

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED
威雅利電子(集團)有限公司

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. ESTABLISHMENT

- 1.1 The Audit Committee (the “Committee”) was established by the board of directors of Willas-Array Electronics (Holdings) Limited (the “Company” and the “Board”, respectively).
- 1.2 Subject to the regulations contained in the Listing Manual of Singapore Exchange Securities Trading Limited (the “SGX Listing Manual”), the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore (the “Code of Corporate Governance”) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HKEX” and the “Listing Rules”, respectively), the Committee shall be regulated by the provisions of this Terms of Reference.
- 1.3 In the event of any conflict between any provision of this Terms of Reference and any provision of the SGX Listing Manual, the Code of Corporate Governance and/or the Listing Rules, the Committee shall comply with the stricter provision (or in the event that the two provisions are not directly comparable, the Committee shall comply with both provisions), and the provisions of this Terms of Reference shall be construed to such extent as may be necessary to give effect to the stricter provision (or to both provisions, as the case may be).

2. COMPOSITION

- 2.1 The Committee shall have a minimum of three members (the “Members”) who shall be appointed by the Board out of their own number, provided that all the Members shall be non-executive directors of the Company, and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. All Members must be appropriately qualified to discharge their responsibilities. At least two Members, including the chairman of the Committee (the “Chairman”), shall have recent and relevant accounting or financial management expertise or experience (or such other minimum number and criteria as may be specified in the Code of Corporate Governance from time to time). The majority of the Members and the Chairman must be independent non-executive directors of the Company (the “INEDs”). The independence of a director shall be determined by the Board in consultation with the Nomination Committee of the Company in compliance with Principle 2 of the Code of Corporate Governance (and the Guidelines thereunder) and Rule 3.13 of the Listing Rules.
- 2.2 A former partner or director of the Company’s existing auditing firm or auditing corporation should be prohibited from acting as a Member within a period of two years from the date of his/her cessation:
- (a) to be a partner of the auditing firm or director of the auditing corporation; or
 - (b) to have any financial interest in the auditing firm or auditing corporation,
- whichever is later.

- 2.3 The Committee shall appoint one of its Members who is an INED and who has recent and relevant accounting or financial management expertise or experience to be the Chairman. In the absence of the Chairman at a meeting of the Committee, the remaining Members present shall elect one of their numbers to chair the meeting.
- 2.4 A Member who wishes to retire or resign from the Committee should provide sufficient notice to the Company so that a replacement may be appointed before he/she leaves.
- 2.5 In the event of vacancy which renders the Audit Committee unable to meet the minimum number of three Members, the Company shall endeavour to fill the vacancy within two months but in any event not later than within three months.

3. FUNCTIONS AND DUTIES

- 3.1 The Committee's duties shall include:

Relationship with the Company's external auditors

- 3.1.1 making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, having regard to the applicable requirements under Chapter 7 of the SGX Listing Manual, and to approve the external auditors' remuneration and terms of engagement as well as any questions of their resignation or dismissal;
- 3.1.2 monitoring and reviewing the scope, results and effectiveness of the audit process (including the Company's internal audit function) as well as the independence and objectivity of the external auditors in accordance with applicable standards, and in this connection, the Committee shall:
- (a) obtain from the external auditors annually information about their policies and processes for maintaining independence and monitoring compliance with relevant requirements, including rotation of audit partners and staff; and
 - (b) meet with the external and internal auditors without the presence of the Company's management at least annually to discuss matters relating to audit fees, any issues arising from the audit and any other matters which the auditor may wish to raise;
- 3.1.3 discussing with the auditors the scope and nature of the audit and reporting obligations before the audit commences;
- 3.1.4 developing and implementing a policy on engaging an external auditor for the provision of non-audit services, such as reviewing the nature and extent of non-audit services to balance the maintenance of objectivity and value for money. For this purpose, "external auditor" includes any entity that is under the 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. The Committee should review the independence of the external auditors annually and should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Company's financial information

- 3.1.5 monitoring and ensuring the integrity of the Company's financial statements, annual reports and accounts and interim reports (including the adequacy of management reports submitted to the Board) and announcements on the Company's financial performance, and to review significant financial reporting issues and judgments contained in them. In reviewing these matters before submission to the Board, the Committee should focus particularly on:-
- (a) any changes in accounting policies and practices (and consistency of such policies and practices year-on-year);
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from audit;
 - (d) going concern assumptions and any qualifications;
 - (e) compliance with accounting standards; and
 - (f) compliance with the regulations of the relevant stock exchanges and the legal requirements in relation to financial reporting,

and in doing so, the Committee shall:

