

# DATAPULSE TECHNOLOGY LIMITED

## AUDIT COMMITTEE

### TERMS OF REFERENCE

#### 1. Establishment

- 1.1 Pursuant to the Code of Corporate Governance issued by the Monetary Authority of Singapore on 6 August 2018 ("Code") and the Companies Act, Cap. 50, the Audit Committee ("Committee") is established by the Board of Directors of the Company ("Board") in accordance with the terms of reference approved by the Board.

#### 2. Objectives

- 2.1 The Committee shall review the financial reports of the Group and the related reporting process, the system of internal control and management of financial risks, the audit process (internal and external), and the Company's process for monitoring compliance with laws and regulations and its code of business conduct. In performing its duties, the Committee will maintain effective working relationships with the Board, management, and the internal and external auditors. To perform his role effectively, each member will obtain an understanding of the detailed responsibilities of the Committee membership as well as the Company's business, operations and risks.

#### 3. Composition and Constitution

- 3.1 The Committee should comprise at least three (3) non-executive directors, the majority of whom, including the Chairman, should be independent. In appointing an independent director to the Committee, the Board shall consider the suitability of the person, taking into account whether there exists any relationship that is likely to affect his exercise of independent judgement.
- 3.2 The Committee shall appoint one of its members, who is an independent director, to chair the Committee. At least two members of the Committee shall have accounting or related financial management expertise or experience. Members are required to keep abreast of changes in accounting standards and issues that have a direct impact on financial statements.
- 3.3 In the absence of the Chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.
- 3.4 A member who wishes to retire or resign from the Committee shall provide sufficient notice to the Board so that a replacement may be appointed before he leaves.
- 3.5 In the event of a vacancy resulting in the result of the number of members is reduced to below three (3), the Board shall endeavour to fill the vacancy within two (2) months, but in any case not later than three (3) months. Any newly appointed member shall hold office for the remainder of the term of office of the member in whose place he is appointed.
- 3.6 The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation:
- (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case,
- (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

**4. Duties and Powers**

- 4.1 Review the terms of reference and composition of the Committee, if deemed necessary.
- 4.2 External Audit
  - (a) review the audit plans of the external auditors;
  - (b) review the external auditors' evaluation of the system of internal accounting controls;
  - (c) review the external auditors' reports;
  - (d) review the co-operation / assistance given by the Group's officers to the external auditors;
  - (e) review the external auditors' management letter and the response from the Company's management;
  - (f) review the scope and results of the external audit and their cost effectiveness, and the independence and objectivity of the external auditors at least annually; and
  - (g) make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, taking into consideration the Audit Quality Indicators Disclosure Framework published by the Accounting and Corporate Regulatory Authority ("ACRA").
- 4.3 Internal Audit
  - (a) review the internal audit plans including the scope of the internal audits;
  - (b) review the internal auditors' reports;
  - (c) at least annually, ensure the adequacy and effectiveness of the Group's internal controls and risk management systems and that arrangements are made for the review of the effectiveness of the Group's material internal controls, including financial, operational, and compliance controls and risk management policies and systems established by Management. The Committee shall state whether it concurs with the Boards' comment on adequacy and effectiveness of the company's internal controls and risk management systems;
  - (d) ensure that the internal auditor primary line of reporting is to the Committee, in particular the Chairman of the Committee; and
  - (e) ensure the adequacy, effectiveness and independence, scope and results of the internal audit function, at least annually. The internal audit function shall have unfettered access to all of the Company's documents, records, properties and personnel, including the Committee.
  - (f) make recommendations to the Board on the appointment, re-appointment and removal of the internal auditors, and approving the remuneration and terms of engagement of the internal auditors.
- 4.4 Review significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group, and any formal announcements relating to the Group's financial performance and recommend changes to the Board. If deemed necessary, the Committee shall

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review the assurance provided by the CEO and CFO that the financial records have been properly maintained, and that the financial statements give a true and fair view of the company's operations and finances.

- 4.5 Review the assurance provided by the CEO and CFO on the adequacy and effectiveness of the Company's risk management and internal controls systems.
- 4.6 Review and report to the Board at least annually on the adequacy and effectiveness of the Company's risk management and internal controls.
- 4.7 Oversee and review the adequacy and effectiveness of the company's risk management function. The Committee is responsible for overseeing management in the establishment the risk management framework of the Company.
- 4.8 Meet with the external auditors, and with the internal auditors, without the presence of the Company's management, at least annually. The external auditors and internal auditors may request for a separate meeting with the Committee. Management may also request for a separate meeting with the Committee.
- 4.9 Review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.
- 4.10 Commission and review the findings of internal investigations conducted where fraud or impropriety is suspected, or where there is a failure of internal controls or infringement of any Singapore law, rule or regulation which is likely to have a material impact on the Group.
- 4.11 Oversee the establishment and operation of the whistleblowing process in the Company.
- 4.12 Undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the Committee.
- 4.13 Consider the various disclosure requirements, particularly those required by regulatory bodies such as SGX and to ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties.
- 4.14 Recommend to the Board any appropriate extensions or changes in the duties and powers of the Committee.
- 4.15 Retain such professional consultant firm as the Committee may deem necessary to enable it to discharge its duties hereunder satisfactorily.
- 4.16 Carry out such other duties as may be agreed to by the Committee and the Board.

