



MICROLINK SOLUTIONS BERHAD
[Registration No. 200301018362 (675362-P)]

**TERMS OF REFERENCE OF AUDIT AND RISK
MANAGEMENT COMMITTEE**

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1. Composition

The Audit and Risk Management Committee (“Committee”) shall be appointed by the Board of Directors from amongst their members and shall comprise no fewer than three (3) members whom shall be non-executive directors, the majority of whom must be independent directors.

In this respect, “independent directors” is as defined under the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

At least one member of the Committee:-

- (a) Must be a member of the Malaysian Institute of Accountants (MIA); or
- (b) If he / she is not a member of MIA, he/she must have at least 3 years working experience; and
 - He / She must have passed the examination specified in Part I of the First Schedule of the Accountants Act 1967; or
 - He / She must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- (c) Fulfils such other requirements as prescribed or approved by Bursa Securities.

No alternate director is appointed as a member of the Committee.

The members of the Audit and Risk Management Committee shall elect a Chairman from amongst its members who shall be an independent director.

No former key audit partner shall be appointed as a member of the Committee before observing a cooling-off period of at least three (3) years.

In the event that a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such members as may be required to make up the minimum three (3) members.

The Board of Directors shall have the discretion as it deems fit to rescind and/or revoke the appointment of any person(s) in the Committee.

The term of office and performance of the Committee and each of its members will be reviewed by the Nominating Committee annually to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.

2. Meetings

(i) Frequency of Meeting

The Committee shall meet not less than four (4) times a year on a quarterly basis or as many times as the Committee deems necessary with due notice of issues to be discussed. The Committee may deal with matters by way of circular resolution in lieu of convening a formal meeting. Meetings of the Committee linked by instantaneous telecommunication device of a number of the members of the Committee no less than the quorum whether or not any one or more of the members of the Committee is out of Malaysia, is deemed to constitute a meeting of the Committee. For the purpose of this provision, “instantaneous telecommunication device” means “any telecommunication conferencing device with or without visual capacity”.

(ii) Proceedings of Meeting

The quorum for meeting of the Audit and Risk Management Committee shall be two (2) independent directors.

If at any meeting, the Chairman of the Audit and Risk Management Committee is not present within fifteen minutes of the time appointed for holding the same, the members of the Audit and Risk Management Committee present shall choose one of their members who shall be an independent director to be Chairman of such meeting.

The Company Secretary shall be the Secretary of the Audit and Risk Management Committee.

Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the Chairman of the Audit and Risk Management Committee shall have a second or casting vote.

(iii) Attendance at Meeting

The Audit and Risk Management Committee may require the presence of external auditors to attend any of its meetings when necessary.

The Financial Controller and internal auditors (if any) shall normally attend the meeting.

Other members of the Board and officers of the Company and its Group may attend the meeting (specific to the relevant meeting) upon the invitation of the Committee.

(iv) Keeping and Inspection of Minutes

The Company shall cause minutes of all proceedings of Audit and Risk Management Committee Meeting to be entered in books kept for that purpose.

Those minutes to be signed by the Chairman of the Audit and Risk Management Committee Meeting at which the proceedings were held or by the Chairman of the next succeeding meeting shall be evidence of the proceedings to which it relates.

The books containing the minutes of proceedings of Audit and Risk Management Committee Meeting shall be kept by the Company Secretary, and shall be open to the inspection of any members of the Board of Directors or Audit and Risk Management Committee members without charge.

The minutes of the Audit and Risk Management Committee Meeting shall be circulated to the members of the Board for notation.

3. Authority

The Committee shall in accordance with the procedure determined by the Board and at the expense of the Company:-

- (a) have explicit authority to investigate any matter within its terms of reference;
- (b) have the resources which the Committee needs to perform the duties;
- (c) have full access to any information which the Committee requires in the course of performing its duties;
- (d) have unrestricted access to all employees of the Group;
- (e) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (f) be able to obtain outside legal or independent professional advice in the performance of its duties at the cost of the Company; and
- (g) be able to invite outsiders with relevant experience to attend its meetings, if necessary.

4. Duties and Responsibilities

The duties and responsibilities of the Audit and Risk Management Committee shall include the following:-

(i) Matters relating to External Audit:-

- (a) To review the nomination of External Auditors and their audit fees;
- (b) To review the nature, scope and quality of external audit plan/arrangements;
- (c) To review the quarterly and annual financial statements of the Company, before submission to the Board, focusing particularly on any changes in or implementation of major accounting policies and practices, significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed, compliance with accounting standards and other legal requirements.
- (d) To review the External Auditors' Audit Report;
- (e) To review with the external auditors, their evaluation of the system of internal controls;
- (f) To review the Company's policies and procedures with management and external auditors to ensure the adequacy of internal accounting and financial reporting controls;
- (g) To review any letter of resignation from the external auditors;
- (h) To consider and review whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment; and
- (i) To review the assistance given by the Company's officers to the external auditors.

(ii) Matters relating to Internal Audit function, if any exist:-

- (a) To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- (b) To review the internal audit programme, processes and results of the internal audit programme;
- (c) To review the follow up actions by the management on the weakness of internal accounting procedures and controls;
- (d) To review on all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and
- (e) To review the assistance and co-operation given by the Company and its officers to the internal auditors

(iii) Risk Management and Internal Control

- (a) To review the adequacy of risk management framework and to provide independent assurance to the Board of Directors on the effectiveness of the Company's risk management processes;
- (b) To evaluate the quality and effectiveness of the Company's internal controls and management information systems, including compliance with applicable laws, rules and guidelines; and
- (c) To recommend to the Board of Directors the Statement of Internal Control and any changes to the said statement.

(iv) Related Party Transactions

- (a) To consider any related party transaction and conflict of interests' situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.