- (i) liaise with the Board and the Company's senior management;
- (ii) meet at least twice a year with the Company's external auditors;
- (iii) consider any significant or unusual items that are, or may need to be, reflected in the report and financial statements; and
- (iv) give due consideration to any matters that have been raised by the Company's head of finance and accounting, compliance officer or auditors;

Oversight of the Company's financial reporting system, risk management and internal control procedures

- 3.1.6 reviewing and reporting to the Board at least annually on the adequacy and effectiveness of the Company's financial controls, operational controls, internal controls, compliance controls, information technology controls and risk management and internal control systems and to ensure such review can be carried out by the internal and/or external auditors, having regard to the Company's obligations under Rule 1207(10) and Practice Note 12.2 of the SGX Listing Manual and the relevant provisions of the Listing Rules;
- 3.1.7 discussing the Company's risk management and internal control systems with the Company's management to ensure that the Company's management has performed its duty of maintaining effective risk management and internal control systems, and such discussion should include the adequacy of resources, staff qualifications and experiences, training programs and budget of the Company's accounting and financial reporting function;

- 3.1.8 considering major investigation findings on risk management and internal control matters (e.g. fraud, irregularity or failure of internal controls, or infringement of any legislation, rule or regulation which has or is likely to have a material impact on the Company's operating profits and/or financial position) as delegated by the Board or on its own initiative and the response of the Company's management to these findings. The Committee shall discuss such matters with the Company's external auditors (where appropriate) and also report the matter to the Board at the appropriate time;
- 3.1.9 ensuring (a) co-ordination between the external and internal auditors, and (b) the internal audit function is adequately resourced, is independent of the activities it audits, has appropriate standing within the Company and has unfettered access to all of the Company's documents, records, properties and personnel (including access to the Committee), and reviewing, at least annually, and monitoring, the adequacy and effectiveness of the internal audit function;
- 3.1.10 reviewing the Group's financial and accounting policies and practices;
- 3.1.11 reviewing the scope and results of the external audit, the audit report, the external auditors' management letter, any material queries raised by the auditors to the Company's management in relation to accounting records, financial control or any control systems and the response of the Company's management;
- 3.1.12 ensuring that the Board provides timely responses to the issues raised in the external auditor's management letter;
- 3.1.13 reporting to the Board on the above matters and considering other topics as defined by the Board;
- 3.1.14 reviewing the policy and arrangements by which employees of the Company and any other persons may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters, and the Committee should ensure that proper arrangements are in place for a fair and independent investigation of these matters and for appropriate follow-up actions;
- 3.1.15 acting as the key representative body for overseeing the Company's relationship with the external auditors;
- 3.1.16 approving the hiring, removal, evaluation and compensation of the head of the internal audit function (whose primary reporting line shall be to the Chairman), or the accounting / auditing firm or corporation to which the internal audit function is outsourced;
- 3.1.17 ensuring that the internal audit function is staffed with persons with the relevant qualifications and experience;

Reporting obligations

- 3.1.18 furnishing the Board with the requisite information relating to the Committee and its responsibilities and activities as specified in the SGX Listing Manual, the Code of Corporate Governance and the Listing Rules from time to time for the purpose of disclosure in the Company's annual report; and

Interested Person Transactions

3.1.19 subject to the provisions of the SGX Listing Manual and the Listing Rules, reviewing all interested person transactions (as defined in the SGX Listing Manual) and connected transactions (as defined in the Listing Rules) and ensuring that all such transactions (or proposed transactions) are undertaken in compliance with the requirements of Chapter 9 of the SGX Listing Manual and Chapter 14A of the Listing Rules, and where applicable, that such transactions are on normal commercial terms and are not prejudicial to the Company and its minority shareholders.

4. AUTHORITY

4.1 The Committee shall have full authority to investigate any matter within this Terms of Reference, as well as full access to and co-operation by the Company's directors and senior management.

