

External Auditors Policy

1. INTRODUCTION

The Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Sand Nisko Capital Bhd (formerly known as Len Cheong Holding Bhd) (the “**Company**”) is responsible for reviewing, assessing and monitoring the performance, suitability and independence of its external auditors.

The objective of this External Auditors Policy (the “**Policy**”) is to provide guidance in relation to the appointment of an independent external auditor with the appropriate skills, knowledge and experience as this will contribute to the quality of the Company’s financial reporting, as well as to protect the integrity of the Company’s financial reporting by setting out policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the external auditors to ensure their independence.

This Policy is the Company’s response to comply with Recommendation 5.2 of the Malaysian Code on Corporate Governance (the “**Code**”).

2. SELECTION AND APPOINTMENT

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

Pursuant to Section 271(2) of 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.

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

- (a) The Committee identifies the audit firms who meet the criteria for appointment and requests for their proposals of engagement for consideration;
- (b) The Committee assesses the proposals received and shortlists the suitable audit firms;
- (c) The Committee meets and/or interviews the shortlisted candidates;
- (d) The Committee may delegate or seek the assistance of the Chief Financial Officer (“**CFO**”) to perform items (a) to (c) above;
- (e) The Committee recommends the appropriate audit firm to the Board for appointment as external auditors; and
- (f) The Board endorses the recommendation and seeks 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 Committee 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 their role as the 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 engagements of the external auditors to provide non-audit services are subject to the approval/endorsement of the Committee.

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.

6. ANNUAL REPORTING

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

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

7. ANNUAL ASSESSMENT

The Committee will either receive a report from the external auditors detailing, or meet with, discuss and document the following, on an annual basis:

- i) The external auditor's internal quality control procedures; and
- ii) Any material issues raised by the most recent internal quality control review or peer review of external auditors, or by any enquiry or investigation by governmental or professional authorities within the preceding five years, respecting one or more independent audits carried out by external auditors and any steps taken to deal with any such issues.

In addition to that, the Committee 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 Committee may also request the CFO to perform the annual assessment of the external auditors.

8. REVIEW OF THE POLICY

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