

External Auditor Independence Policy

1.0 Objective

The objective of the External Auditor Independence Policy (“Policy”) is to ensure that audit independence is maintained, both in fact and appearance, such that Microlink Solutions Berhad’s (“MSB”) external financial reporting is viewed as being highly reliable and credible.

2.0 Background

Overseeing MSB's external audit arrangements is the responsibility of Audit and Risk Management Committee (“Committee”). Ensuring that external audit independence is maintained is one of the key aspects in discharging this responsibility. This Policy on external audit independence has been adopted by the Committee to meet this requirement.

The Policy covers both the external audit policy and the policy on non-audit services provided by the external auditors.

The Policy covers:

- appointment for the external auditor;
- assessment of external auditor;
- independence of the external auditor;
- rotation of the external audit engagement partner;
- definition of non-audit services;
- prohibited non-audit services; and
- monitoring and reporting of non-audit services.

3.0 Policy Statements

3.1 Appointment

The Committee has the responsibility and authority for the appointment, reappointment or replacement and remuneration of the external auditor as well as evaluating its effectiveness and independence. The Committee will review the appointment of the external auditor annually based on its assessment of the auditor’s performance.

3.2 Assessment of External Auditor

The Committee will review the performance of the external auditor on an annual basis after completion of the year-end audit. In evaluating the effectiveness of external audit, the Committee will assess the effectiveness of the external auditor based on a number of criteria including but not restricted to:

- the overall comprehensiveness of the external audit plan;
- the timeliness and quality of communications promised under the plan and delivered during the audit;
- the competency and industry knowledge of external audit staff; and
- the adequacy of resources to achieve the scope as outlined in the plan.

The Committee will seek feedback from the Management during the assessment process.

3.3 Independence

The Committee will review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company. The review and assessment will be carried out annually at the time the external auditor presents its annual audit plan.

Prior to this review, the Committee will request a written assurance from the external auditor 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.

The external auditor will have a continuing obligation to notify the Committee, via the Company Secretary, of any new information it believes may be material to reviewing its independence.

The Committee has responsibility to develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and to ensure compliance with that policy.

3.4 Rotation of External Audit Engagement Partner

The external audit engagement partner is required to rotate at least once every 5 years.

3.5 Non-Audit Services

- 3.5.1** The Committee is responsible for the development and oversight of the Company's policy on the engagement of the external auditor to supply non-audit services and ensure compliance with the policy.

3.5.2 “*Non-audit services*” means any services provided by the external auditor which are not included in, or are not necessarily incidental to, the terms of the audit engagement.

These include audit related services such as:

- financial audits;
- audits or reviews undertaken for regulatory purposes;
- other audits or reviews;
- tax compliance and advisory services;
- advice on accounting standards; and
- purchase and vendor due diligence in merger and acquisition including advice on tax and deal structures.

3.5.3 “Non-audit services” do not include “prohibited non-audit services” that are referred to in paragraph 3.6 of this Policy.

3.5.4 To ensure auditor independence is maintained, the Company requires all engagements of the external auditor to provide Non-Audit Services to be approved in writing by the Senior Finance Manager.

3.5.5 The Senior Finance Manager must obtain the prior written approval of the Committee before the external auditor can be engaged to perform Non-Audit Services where:

- the fee for the particular engagement exceeds RM10,000; or
- the annual fees for all non-audit services exceed, or are likely to exceed, 50% of the auditor’s annual audit fees.

3.5.6 In assessing a request for Non-Audit Services, the Senior Finance Manager / the Committee is required to give consideration to:

- the nature of the service provided;
- the value and period of engagement;
- the availability of alternate service providers and the reasoning for recommending the external auditor;
- the audit firm’s self-assessment of its independence risk, including safeguards;
- mitigate perceived risks; and
- any other circumstances relevant to the engagement.

3.5.7 The general principles to be applied in assessing Non-Audit Services provided by the external auditor are as follows:

- the external auditor should not have any involvement in the production of financial information or preparation of financial statements such that they might be perceived as auditing their own work. This includes the provision of valuation services where such valuation forms an input into audited financial information;
- the external auditor should not perform any function of management, or be responsible for making management decisions;
- the external auditor should not be responsible for the design or implementation of financial information systems; and
- the separation between internal and external audit should be maintained.

3.6 Prohibited Non-Audit Services

3.6.1 “*Prohibited non-audit services*” are services that, if provided by the external auditor to the Company, would create a real or perceived material threat to the independence of the external auditor. These include consulting advice, subcontracting operating activities normally undertaken by the Management and where the auditor may ultimately be required to express an opinion on its own work.

3.6.2 Examples of prohibited non-audit services include:

- consulting services;
- legal representation on tax and other legal issues;
- designing or implementing new IT systems or financial controls;
- book-keeping;
- valuations, which will then be the subject of the audit firm’s opinions;
- senior executive recruitment and appointments;
- senior management secondments;
- success fee based engagements;
- strategic business direction and planning;
- providing appraisal or valuation and fairness opinions;
- performing internal audit services;

- providing advice on deal structuring and related documentation;
- providing tax planning and strategic advice;
- providing IT systems services;
- performing executive recruitment or extensive human resources functions;
- acting as a broker-dealer, promoter or underwriter; or
- providing legal services.

3.6.3 Even if a non-audit service is not listed above, it will be prohibited if it creates a real or perceived material threat to the independence of the external auditor.

3.6.4 As a general rule, without the Committee's approval, the external auditor may not provide any prohibited non-audit services to the Company.

3.7 Monitoring and reporting

3.7.1 Senior Finance Manager

The Senior Finance Manager must report to the Committee on a periodic basis regarding:

- any non-audit services provided by the auditor; and
- the amounts paid to the external auditor for those services.

3.7.2 Committee

The Committee must report to the Board with respect to the non-audit services provided by the external auditor during the year. The report must include:

- the amounts paid or payable to the external auditor for non-audit services provided during the year; and
- whether the Committee is satisfied that the provision of those services during the year is compatible with the general standard of independence for auditors.