

Policy on the Independence of Directors

1.0 Background

The Board of Directors (“the Board”) of Microlink Solutions Berhad (“MSB”) has developed the policy on the independent of Directors (“Policy”) in the light of corporate governance standards in Malaysia, including the criteria for independent established by the Bursa Malaysia Securities Berhad (Bursa Securities”).

2.0 Purpose

The purpose of this Policy statement is to:

- specify the test that will be used by the Board to assess and evaluate the independence of Directors prior to their appointment to the Board and then annually;
- identify the information that will be collected from each Director to make the assessment of independence; and
- outline the disclosure to shareholders of the assessment of independence of Directors, including the disclosure of any relationships and associations that may be perceived to affect the independence or objectivity of a Director.

3.0 Test of “Independence”

3.1 The test of independence that will be used by the Board of MSB to determine the independence of Directors is whether the Director is:

“Independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the MSB Group.”

These standards, which conform to the independence requirements in the ACE Market Listing Requirements of Bursa Securities, shall be used in the determination of a Director’s independence. In addition to applying these guidelines, the Board will consider all relevant facts and circumstances in making its determination relative to a director’s independence.

4.0 Information Collected by the Board to Assess Independence

4.1 All facts and circumstances will be considered in determining the independence of a Director under the above test. It is not possible to explicitly provide for all circumstances that will indicate a conflict of interest or a material relationship. However, a Director will normally be considered to be independent if he or she meets all the criteria described in paragraph 4.4 below.

- 4.2 Directors will update the Board with any new information in relation to interests or relationships relevant to independence. The Board will assess the independence of Directors upon appointment and then annually and will re-assess determinations of independence when any new interests or relationships are disclosed by a Director.
- 4.3 The Board must give effect to the spirit, intention and purpose of the director's independence. If a person does not fall within any of the criteria described in paragraph 4.4 below, it does not mean that the person will automatically qualify to be an independent director. The Director concerned as well as the Board of MSB must still apply the test of whether the said Director is able to exercise independent judgment and act in the best interests of MSB.
- 4.4 The criteria are the Director:
- (a) is not an executive director of MSB or any related corporation of MSB (each corporation is referred to as "**said Corporation**");
 - (b) has not been within the last 2 years and is not an officer (except as a non-executive director) of the said Corporation. For this purpose, "**officer**" has the meaning given in section 4 of the Companies Act 2016;
 - (c) is not a major shareholder of the said Corporation;
 - (d) is not a family member of any executive director, officer or major shareholder of the said Corporation;
 - (e) is not acting as a nominee or representative of any executive director or major shareholder of the said Corporation (this paragraph is referred to as "**paragraph (e)**");
 - (f) has not been engaged as an adviser by the said Corporation under such circumstances as prescribed by the Bursa Securities or is not presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the said Corporation under such circumstances as prescribed by the Bursa Securities (this paragraph is referred to as "**paragraph (f)**"); or
 - (g) has not engaged in any transaction with the said Corporation under such circumstances as prescribed by the Bursa Securities or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of MSB) which has engaged in any transaction with the said Corporation under such circumstances as prescribed by the Bursa Securities (this paragraph is referred to as "**paragraph (g)**").

NOTES:

Paragraph (e)

“Nominee” as used in paragraph (e) means a person who has been designated to act for another in his or her place. It denotes a person who is accustomed, or is under an obligation, whether formal or informal to act in accordance with the directions, instructions or wishes of another person.

A nominee or representative of major shareholders who fulfils all requirements of the definition of “independent director” except for the said paragraph (e), may nevertheless be considered as an “independent director” if –

- (a) the major shareholder’s aggregate shareholding in the said Corporation, directly or indirectly, is not more than 15% of the issued and paid-up capital (excluding treasury shares) of the said Corporation;*
- (b) the major shareholder is not deemed to be a promoter of the said Corporation; and*
- (c) the major shareholder is either –*
 - (i) a statutory institution who is managing funds belonging to the general public; or*
 - (ii) an entity established as a collective investment scheme, such as closed-end funds, unit trusts or investment funds (but excluding investment holding companies).*

Paragraph (f)

