

MLABS SYSTEMS BERHAD
Company Registration No. 200401014724 (653227-V)

Terms of Reference of Audit Committee

1. Composition of the Audit Committee

The Board of Directors shall appoint the members of the Audit Committee from amongst themselves, which fulfils the following requirements: -

1. The Audit Committee must be composed of at least three (3) members;
2. All the Audit Committee members must be non-executive directors, with a majority of them being independent directors;
3. All members of the Audit Committee should be financially literate and at least one of the members of the Committee must:-
 - (a) Be a member of the Malaysian Institute of Accountants; or
 - (b) If he is not a member of Malaysian Institute of Accountants, he must have at least three (3) years working experience and must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967, or 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) Fulfil such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

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

As recommended by Malaysian Code of Corporate Governance, the Audit Committee will observe a cooling-off period of at least three (3) years in the event any potential candidate to be appointed as a member of the Audit Committee was a former key audit partner of the external auditors of the Group.

2. Chairman of the Audit Committee

The members of an Audit Committee must elect a chairman from amongst their number who shall be an independent director.

3. Functions & Duties

The functions of the Audit Committee are as follows:-

To review:-

1. With the external auditors, the audit plan;
2. With the external auditors, the evaluation of the system of internal controls;
3. With the external auditors, the audit report;
4. The assistance given by the Company's officers to the auditors;
5. 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;

6. The internal audit programme, processes, the results of the internal audit review and investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
7. The quarterly results and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
 - (a) Changes in or implementation of major accounting policy;
 - (b) Significant and unusual events;
 - (c) The going concern assumption; and
 - (d) Compliance with account standards and other legal requirements.
8. Any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
9. Any letter of resignation from the external auditors of the Company;
10. Whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment; and
11. To consider the nomination of a person or person(s) as auditors.
12. To undertake such other functions as may be agreed to by the Audit Committee and the Board of Directors.

4. Meetings

1. The Audit Committee shall meet at least four (4) times in a year or more frequently as circumstances required with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.
2. The quorum of the meeting is two (2) and they must be independent directors.
3. Upon the request of any member of the Audit Committee, the external auditors or the internal auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider matters which should be brought to the attention of the directors or shareholders.
4. The external auditors and internal auditors have the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Audit Committee when required to do so by the audit committee.
5. The Audit Committee may invite any Board member or any member of management or any employee of the Company who the Audit Committee thinks fit to attend its meetings to assist and to provide pertinent information as necessary.
6. The Company must ensure that other directors and employees attend any particular Audit Committee meeting only at the audit committee's invitation, specific to the relevant meeting.

5. Procedures Of Audit Committee

The Audit Committee may regulate its own procedures, in particular:-

1. the calling of meetings;
2. the notice to be given of such meetings;
3. the voting and proceedings of such meetings;
4. the keeping of minutes; and
5. the custody, production and inspection of such minutes.

6. Authority

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

1. Have explicit authority to investigate any matter within its terms of reference;
2. Have the resources which are required to perform its duties;
3. Have full and unrestricted access to any information pertaining to the Company;
4. Have direct communication channels with the external auditors and person(s) carrying out the internal audit function;
5. Be able to obtain independent/external professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
6. Be able to convene meetings with the external auditors excluding the attendance of the executive members of the Company, whenever deemed necessary.

7. Retirement And Resignation

In the event of any vacancy in the Audit Committee resulting in the non-compliance of paragraphs stated in Item 1 above, including the office of the chairmanship, the Company shall fill in the vacancy not later than three (3) months.

8. Secretary

The Company Secretary or other appropriate senior official shall be the Secretary to the Audit Committee.