their desire to resign as external auditors, the Company must forward to Bursa Securities a copy of written representations or written explanations of the resignation made by the external auditors at the same time as copies of such representations or explanations are submitted to the Registrar of the Companies.

3. Provision of non-audit services

The external auditor can be engaged to perform non-audit services that are not, and are not perceived to be, in conflict with the role of the external auditor.

The non-audit services that shall not be provided by the external auditor pursuant to the By-Laws (on Professional Ethics, Conduct and Practice) by the Malaysian Institute of Accountants (MIA) are outlined below:-

- **accounting and bookkeeping services**, including payroll services and the preparation of financial statements or financial information;
- **valuation services** if the valuations would have a material effect on the financial statements;
- **preparation of tax calculations** of current and deferred tax liabilities (or assets) for the purpose of preparing accounting entries that are material to the financial statements;
- **internal audit services** that relate to a significant part of the internal controls over financial reporting, financial accounting systems or amount or disclosures that are material to the financial statements;
- **design or implementation of information systems** that form a significant part of the internal control or information on financial reporting, accounting records or financial statements;
- acting in an advocacy role on behalf of the company to resolve a **dispute or litigation** when the amounts involved are material to the financial statements;
- **recruiting services** with respect to a director, officer or senior management personnel who would be in a position to exert significant influence over the preparation of accounting records or the financial statements; and
- **corporate finance services** which involve promoting, dealing in, or underwriting shares.

All engagement of non-audit services provided by the External Auditor is subject to the approval/endorsement of the Audit Committee. Management shall also obtain written assurance from the External Auditor that the independence of the External Auditor will not be impaired by the provision of non-audit services.

4. Annual Assessment

On annual basis, the Audit Committee shall carry out evaluation of the External Auditor which shall encompass an assessment of the qualifications and performance of the auditor; the auditor's independence, objectivity, and professional scepticism; and the quality and candour of the auditor's communications with the Audit Committee and the Company.

An assessment tool comprising assessment questionnaires shall be used for the evaluation of the External Auditor.

Management shall also obtain 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.

5. Rotation of external audit engagement partner

The Company recognises that there exists a threat to the auditor's independence where the same audit partner conducts consecutive audits of the Company.

In order to mitigate this risk, the audit partner responsible for the external audit of the Company is subject to rotation at least every 7 years in accordance with By-Laws of the MIA.

6. Appointment of former audit partners as member of Audit Committee/ Employment of former employees of external auditors

On an ongoing basis, the Audit Committee agrees with the external auditors which members of the audit team are categorised as the 'key audit partners' and 'other key team members'.

- A former partners of the external audit firm (*applies to all partners of the audit firm and/or the affiliate firm (including those providing advisory services, tax consulting etc.)*) will not be offered employment by the Company or any of its related corporations or being appointed as a member of the Audit Committee within three (3) years of undertaking any role on the audit.
- Other key team members will not be offered employment by the Company or any of its related corporations within six months of undertaking any role on the audit.
- Other audit team members who accept employment by the Company or any of its related corporations must cease the audit activity immediately and tender their resignation to the audit firm.

Any offer of employment to a former employee of the audit firm must be pre-approved by the Audit Committee where the offer is made in respect of a senior executive position. Between meetings, the Audit Committee Chairman may delegate authority to deal with such appointments at his discretion. Any such interim approval must be ratified at the next meeting of the Committee.

B) INTERNAL AUDITOR POLICY

1. Objective

The objective of this Internal Auditor Policy is to outline the guidelines and procedures for the Audit Committee to review, assess and monitor the performance, suitability, objectivity and independence for appointment or re-appointment of the Company's Internal Auditor.

2. Appointment and Re-appointment of Internal Auditor

In appointing an internal auditor, the Audit Committee must consider, among others:-

- (a) the adequacy of the experience and resources of the consultancy firm;
- (b) the firm's internal audit engagements and clients;
- (c) the size and complexity of the Group's operations vis-à-vis the firm's capability;
- (d) the number and experience of the staff assigned to for audit works; and
- (e) the independence of the Principals/ Partners of the firm from the influence of the Company's directors or Senior Management.

The Audit Committee shall observe the following procedures for selection and appointment of Internal Auditors:-

- (a) To identify the consultancy firms that meet the criteria for appointment and to request for their proposals of engagement for consideration;
- (b) To assess the proposals and fee and shortlist the suitable firms;
- (c) To interview/meet with the shortlisted firms; and
- (d) To recommend to the Board the appointment of the appropriate consultancy firm as Internal Auditors.

The Committee may delegate or request for assistance from the Management or Head of the Finance Department to perform tasks (a) to (c) above.

3. Annual Assessment

On annual basis, the Audit Committee shall carry out evaluation of the Internal Auditor which shall encompass an assessment of the work performance, the Internal Auditor's independence, objectivity, and the quality and candour of the Internal Auditor's communications with the Audit Committee and the Company.

An assessment tool comprising assessment questionnaires shall be used for the evaluation of the Internal Auditor.

Management shall also obtain written assurance from the Internal Auditors confirming that they are, and have been, independent throughout the period of the internal audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

4. Rotation of Internal Auditor

To ensure and enhance the objectivity and effectiveness of internal audit review and control of the Group, the Internal Auditors will be subject to change once every 5 years.

C. REVIEW OF POLICY

This policy is subject to regular review by the Audit Committee and will be amended as appropriate to reflect the current best practices.