

EXTERNAL AUDITORS ASSESSMENT POLICY

1. INTRODUCTION

The Board of Directors (“the Board”) of Lien Hoe Corporation Berhad is responsible for the appointment of the Company’s external auditors, as well as to determine its audit fees, taking advice from the Audit Committee. The Audit Committee is entrusted to review and assess the suitability of the external auditors, before recommending to the Board for their re-appointment. Upon approval by Board, the resolution to re-appoint the external auditors will be put forward to the shareholders for their approval at annual general meeting of the Company.

The objective of this External Auditors Assessment Policy (“Policy”) is to outline the guidelines and procedures for the AC to review, assess and monitor the performance and suitability of the external auditors.

2. SELECTION AND APPOINTMENT PROCEDURE OF NEW EXTERNAL AUDITORS

The AC will follow the following procedures for selection and appointment of new external auditors, should there be a need to appoint new external auditors due to resignation or removal of the existing external auditors:-

- (a) to identify the audit firms which meet the criteria for appointment upon considering the engagement proposals;
- (b) to assess the proposals and shortlist the suitable audit firms;
- (c) to meet and/or interview the shortlisted audit firms;
- (d) to recommend a suitable audit firm to the Board for appointment as external auditors; and
- (e) upon obtaining the endorsement from the Board, the proposal will be recommended to the shareholders’ for their approval of the new external auditors at a general meeting of the Company.

The AC may delegate or seek the assistance of the Executive Directors and Chief Financial Officer to carry out items (a) to (c) above.

3. ASSESSMENT OF INDEPENDENCE

The external auditors are precluded from providing any services that may impair their independence or conflict with their role as external auditors.

The AC 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 ENGAGEMENT

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

The three (3) basic principles on the prohibition of non-audit engagements are as follows:-

- (a) not to function as Management;
- (b) not to audit their own work; and
- (c) not to serve in an advocacy role for the Company and its subsidiaries.

All engagements of the external auditors to provide non-audit services are subject to the approval by the AC and with expectations of the Management to obtain confirmation from the external auditors on their independence which shall not be impaired by the provision of non-audit services.

5. ANNUAL AUDIT PLAN

The external auditors will issue an annual audit planning memorandum for review and discussion with the AC. Upon completion of annual audit, the external auditors will provide a management letter to the AC.

6. ANNUAL PERFORMANCE ASSESSMENT

The AC shall carry out annual assessment on the performance and may request the Executive Directors and Chief Financial Officer to participate in the assessment, on the suitability and independence of the external auditors on the following areas:-

- (a) the adequacy of the experience and resources of the accounting firm;
- (b) the persons assigned to the audit;
- (c) the accounting firm's audit engagements;
- (d) the size and complexity of the listed issuer's group being audited; and
- (e) the number and experience of supervisory and professional staff assigned to the particular audit.

7. REVIEW

The AC will review this Policy periodically to ensure that it continues to remain relevant and appropriate for the Company's needs.