

# TECHCOMP (HOLDINGS) LIMITED

## AMENDED AND RESTATED TERMS OF REFERENCE OF AUDIT COMMITTEE

The Audit Committee (the “**AC**” or the “**Committee**”) of Techcomp (Holdings) Limited (the “**Company**”) is a standing committee established by a resolution of the board of directors (the “**Board**”) of the Company passed on 28 May 2004.

The Committee shall be empowered and function as required by the continuing listing rules of the Singapore Exchange Securities Trading Limited (the “Listing Manual”) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The role of the Committee is to:

- a) assist the Board with discharging its responsibility to:-
  - safeguard the Company’s assets;
  - maintain adequate accounting records; and
  - develop and maintain effective systems of internal control and internal audit functions;
- b) review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- c) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance; and
- d) make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.

The overall objective of the Committee is to ensure that the management (the “**Management**”) of the Company has created and maintained an effective control environment in the Company, and that the Management demonstrates and stimulates the necessary aspect of the internal control structure among all parties.

As a sub-committee of the Board, the Committee provides a channel of communication between the Board, Management, the internal auditors and external auditors, on matters arising out of the internal and external audits.

The terms of reference proposed for the Committee are annexed hereto as the Appendix A.

## TERMS OF REFERENCE FOR AUDIT COMMITTEE

### 1. Membership

- 1.1 The Committee shall be appointed by the Board from amongst its members, and shall comprise at least three (3) members.
- 1.2 All members shall be non-executive directors (the “**Director(s)**”) of the Company, a majority of whom shall be independent.
- 1.3 Members shall be appropriately qualified to discharge their responsibilities. At least two members shall have accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgment.
- 1.4 The chairman of the Committee (the “**Chairman**”) shall be elected by members and shall be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.
- 1.5 An independent member shall immediately notify the company secretary (the “**Company Secretary**”) of any change in circumstances that may result in him not being able to meet the criteria for independence.

The Board may, after considering the change in circumstances, require the resignation of the member, and appoint such new member(s) having the qualifications to meet the requirements of the Listing Rules and the AC's terms of reference.

The Board may, as a result of the resignation, re-constitute the Committee before the next scheduled meeting.

- 1.6 A member who wishes to retire or resign from the Committee shall notify the Board in writing, giving at least one (1) month's notice.
- 1.7 The office of a member shall become vacant upon the member's death/resignation/retirement/removal or disqualification as a Director of the Company.
- 1.8 If for any reason, the total number of members shall fall below three (3), the Board shall within two (2) months and in any case, no later than three (3) months, of such occurrence, appoint such number of new members so that the total number of members is at least three (3).
- 1.9 New Committee members shall receive an induction covering the Committee's Terms of Reference, and be provided with an overview of the Company's internal control system and risk management system.

## 2. Administration

### 2.1 Meetings

- a) The meetings of the Committee may be conducted by means of telephone conferencing or other methods of simultaneous communication by electronic or telegraphic means and the minutes of such a meeting signed by the Chairman shall be conclusive of any meeting conducted as aforesaid.
- b) Meetings shall be held at least four times a year.
- c) The external auditors or internal auditors may request a meeting if they consider that a meeting is necessary.
- d) The Committee may invite the following persons to attend its meetings:
  - Chairman of the Board
  - Other non-executive Directors
  - Chief financial officer / finance director / finance manager / financial controller
  - Internal auditors
  - Representative of external auditors
  - Chief executive officer / Chief operating officer
  - And other person deemed necessary
- e) The Committee shall have full discretion to invite any Director or Management to attend its meetings.
- f) The secretary of the Committee (the “**Secretary**”) shall be the Company Secretary or his authorised representatives.
- g) The Secretary shall attend all meetings and shall minute the proceedings thereof.
- h) The Secretary shall keep full minutes of all meetings of the Committee.
- i) Draft and final versions of minutes of the meetings should be sent to all Committee members for their comment and record, within a reasonable time after the meeting. Such minutes of the meetings shall be confirmed by the Chairman of the meeting. If the Chairman so decides, the minutes shall be circulated to other members of the Board. Any Director may, provided that there is no conflict of interest and with the agreement of the Chairman, obtain copies of minutes of Committee meetings.
- j) The notice of each meeting of the Committee, confirming the venue, date and time and enclosing an agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each

member of the Committee as and when practicable prior to the date of the meeting.

