

MMLR - APPENDIX 2

QUESTIONS AND ANSWERS RELATING TO AMENDMENTS TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET ("MMLR") IN RELATION TO CORPORATE GOVERNANCE

1. **Who will be the signatory to the statutory declaration pursuant to section 169(16) of the Companies Act 1965, who may be approved by the Exchange as referred to under the amended paragraph 9.29(c) of the LR? Similarly, what are the other requirements as may be approved by the Exchange under the amended paragraph 15.09(1)(c)(iii) of the LR, pertaining to the audit committee?**

The approval will be given on the basis of an application made by a listed company. The Exchange will examine the merits of each application and the approval of such signatory or requirements pertaining to audit committee member will be given on a case by case basis.

2. **In view of the amendments to paragraph 15.17(f) of the LR, can the company secretary of a listed company still attend the audit committee meeting?**

Yes, the company secretary may attend. The discretion lies with the audit committee, whether it wishes to also exclude the attendance of the company secretary.

3. **What is meant by "an internal audit function which is independent of the activities it audits" as referred to under the amended paragraph 15.27?**

This means that the internal audit function of a listed issuer must be independent from the management and operations. A listed issuer must not allow or condone inter-management audits. For example, finance department performing audit on the other operation units within the group of a listed issuer. For the purposes of clarifying the phrase "independent of the activities of its audits", reference may be made to the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors and the *Internal Auditing Guidelines* issued by the Malaysian Institute of Accountants ("collectively referred to as "the Internal Audit Standards & Guidelines").

4. **Can the internal audit function of a listed issuer be outsourced?**

Yes. The internal audit function of listed issuer can either be performed in-house or outsourced.

5. **Where the internal audit function of a listed issuer is outsourced, what is the key issue that must be taken into consideration?**

The key issue is the independence and objectivity of the firm/person to whom the internal audit function is outsourced. Again, for the purposes of clarifying the issue of "independence and objectivity", reference may be made to the Internal Audit Standards & Guidelines.

6. **Can the internal audit function be outsourced to the firm/person performing the statutory audit for the listed issuer?**

This depends on whether the firm/person fulfils the requirements of "independence and objectivity" pursuant to the Internal Audit Standards & Guidelines.

7. **An audit committee must begin discharging the amended function in paragraph 15.12 with effect from 1st April 2008. Does this mean that the audit committee must put in place all mechanisms necessary to enable it to discharge the amended function prior to 1st April 2008?**

No, the listed company must ensure that the terms of reference of the audit committee are amended by 1st April 2008 to enable the audit committee to commence performing that amended function.