

Kelington Group Berhad

[Company No. 199901026486 (501386-P)]

External Auditors Policy

1. INTRODUCTION

The Audit Committee (“the Committee”) of the Board of Directors (“the Board”) of KGB (“the Company”) is responsible for reviewing, assessing and monitoring 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 Committee to assess and monitor the external auditors.

2. SELECTION, APPOINTMENT AND RE-APPOINTMENT

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

The appointment, resignation, remuneration and removal of external auditors are subject to the provisions of the Companies Act 2016 and Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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 there be a need to fill a casual vacancy of the external auditors, the Committee will follow the following procedures for selection and appointment of new external auditors:-

- (a) the Committee to identify the audit firms who meet the criteria for appointment and to request for their proposals of engagement for consideration;
- (b) the Committee will assess the proposals received and shortlist the suitable audit firms;
- (c) the Committee will meet and/or interview 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 will recommend the appropriate audit firm for the Board’s approval; and
- (f) the Board will consider and endorse the recommendation of the Committee and approve the appointment of the new external auditors. Any external auditors appointed as such shall hold office until the conclusion of the next annual general meeting.

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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 SERVICES

The external auditors or a firm or corporation affiliated to the auditors' firm 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 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 or a firm or corporation affiliated to the auditors' firm 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.

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5. ROTATION OF KEY AUDIT PARTNER

The Key Audit Partner (“KAP”) can be classified as Engagement Partner, Engagement Quality Control Reviewer and Other Key Audit Partner. The rotation requirements of the KAP are set out as below:-

| <u>Role</u> | <u>Cumulative Stay-on Period</u> | <u>Cooling-off Period</u> |
|-------------------------------------|----------------------------------|---------------------------|
| Engagement Partner | 7 years | 5 years |
| Engagement Quality Control Reviewer | 7 years | 3 years |
| Other Key Audit Partners | 7 years | 2 years |

Notes: 1. The cooling-off period is the minimum number of consecutive years that a KAP must cool-off from the engagement. 2. The cumulative stay-on period is the maximum number of cumulative (but not necessary consecutive) years that a partner can perform a KAP role on an engagement. 3. The KAP shall not act in any of the above roles, or a combination of such roles, for a period of more than seven (7) cumulative 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. REVIEW OF THE POLICY

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