4.2 The Committee is to be provided with sufficient resources to perform its duties, including where necessary continual training to be provided at the cost of the Company to ensure that its Members are kept abreast of relevant changes to accounting standards and issues which have a direct impact on the financial statements. The Committee is authorised by the Board and at the reasonable expenses of the Company, to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

4.3 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of external auditors, the Committee shall arrange for an explanation of the Committee's view and the reasons why the Board has taken a different view to be included in the Corporate Governance Report in the Annual Report and the financial statements of the Company.

5. MEETINGS

5.1 The Committee shall hold at least two meetings in each financial year (save that where the Company is required to announce its financial results on a quarterly or more frequent basis pursuant to the SGX Listing Manual, the Committee shall also correspondingly increase the frequency of its meetings). The meetings shall be held, amongst other matters, for the following purposes:

5.1.1 to review the announcement of the half yearly or quarterly results, as the case may be;

5.1.2 to review the audit planning memorandum;

5.1.3 to review the announcement of the year-end results;

5.1.4 to review interested person transactions;

5.1.5 to carry out its duties and functions under clause 3 of this Terms of Reference; and

5.1.6 for any other matters decided by the Committee and the Board.

- 5.2 The Chairman shall chair all meetings. If no such Chairman is appointed or if the Chairman is not present within 10 minutes after the time appointed for holding any meeting, the Members present may choose one of their members who must be an INED to be the chairman of the meeting.
- 5.3 The company secretary of the Company shall be the secretary of the Committee (the "Secretary"). In the absence of such Secretary, the Committee may appoint another person to be the secretary of the meeting.
- 5.4 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each Member and the external auditors no fewer than three working days prior to the date of the meeting. For the purpose of this paragraph, a working day shall mean any day except a Saturday, Sunday or a public holiday in Hong Kong or Singapore.
- 5.5 The quorum necessary for the transaction of business shall be two Members, of whom at least one must be an INED. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested or exercisable by the Committee.
- 5.6 Questions arising at any meeting of the Committee shall be determined by a majority of votes, provided that a majority of the Members participating in such a decision shall be independent.
- 5.7 Any minutes signed by the chairman of the meeting to which they relate or of the meeting at which they are read, shall be sufficient evidence without any further proof of the facts stated therein. Draft and final versions of the minutes shall be circulated to all the Members for their comments and records within a reasonable time after the meeting.
- 5.8 Full minutes of the Committee shall be kept by the Secretary.
- 5.9 The Committee shall report to the Board when appropriate and submit any recommendations for endorsement by the entire Board.
- 5.10 The Committee may invite other directors and executive officers of the Company to attend any meeting.
- 5.11 The external auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so.
- 5.12 The external auditors have the right to request the Chairman to convene a meeting to consider any matters, including those which the auditors believe should be brought to the attention of the Board or the shareholders of the Company.
- 5.13 Except for the provisions under clause 5.5 of this Terms of Reference, the Committee may regulate and amend the provisions relating to its own procedure and in particular the calling of the meetings, the notice to be given of such meetings, the voting and proceedings thereat, the keeping of minutes and the custody, production and inspection of such minutes.

6. ANNUAL GENERAL MEETING (the “AGM”)

- 6.1 The Chairman or in his/her absence, another Member (who must be an INED), shall attend the Company’s AGM and be prepared to respond to questions on the Committee’s activities and responsibilities.

7. RESOLUTIONS IN WRITING AND MEETINGS BY CONFERENCE CALLS

- 7.1 A resolution in writing signed or approved by letter, telex or facsimile by a majority of the Members (who must be INEDs) shall be effective for all purposes as if it were a resolution passed at a meeting of the Committee duly convened, held and constituted. Any such resolution may consist of a single document or several documents all in like form each signed by one or more Members.
- 7.2 The Committee may conduct its meeting by means of telephone conferencing or other methods of simultaneous communication by electronic or telegraphic means without a Member being in the physical presence of another Member or Members and participation in a meeting in such manner shall be deemed to constitute presence in person at such meeting. Minutes of such a meeting signed by all participants of the meeting shall be conclusive evidence of any resolution of any meeting conducted in such manner.

8. PUBLICATION AND UPDATE OF THE TERMS OF REFERENCE

- 8.1 This Terms of Reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in statutory or regulatory requirements in Hong Kong and in Singapore.
- 8.2 This Terms of Reference shall be made available on request and by including the information on the HKEX’s website, SGXNet and the Company’s website.

In the case of inconsistency, the English text of this Terms of Reference shall prevail over the Chinese text.