In relation to paragraph (f), a person who is proposed to be or is an independent director (“said Director”) is disqualified from being an independent director if he –

- (a) had personally provided professional advisory services to the said Corporation within the last 2 years; or*
- (b) is presently a partner, director (except as an independent director) or major shareholder, of a firm or corporation (“Entity”) which has provided professional advisory services to the said Corporation within the last 2 years, and the consideration in aggregate is more than 5% of the gross revenue on a consolidated basis (where applicable) of the said Director or the Entity or RM1 million, whichever is the higher.*

For the purposes of the above, the following applies:

- (a) where the Entity is a corporation, the computation of the gross revenue of the Entity must be based on its annual audited financial statements for the last 2 financial years; and*
- (b) where the service is rendered by the said Director personally or by an Entity other than a corporation, the computation of the gross revenue must be based on the income tax returns of the said Director or the Entity, as the case may be, submitted to the Inland Revenue Board for the last 2 years.*

Paragraph (g)

In relation to paragraph (g), the said Director is disqualified from being an independent director if he –

- (a) had engaged personally in transactions with the said Corporation (other than for board service as a non-executive director) within the last 2 years; or*

- (b) *is presently a partner, director, a major shareholder, of an Entity (other than subsidiaries of MSB) which has engaged in transactions with the said Corporation within the last 2 years, and the consideration in aggregate exceeds 5% of the gross revenue on a consolidated basis (where applicable) of the said Director or the Entity or RM1 million, whichever is the higher.*

However, “**transactions**” in paragraph above excludes transactions –

- (a) *on normal commercial terms entered into between the said Corporation and the said Director or between the said Corporation and an Entity where the said Director is also a director, major shareholder or partner –*
- (i) *for personal use of the said Director; or*
- (ii) *for personal investment of the said Director but not for the purpose of carrying on a trade or business;*
- (b) *on normal commercial terms entered into between the said Corporation and an Entity where the said Director is also a director (and not a major shareholder) but is not involved in the said transactions;*
- (c) *for the following goods and services, provided that they are sold or rendered based on a non-negotiable fixed price or rate, which is published or publicly quoted and the material terms including the prices or charges are applied consistently to all customers or classes of customers:*
- (i) *provision or usage of public utility services such as water, electricity and telecommunications and data, postal or courier services, services by licensed institutions as defined under the Financial Services Act, 2013 (other than professional advisory services which are subject to Paragraph (f) above), insurance, unit trusts, stockbroking services, public transport, education, medical services, provision or usage of tolled highways, hotel facilities and recreational services, provision or consumption of fuel on retail or food and beverage at eateries, provision or purchase of goods at retail outlets such as supermarkets, hypermarkets or departmental stores; and*
- (ii) *such other types of goods or services that may be prescribed by the Exchange from time to time.*

For the purposes of paragraph above, the following applies:

- (a) *where the Entity is a corporation, the computation of the gross revenue of the Entity must be based on its annual audited financial statements for the last 2 financial years; and*
- (b) *where the transaction is entered into by the said Director personally or by an Entity other than a corporation, the computation of the gross revenue must be based on the income tax returns of the said Director or the Entity, as the case may be, submitted to the Inland Revenue Board for the last 2 years.*

5.0 Independence Review Procedures

5.1 Annual Review

Determinations of the independence of Director will be made by the Board for each Director on an annual basis upon the recommendation of the Nomination Committee after the Nomination Committee's review of each director's completed Performance Evaluation Sheet.

5.2 Individual Director Independence Determinations

If a person is considered for appointment to the Board, a determination of independence, upon the recommendation of the Nomination Committee, shall be made by the Board prior to such appointment.

All determinations of independence shall be made on a case-by-case basis for each director after consideration of all the relevant facts and circumstances and the standards set forth herein.

5.3 Notice of Change of Circumstances

Each director has an affirmative obligation to notify the Board of any change in circumstances that may put his or her independence at issue. If so notified, the Board shall re-evaluate such Director's independence, as promptly as practicable, with respect to such Director's independence.

6.0 Disclosure

The Board will make the disclosure on assessment of independence for a Director in the Annual Report of MSB.