

AUDIT & RISK COMMITTEE

The Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) and the Companies Act, Cap. 50 of Singapore require companies listed on the SGX-ST to set up an Audit Committee which reports to the Board of Directors.

The role of the Audit & Risk Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of Koon Holdings Limited (the “Company”) in the discharge of its responsibility to:

- (i) safeguard the Company’s assets;
- (ii) maintain proper accounting records; and
- (iii) develop and maintain effective systems of internal control.

The overall objective of the Audit & Risk Committee is to ensure that Management has created and maintained an effective control environment in the Company, and that Management demonstrates and stimulates the necessary aspect of the internal control structure among all parties.

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

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

KOON HOLDINGS LIMITED

(Company Registration No. 200303284M)
(Incorporated in the Republic of Singapore)

AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

1. CONSTITUTION

- 1.1. The Audit & Risk Committee (the "ARC" or the "Committee") is constituted pursuant to Article 105 of the Company's Constitution and was established by the Board of Directors (the "Board") of Koon Holdings Limited (the "Company", and collectively with its subsidiaries, the "Group") on 11 April 2003.
- 1.2. In the event of any conflict between the provisions of this Charter and the provisions of the Code of Corporate Governance of the Australian Securities Exchange Limited ("ASX") (the "Code") and unless the Board resolves otherwise, the provisions of the Code shall prevail and the provisions of this Charter shall be deemed amended to such extent as may be necessary to remove such conflict.

2. MEMBERSHIP

- 2.1. The Committee shall be appointed by the Board from amongst its members, and shall comprise at least three (3) members.
- 2.2. All members shall be non-executive and independent¹ Directors of the Company.
- 2.3. Members shall be appropriately qualified to discharge their responsibilities. At least two members shall have accounting or related financial management expertise.
- 2.4. The Chairman shall be elected by the Board and shall be an independent non-executive Director.
- 2.5. The Board may consider a Director as independent if he has no relationship with the Company, its related corporations² or its officers that could interfere, or be reasonably perceived to interfere with his exercise of independent business judgment in carrying out his functions as a member of the Committee.

If the Board wishes, in spite of the existence of one or more of the following relationships to consider a Director as independent, the Company shall disclose in full the nature of the

¹ An "independent" Director is one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company. The Board should determine, taking into account the views of the Nominating Committee of the Company, whether the Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement.

² The term "related corporation", in relation to the Company, shall have the same meaning as currently defined in the Companies Act (Cap. 50) of Singapore. i.e. a corporation that is the Company's holding company, subsidiary or fellow subsidiary.

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Director's relationship and bear responsibility for explaining why he should be considered independent:

- (a) a Director being employed by the Company or any of its related corporations for the current or any of the past three (3) financial years;
- (b) a Director who has an immediate family member who is, or has been in any of the past three (3) financial years, employed by the Company or any of its related corporations and whose remuneration is determined by the Remuneration Committee of the Company;
- (c) a Director, or an immediate family member, accepting any significant compensation from the Company or any of its related corporations for the provision of services, for the current or immediate past financial year, other than compensation for Board service;
- (d) a Director:
 - (i) who, in the current or immediate past financial year, is or was; or
 - (ii) whose immediate family member, in the current or immediate past financial year, is or was,
 - a 10% shareholder³ of, or a partner in (with 10% or more stake), or an executive officer of, or a director of, any organisation to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services), in the current or immediate past financial year. As a guide, payments⁴ aggregated over any financial year in excess of S\$200,000 should generally be deemed significant;
- (e) a Director who is a 10% shareholder or an immediate family member of a 10% shareholder of the Company; or
- (f) a Director who is or has been directly associated⁵ with a 10% shareholder of the Company, in the current or immediate past financial year.

The relationships set out above are not intended to be exhaustive, and are examples of situations which would deem a Director to be not independent.

³ The term "10% shareholder" shall refer to a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the company. "Voting shares" exclude treasury shares.

⁴ Payments for transactions involving standard services with published rates or routine and retail transactions and relationships (for instance credit card or bank or brokerage or mortgage or insurance accounts or transactions) will not be taken into account, unless special or favourable treatment is accorded.

⁵ A Director will be considered "directly associated" with a 10% shareholder of the Company when the Director is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the 10% shareholder in relation to the corporate affairs of the corporation. A Director will not be considered "directly associated" with a 10% shareholder by reason only of his or her appointment having been proposed by that 10% shareholder.