**5. Authority**

- 5.1 The Committee is authorized by the Board for the following:
  - (a) to assist the Board in fulfilling its roles and responsibilities in accordance with this terms of reference;
  - (b) to investigate any matter within its terms of reference;
  - (c) to have direct and unrestricted access to and co-operation by the representatives of the external auditor, the internal auditor and Management;

- (d) to meet with any relevant person of the Company without any Executive Director present, if necessary;
- (e) to ask for reasonable resources to enable it to discharge its functions properly; and
- (f) to have full discretion to invite such persons (for example, any Director, executive officer etc) to attend its meetings.

## **6. Meetings**

- 6.1 The Committee shall hold at least two meetings each financial year, and otherwise as required, and as often as necessary. The meetings shall be held for the following purposes:
  - (a) to carry out its duties under Clause 4 and 5 of these terms of reference; and
  - (b) for any other matter decided by the Committee or the Board.
- 6.2 Each member is expected to attend every meeting, either in person or by teleconference, video conference, or any other form of audio or audio-visual communication.
- 6.3 The Chairman of the Committee 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 the independent directors to be Chairman of the meeting.
- 6.4 The Chairman or in his absence, a member of the Committee, shall be present and available to address questions at shareholders' general meetings.
- 6.5 The Secretary of the Company shall be Secretary of the Committee. If the Secretary is not present, the Committee may choose any person to be Secretary of the meeting.
- 6.6 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.
- 6.7 Minutes of each Committee meeting shall be circulated to the Board.
- 6.8 The notice and agenda for each meeting shall be circulated at least a week before each meeting to the members and those who are required to be in attendance. Members may consent to shorter notice or waive notice of any meeting.
- 6.9 Two members of the Committee, both of whom must be independent directors, shall form a quorum for the meeting.
- 6.10 The Committee may, at its discretion, invite any Director, executive officer of the Company, or external consultant whom it believes can provide information it needs for the purpose of the meeting, to attend its meetings. For the avoidance of doubt, such invitees do not count towards the quorum.
- 6.11 The Committee may regulate its own procedure and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat.
- 6.12 A member of the Committee shall not participate in the deliberations of the Committee if he has an interest in the subject of the matter being deliberated.
- 6.13 The Chairman of the Committee or any member shall call a meeting if so requested by the internal or external auditors.

6.14 All decisions made at any meeting of the Committee shall be determined by a majority of votes. In case of an equality of votes, the Chairman shall have a casting vote.

**7. Resolutions in Writing and Meetings by Conference Calls**

7.1 A resolution in writing signed or approved via letter, email or facsimile by a majority of the Committee members and constituting a quorum shall be effective for all purposes as a resolution passed at a meeting of the Committee duly convened, held and constituted. Any such resolution may be contained in a single document or may consist of several documents all in like form signed by one or more members.

7.2 A decision shall be considered made if the agreement / approval in writing is signed by a majority of the members entitled to participate in the decision.

7.3 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 physical presence of another 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 the Chairman of the Committee shall be conclusive evidence of any resolution of any meeting conducted in the manner as aforesaid.

**8. Reporting Requirements**

8.1 The Chairman reports on Committee proceedings to the Board by submitting minutes of Committee meetings, or by such other mode as deemed appropriate.

8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. Such matters should include:

- (a) the adoption or otherwise, of the quarterly and annual audited financial statements;
- (b) the assessment of the adequacy and effectiveness of risk management and internal control systems;
- (c) the evaluation of the external auditor and its appointment or reappointment, and the level of fees; and
- (d) the review of IPTs and RPTs for inclusion into the annual report and financial statements respectively.

8.3 In addition, the Committee helps the Board to describe and disclose the following information in the company's annual report:

- (a) names of the members;
- (b) the Committee's key terms of reference that sets out its role, duties and the authority delegated to it by the Board;
- (c) the number of meetings held in the year, as well as the attendance of every member at these meetings;
- (d) the aggregate amount of fees paid to the external auditor for that financial year and a breakdown of fees paid in total for audit and non-audit services respectively;
- (e) the existence of a whistleblowing policy and procedures;

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- (f) where material weaknesses are identified by the Board or the Committee, these are disclosed together with the steps taken to address them; and
- (g) a summary of the Committee's activities in the company and measures taken by the members to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.