



LOBETRONICS TECHNOLOGY BERHAD

Registration No. 199601037932 (410285-W)
(Incorporated in Malaysia)

EXTERNAL AUDITORS POLICY

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1. Introduction

The Board of Directors (“Board”) has delegated to the Audit and Risk Management Committee (“ARMC”) its responsibility 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 ARMC to assess and monitor the performance of external auditors.

2. Selection and Appointment

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

Pursuant to Section 271(3) 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.

ARMC shall follow the following procedures for selection and appointment of new external auditors when there is a need for a change of external auditors.

- a) ARMC will identify the audit firms that meet the criteria for appointment and request for their proposals of engagement for consideration;
- b) ARMC will assess the proposals received and shortlist the suitable audit firms;
- c) ARMC will meet and/or interview the shortlisted audit firms;
- d) ARMC may delegate or seek the assistance of the Chief Financial Officer (“CFO”) to perform items (a) to (c) above;
- e) ARMC will recommend the appropriate audit firm to the Board for appointment as external auditors;and
- f) Upon endorsement from the Board, the appointment of the new external auditors and/or resignation/removal of the existing external auditors would be tabled for shareholders’ approval 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 ARMC 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 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 (“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 nonaudit services.

5. Rotation of Key Audit Partner

The audit partner responsible for the external audit of the Group is subject to rotation at least every seven (7) financial years and cooling off period of three (3) years.

6. Annual Reporting

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

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

7. Annual Assessment

The ARMC 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 skepticism.

The ARMC may also request the CFO and/or Internal Audit Manager to perform the annual assessment of the external auditors./p>

8. Review of Policy

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

Reviewed and Approved by Board on 27th July 2021