## 2.2 Quorum

The quorum shall be two (2) members, including at least one independent non-executive Director.

## 2.3 Voting

A resolution shall be considered passed if:-

- a) there is a majority of votes passed in favour of the resolution during a meeting of the Committee, or
- b) there is agreement in writing by a majority of members entitled to participate in the decision.
- c) In the event of an equality of votes, the Chairman shall have a casting vote. Any member who has an interest in any matters being reviewed or considered by the Committee shall abstain from voting on the matter.

## 3. Authority

The AC is authorised by the Board to:

- **Annually review** its Terms of Reference and its own effectiveness and recommend any necessary changes to the Board when the need arises due to changes in the relevant rules or when there are changes in the Company's structure, organisation and/or operations which affect the matters set out in the Terms of Reference
- **Assist the Board** in fulfilling its monitoring responsibilities by investigating any activity within its Terms of Reference
- **Seek any information** that it requires from any employee of the Company within its Terms of Reference
- **Have direct and unrestricted access** to the representatives of the external auditors and the internal auditors
- **Meet with any relevant person** of the Company without the presence of Management
- **Obtain independent professional advice** at the Company's expense whenever deemed necessary
- **The AC has the power to investigate** any matter within its Terms of Reference, with full access to and co-operation by the Management and full discretion to invite any director or executive officer to attend its meetings, and sufficient resources to enable it to perform its functions

## 4. Duties

The duties of the Committee shall include:

### 4.1 *Overseeing financial reporting*

4.1.1 The AC shall:

- **Monitor the integrity** of the financial information provided by the Company, in particular by reviewing the relevance and consistency of the accounting standards used by the Company (i.e. entity level) and its group (i.e. consolidation level)
- **Assess, and challenge**, where necessary, the correctness, completeness, and consistency of financial information (including annual reports, interim reports and quarterly reports) before submission to the Board for approval or made public, focusing in particular on:-
  - a) Major risk or judgmental areas
  - b) Critical accounting policies and practices, and any changes in them
  - c) Decisions acquiring a significant element of judgment
  - d) The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed
  - e) Clarity of disclosures
  - f) Significant adjustments resulting from the audit
  - g) Going concern assumption and any qualifications
  - h) Compliance with the accounting standards
  - i) Compliance with the Listing Manual, the Listing Rules and legal requirements in relation to financial reporting
  - j) Significant financial reporting issues
  - k) Other topics at the request of the Board

4.1.2 To review any formal announcements relating to the Company's financial performance.

4.1.3 To consider any significant or unusual items that are, or may need to be, reflected in the report and accounts and should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors, and should liaise with the Board and the Management and the Committee must meet, at least twice a year, with the Company's auditors.

4.1.4 To discuss problems and concerns, if any, arising from the interim and final audits, in consultation with the external auditors and the internal auditors where necessary.

## **4.2 *Overseeing internal control (including risk management if delegated by the Board)***

- a) **Review and assess the effectiveness of the internal control** (including risk management) systems established by the Management to identify, assess, manage, and disclose financial and non-financial risks (including environmental, social and governance related risks and those relating to compliance with existing legislation and regulation), periodically as and when required at least once a year in compliance with Guideline 12.1 of the Code of Corporate Governance of the Listing Manual, the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules and Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules. [Note: The Board retains the responsibility for the review of the effectiveness of the system of internal control, and must form its own opinion despite aspects of the review being delegated to the AC.]
- b) **Identify the risk of the Company and its subsidiaries** (the “Group”) and decide on risk levels and risk appetite
- c) **Approve major decisions** affecting the Group’s risk profile or exposure and give such guidelines as it considers appropriate
- d) **Consider the effectiveness of decision making processes** in crisis and emergency situations
- e) **Discuss the risk management and internal control systems** with the Management to ensure that the Management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting and financial reporting
- f) **Consider major investigation findings** on risk management and internal control matters as delegated by the Board or on its own initiative and the Management’s response to these findings
- g) **Where there is a Risk Committee, to coordinate** with the Risk Committee on its oversight on financial reporting matters
- h) **Review the statements included in the annual report** on the Company’s internal controls and risk management framework (if delegated by the Board)
- i) **Review the group’s financial and accounting policies and practices**
- j) **Review Management’s and the internal auditors’ reports** on the effectiveness of the systems for internal control, financial reporting, and risk management
- k) **Review the Company’s procedures** for detecting fraud and whistleblowing, and ensure that arrangements are in place by which staff can use , in confidence, to raise concerns about possible improprieties in matters of financial reporting, financial control, or any other matters

