

HARN LEN CORPORATION BHD

Incorporated in Malaysia

200001000001 (502606-H)

EXTERNAL AUDITORS POLICY

1. INTRODUCTION

The Audit Committee (“the AC”) of Harn Len is responsible for reviewing, assessing and monitoring the performance, suitability and independence of external auditors which include firms and corporations affiliated to the external auditors (External Auditors or EA).

The objective of this **External Auditors Policy** (“the Policy”) is to outline the guidelines and procedures for the AC to assess and monitor the EA.

2. SELECTION AND APPOINTMENT

The Board has delegated to the AC the responsibility for the recommendation for appointment, remuneration and removal of EA.

Pursuant to Section 271 of the Companies Act 2016, the Company shall at each annual general meeting appoint or re-appoint the EA of the Company, and the EA so appointed shall, hold office until the conclusion of the next annual general meeting of the Company.

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

- (i) the AC to identify the audit firms who meet the criteria for appointment and to request for their proposals of engagement for consideration;
- (ii) the AC will assess the proposals received and shortlist the suitable audit firms;
- (iii) the AC will meet and/or interview the shortlisted candidates;
- (iv) the AC may delegate or seek the assistance of the Chief Financial Officer (“CFO”) to perform items (i) to (iii) above;
- (v) the AC will recommend the appropriate audit firm to the Board for appointment as EA;
and
- (vi) the Board will endorse the recommendation and seek shareholders’ approval for the appointment of the new EA and/or resignation/removal of the existing EA at the general meeting.

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3. INDEPENDENCE

The EA are precluded from providing any services that may impair their independence or conflict with their role as EA. The AC shall obtain a written assurance from the EA 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 EA can be engaged to perform non-audit services that are not, and are not perceived to be, in conflict with the role of the EA. 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:-

- (i) EA cannot function in the role of Management;
- (ii) EA cannot audit their own work; and
- (iii) EA cannot serve in an advocacy role of the Company and its subsidiaries (“the Group”).

The EA shall observe and comply with the By-Laws of the Malaysian Institute of Accountants in relation to prohibited non-audit services, which generally include but not limited to the following:-

- (i) accounting and book keeping services;
- (ii) valuation services;
- (iii) taxation services;
- (iv) internal audit services;
- (v) corporate finance services;

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

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 audit of the Group is subject to rotation at least every five (5) financial years.

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6. ANNUAL REPORTING

The EA shall issue an annual audit plan for review and discussion with the AC.

The EA shall also provide a management letter to the AC upon completion of the annual audit.

7. ANNUAL ASSESSMENT

The AC shall carry out annual assessment on the performance, suitability and independence of the external auditors based on the following five (5) key areas:-

- (i) competence and quality of audit;
- (ii) sufficiency of resources;
- (iii) appropriateness of audit fees;
- (iv) communication and interaction; and
- (v) independence, objectivity and professional skepticism – written confirmation shall be provided in relation to EA’s independence .

8. REVIEW OF THE POLICY

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