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- 2.6. On appointment, and thereafter, on an annual basis, every member shall complete a return as to his independence. The Board shall review the return to decide if a Director is to be considered independent.
- 2.7. An independent member shall immediately notify 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, in compliance with provisions of the Companies Act (Cap. 50) of Singapore and the Committee's Terms of Reference.

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

- 2.8. 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.
- 2.9. The office of a member shall become vacant upon the member's death/resignation/retirement/removal or disqualification as a Director of the Company.
- 2.10. If for any reason, the total number of members of the Committee 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 of the Committee is at least three (3).

3. ADMINISTRATION

3.1. Meetings

- 3.1.1. 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.
- 3.1.2. Meetings shall be held at least three (3) times a year.

These meetings shall be held:

- (a) to discuss the annual audit plan and annual budget;
 - (b) prior to the Board's approval of the half-yearly results;
 - (c) after the completion of the annual external audit and prior to the Board's approval of the final results.
- 3.1.3. The external auditors, the internal auditors, or the Chief Financial Officer may request a meeting if they/he/she consider(s) that a meeting is necessary.
- 3.1.4. The Secretary of the Committee shall be the Company Secretary(ies).
- 3.1.5. The Secretary(ies) shall attend all meetings and minute the proceedings thereof.
- 3.1.6. The Secretary(ies) shall keep the minutes of all meetings of the Committee.

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- 3.1.7. Minutes of all meetings shall be confirmed by the Chairman of the meeting and circulated to all the members of the Committee.
- 3.1.8. 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.
- 3.1.9. 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 at least three (3) working days prior to the date of the meeting.

3.2. **Quorum**

The quorum shall be two (2) members of the Committee.

3.3. **Voting**

3.3.1. 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.

3.3.2. In the event of an equality of votes, the Chairman shall have a casting vote.

3.3.3. Any member who has an interest in any matters being reviewed or considered by the Committee shall abstain from voting on the matter.

4. **AUDIT**

4.1. In relation to its Audit function, the Committee is tasked to independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. The Committee is intended to be an efficient and effective mechanism to bring the transparency, focus, and independent judgment needed to oversee the corporate reporting process.

4.2. The duties of the Committee in relation to Audit shall be:

- (a) to review with the external auditors:
 - (i) the audit plan, including the nature and scope of the audit before the audit commences;
 - (ii) their evaluation of the adequacy of the Company's system of internal accounting controls;
 - (iii) their audit report; and
 - (iv) their management letter and Management's response;

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- (b) to ensure co-ordination where more than one audit firm is involved;
- (c) to review the half-year and annual financial statements to ensure integrity of the said financial statements before submission to the Board for approval, focusing in particular, on:
 - (i) significant financial reporting issues and judgments;
 - (ii) changes in accounting policies and practices, including but not limited to the appropriateness of the accounting judgments or choices exercised by Management in preparing the said financial statements;
 - (iii) major risk areas;
 - (iv) significant adjustments resulting from the audit;
 - (v) the going concern statement;
 - (vi) compliance with accounting standards,;
 - (vii) compliance with the stock exchange and statutory/regulatory requirements, including but not limited to that of the ASX and the Singapore Exchange Securities Trading Limited (the “SGX-ST”);
 - (viii) compliance with the Code as well as the code of corporate governance 2012 under the purview of the Monetary Authority of Singapore and the SGX-ST; and
 - (ix) prior to the approval of the said financial statements, ensure that the Chief Executive Officer and Chief Financial Officer provide a declaration that, in their opinions, the financial records of the Group have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group, and that the opinions have been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Committee is to ensure that the aforementioned financial statements reflect the understanding of the Committee members of, and otherwise provide a true and fair view of, the financial position and performance of the Group;

- (d) to review any formal announcements relating to the Company’s financial performance;
- (e) 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;
- (f) to meet with the external auditors and with the internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have;
- (g) to review the assistance given by Management to the external auditors;

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- (h) in relation to the external auditors:
 - (i) to review annually the scope and results of the audit and its cost effectiveness as well as the independence, objectivity, and performance of the external auditors;
 - (ii) where the auditors also provide non-audit services to the Company, to review the nature and extent of such services in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditors would not be affected;
- (i) to review the internal audit programme and ensure co-ordination between the internal and external auditors and Management;
- (j) in relation to the internal auditors:
 - (i) to review the scope and adequacy of the internal audit work plan; and
 - (ii) the objectivity and performance of the internal auditors;
- (k) to review the scope and adequacy of the Company's internal controls, including financial, operational, compliance and information technology controls;
- (l) to review the scope and results of the internal audit procedures including the effectiveness of the internal audit functions and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and ensure annually the adequacy of the internal audit function;
- (m) 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 Management's response;
- (n) to investigate any matter within its Terms of Reference, with full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;
- (o) 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;
- (p) to report to the Board its findings from time to time on matters arising and requiring the attention of the Committee;
- (q) to review interested person transactions ("IPTs") falling within the scope of the listing rules of the ASX, , as well as the relevant provisions under the listing rules of the SGX-ST in relation to IPTs;
- (r) to recommend to the Board:
 - (i) the appointment, re-appointment and removal of the external auditors and the internal auditors;