## **4.3    *Overseeing internal and external audit processes***

### **4.3.1   Internal Audit**

- a) **Monitor and assess** the role and effectiveness of the internal audit function in the overall context of the Company's risk management system
- b) **Ensure that the internal audit function is adequately resourced** and skilled in line with the Company's nature, size, and complexity
- c) **Ensure an adequate budget** is allocated to the internal audit function, assuring its proper functioning
- d) **Review the internal audit program** with regard to the complementary roles of the internal and external audit functions
- e) **Receive the internal audit reports** or a periodic summary thereof
- f) **Receive a report** on the results of the internal auditors' work on a periodic basis
- g) **Review and monitor Management's responsiveness** to the internal auditors' findings and recommendations
- h) **Ensure that the internal auditors** has direct and unrestricted access to the Chairman of the Board and the AC
- i) **Participate in the selection** and approve the appointment or dismissal of the internal auditors
- j) **Assess the performance** and determine the remuneration of the internal auditors, within the Company's guidelines
- k) **Ensure co-ordination between the internal and external auditors**, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the issuer, and to review and monitor its effectiveness

The AC should also meet with the internal auditors, at least annually, in the absence of management, to discuss any issues arising from the audit and any other matters the internal auditor may wish to raise.

### **4.3.2   External Audit**

- a) **Oversee the Company's relations** with the external auditors
- b) **In connection with the terms of engagement to the external auditors, to make recommendations to the Board** on the selection, appointment, reappointment, resignation and removal of the external auditors based upon a thorough assessment of the external auditors' functioning, and approve the remuneration and terms of engagement of the external auditors, and answer any questions of their resignation or dismissal. This proposal should be submitted to the general meeting of shareholders for approval when there is a change of external auditors. Where the Board disagrees with the AC's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the AC explaining its recommendation and also the reason(s) why the Board has taken a different view.
- c) **Review the audit fees** and recommend it for approval by the Board

- d) **Monitor and assess** the external auditors' independence annually. Steps to consider include:
- **Seeking reassurance that the auditors and their staff** have no family, financial, employment, investment, or business relationship with the Company and its group (other than in the normal course of business), based on a forwarded report by the external auditors
  - **Obtaining from the audit firm annually**, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements (e.g. audit partner's and staff's rotation requirements, level of fees the Company pays in proportion to the overall income of the firm, etc.)
  - **Agreeing with the Board** and monitoring the Company's policy for the employment of former employees of external auditors

The AC should also meet with the external auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.

- e) **Keep the nature and extent of non-audit services provided by the external auditors under review** to ensure the external auditors' independence or objectivity is not impaired. For this purpose, external auditor includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. In doing so, the AC will:
- Development and implement a formal policy specifying the types of non-audit services: (a) from which the external auditors are excluded; (b) for which the external auditors can be engaged without referral to the AC; (c) for which a case-by-case decision is necessary by the AC
  - Consider whether the skills and experience of the audit firm make it a suitable supplier of non-audit services
  - Ensure safeguards are in place to provide assurance that the external auditors' objectivity and independence is not impaired when performing non-audit services
  - Consider the nature of the non-audit service, the related fee levels and fee levels individually and in total relative to the audit firm
  - report to the Board, identifying and making recommendations on any matters where action or improvement is needed
- f) **Assess, at the end of the audit cycle**, the effectiveness of the audit process in accordance with applicable standards by:
- Discussing with the auditor the nature and scope of the audit and reporting obligations before the audit commences
  - Reviewing the external auditors' findings arising from the audit (including any issues that have subsequently been resolved), giving particular considerations to the key accounting and audit judgments (including why certain errors might remain unadjusted), the level of errors identified during the audit, and the explanation obtained from the Management



- Reviewing whether the auditors have met the agreed audit plan, and understanding the reasons for any changes, including changes in perceived audit risks, and the work undertaken by the external auditors to address those risks
  - Assessing the auditors' accuracy in their handling of the key accounting and identifying audit judgments, their response to questions from the AC, and their commentary on the systems of internal control
  - Obtaining feedback about the conduct of the audit from the Management
- g) **Review the audit representation letters** before consideration by the Board, giving particular consideration to matters that related to non-standard issues
- h) **Review the content of the external auditors' Management letter** in order to assess whether it is based on a good understanding of the Company's business, and monitor the responsiveness of the Management to the recommendations made (or the reasons why they have not been acted upon), and to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter
- i) **Ensure that the external auditors have direct and unrestricted access** to the Chairman of the AC and the Chairman of the Board