- (ii) approve the remuneration and terms of engagement of the external auditors and the internal auditors; and
- (iii) the rotation of the audit engagement partner;
- (s) to undertake such other reviews and projects as may be requested by the Board;
- (t) to ensure that the external auditors attend the annual general meetings of the Company and are available to answer questions from shareholders of the Company relevant to the audit; and
- (u) to undertake such other functions and duties as may be required by statute, the listing rules of the ASX and the SGX-ST, and by such amendments made thereto from time to time, as well as all relevant legislation of Singapore, Australia, or any other relevant jurisdiction(s).

5. **RISK MANAGEMENT**

- 5.1. In relation to its Risk Management function, the Committee is to establish a sound risk management framework and periodically review the effectiveness of the framework. The Committee is accordingly tasked to design and implement an appropriate framework (as guided by and modelled after the Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management framework) to identify and manage risk on an ongoing basis, and ensure that the Group operates within the risk appetite set by the Board. In this regard, the Committee is intended to be an efficient and effective mechanism to bring transparency, focus, and independent judgment needed to oversee the Company's Risk Management framework pertaining to its compliance with, *inter alia*, operational health and safety, information technology and data associated risks, and human resource processes.
- 5.2. The duties of the Committee in relation to Risk Management shall be to oversee the Company's risk management systems, practices and procedures to ensure effectiveness of risk identification and management, and compliance with internal guidelines and external requirements, by carrying out, *inter alia*, the following duties:
- (a) to ensure a system is set up to identify, assess and monitor risks associated with the operations of the Group, and examine any other matters relating to risks that are referred to it by the Board;
 - (b) to build consensus among the Board members and Management on acceptable risk levels (in terms of risk likelihood and its impact) and monitor current risk levels;
 - (c) to assess whether the risk management framework is appropriate and adequate. The framework shall be based on the following principles:
 - (i) understand the Company's key drivers of success;
 - (ii) assess the risks in the Company's strategy(ies);
 - (iii) define the role of the Board and the various Board committees (from time to time) with regard to risk oversight;

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- (iv) consider whether the Company’s risk management system, including people and processes, is appropriate and has sufficient resources;
 - (v) work with Management to understand and agree on the types (and format) of risk information as the Board requires;
 - (vi) encourage a dynamic and constructive risk dialogue between Management and the Board, including a willingness to challenge assumptions;
 - (vii) closely monitor the potential risks to the Company’s culture and its incentive structure;
 - (viii) monitor critical alignments of strategy, risk, controls, compliance, incentives and people;
 - (ix) consider emerging and interrelated risks; and
 - (x) periodically assess the Board’s risk oversight processes;
- (d) to monitor Management accountability for Risk Management processes and compliance with risk policies;
 - (e) to promote the establishment of a “**risk-aware**” culture;
 - (f) to review and make recommendations to the Board in relation to Risk Management;
 - (g) to consider, and make recommendations to the Board in connection with, the compliance by the Group with its Risk Management strategy(ies);
 - (h) to report to the Board on any material changes to the risk profile of the Group;
 - (i) to monitor and refer to the Board any instances involving material breaches or potential breaches of the Group’s Risk Management strategy(ies); and
 - (j) to engage such independent professional advice as it considers necessary in fulfilling its duties as stated in this clause 5.2.

6. **REPORTING PROCEDURE**

The Committee shall report to the Board 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 or Australian law, rules or regulations, which has or is likely to have a material impact on the operating results or financial position of the Company.

7. **ATTENDANCE AT GENERAL MEETING**

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

8. REMUNERATION

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

9. GENERAL

- 9.1. The Committee in carrying out its tasks under these Terms of Reference may obtain at the Company's expense such external or other independent professional advice as it considers necessary to carry out its duties.
- 9.2. The Board will ensure that the Committee has access to internal professional advice in order for it to perform its duties.
- 9.3. Any member of the Committee may initiate amendments to its Terms of Reference 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.
- 9.4. Amendments to the Terms of Reference shall be submitted to the Committee for consideration and tabled at a Board meeting for approval.