#### **4.4 Discharging oversight responsibility on Interested Persons Transactions (IPTs) and Continuing Connected Transactions (CCTs)**

- a) **Review IPTs and CCTs** to consider whether they are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders
- b) **Consider the need for a general mandate** for IPTs and CCTs
- c) **Appoint an independent financial adviser** to advise on a general mandate
- d) **Where a general mandate is being renewed, consider whether the methods or procedures for determining the transaction prices** are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders
- e) **Direct the Management to present** the rationale, cost-benefit analysis and other details relating to IPTs and CCTs subject to a specific mandate
- f) **Consider the need for independent advisers** to advise on IPTs and CCTs subject to specific mandates
- g) **Receive reports from Management** and internal auditors on IPTs and CCTs
- h) **Report to minority shareholders on its recommendations** on general and specific mandates

#### **4.5 Fraud / Irregularity / Investigation**

- a) To review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and the Management's response.

- b) To review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions.

#### **4.6 *Overseeing environmental, social and governance matters***

- a) **Identify the environmental, social and governance matters** that are relevant and material to the operations of our Group and/or that affect shareholders and other key stakeholders (the “**Key ESG Matters**”), which shall include environmental and social aspects as stated in Appendix 27 to the Listing Rules.
- b) **Develop the Company’s vision, strategy, framework, principles and policies in relation to Key ESG Matters**, make relevant recommendations to the Board and implement the policies laid down by the Board.
- c) **Review and monitor the Company’s policies, practices and performance** in relation to Key ESG Matters to ensure compliance with legal and regulatory requirements and that they are appropriate in the context of the size, business nature and scope of the Company.
- d) **Monitor the key performance indicators and standards set and performance achieved on Key ESG Matters** by the Company.
- e) **Assess, review, report and make recommendations**, once a year or as and when required, to the Board on the effectiveness of the Company’s policies, practices and performance in respect of Key ESG Matters.
- f) **Identify and engage stakeholders** to understand and respond to their views by appropriate means.
- g) **Review disclosure on environmental, social and governance matters** of the Company whether by way of inclusion in the Company’s annual report or a separate report in compliance with Rule 13.91 of the Listing Rules and Appendix 27 to the Listing Rules.

#### **4.7 *Others***

- a) To undertake such other reviews and projects as may be requested by the Board.
- b) To undertake such other functions and duties as may be required by statute or the Listing Manual and the Listing Rules, and by such amendments made thereto from time to time.

### **5. Reporting**

- a) The AC shall report regularly to the Board on the exercise of its duties, and on the outcome of its reviews and discussions with the external auditors and its findings on any suspected fraud or irregularity, or suspected infringement of any Singapore law, the Listing Manual, the Listing Rules, rules or regulations, which has or is likely to have a material impact on the operating results or financial position of the Company as well as identifying

those matters which it considers any necessary action or improvement, and making recommendations as to the step to be taken.

- b) The AC shall, after each Committee meeting, send the Board a report on its findings and recommendations.

## **6. Attendance at General Meeting**

The Chairman (or in his absence, an alternate members) of the AC shall attend the General Meetings of the Company and be prepared to answer questions falling within the scope of the AC.

## **7. Remuneration**

Having regard to the functions performed by members of the AC in addition to their functions as Directors in relation to the activities of the AC and pursuant to the specific power conferred upon the Board by the Bye-laws of the Company, members of the AC may be paid such special remuneration in respect of their appointment and in such manner as shall be fixed by the Board.

## **8. Publicity**

The AC should make available its terms of reference explaining its role and the authority delegated to it by the Board by including them on the Company's website and such other website as may be required by the Listing Manual or the Listing Rules.

## **9. Update of Terms of Reference**

Amendments to the Terms of Reference shall be submitted to the Committee for consideration and tabled at the Board meeting for approval.

The Amended and Restated Terms of Reference of the Audit Committee is approved and adopted by way of written resolution of the Board passed on 31 December 2015.

Note: If there is any inconsistency between the English and Chinese versions of this terms of reference, the English version should prevail.