

SPACKMAN ENTERTAINMENT GROUP LIMITED

AUDIT COMMITTEE – TERMS OF REFERENCE

1. Introduction

- 1.1 The Audit Committee (the “**AC**”) is a standing committee established by resolution of the Board of Directors in accordance with Section 201B of the Companies Act (Chapter 50) of Singapore (the “**Act**”).
- 1.2 The AC shall be empowered and function as required by the provisions of Section 201B of the Act, be guided by the Listing Catalist Rules issued by the Singapore Exchange Securities Trading Limited (the “**Catalist Rules**”) (the “**SGX-ST**”) and the Code of Corporate Governance issued by Corporate Governance Council, as from time to time amended, modified or supplemented (the “**CG Code**”).
- 1.3 In addition, the AC may review any amendments to the legislation, rules, regulations, codes or guidelines applicable to Spackman Entertainment Group Limited (the “**Company**”) and its subsidiaries (collectively with the Company, the “**Spackman Group**”) which fall within the purview of the AC. In the event of any conflict between the provisions of this Terms of Reference (the “**TOR**”) for AC and the provisions of the CG Code, and unless the Board resolve otherwise, the provisions of the CG Code shall prevail and the provisions of this TOR shall be deemed amended to such extent as may be necessary to remove such conflict.

2. Objectives

- 2.1 The main objective of the AC is to assist the Board of Directors of the Company (the “**Board**”) in fulfilling its fiduciary responsibilities to the Company and each of its subsidiaries to act in the interest of the Company’s shareholders as a whole. In addition to pursuing this goal, the AC shall:
 - (a) Oversee and appraise the quality of the audit effort of the Company’s internal audit function and of its external auditors.
 - (b) Review the adequacy of the Spackman Group’s administrative and operating controls as well as internal accounting controls and evaluate the Company’s adherence to such controls.
 - (c) Serve as an independent and objective party to review the integrity of the financial information presented by management to shareholders, regulators and the general public.
 - (d) Provide communication between the Board and the external and internal auditors.
 - (e) Ensure the independence of the external and internal auditors.

3. Composition and Constitution

- 3.1 The Board shall annually confirm the membership of the AC which shall comprise at least three (3) directors, all being non-executive, the majority of whom, including the Chairman, must be independent.
- 3.2 A former partner or director of the Company's existing auditing firm or existing auditing

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corporation should be prohibited from acting as a member of the AC within a period of one (1) year from the date of his ceasing:

- (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.
- 3.3 Collectively, the AC should have broad business experience, knowledge of the operations, finance and auditing procedures of the Company and its subsidiaries. At least two (2) members should have appropriate professional qualifications or recent and relevant accounting or related financial management expertise or experience.
- 3.4 If a member of the AC for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall immediately appoint such number of new members having such qualifications discussed in Clause 3.3 to meet the statutory requirement of Section 201B of the Act, the CG Code and the Catalyst Rules.

4. Functional Independence

- 4.1 The AC is to function independently of the officers and other directors of the Company who are not AC members. Such officers and other directors of the Company who are not AC members may attend any particular AC meeting only at the AC's invitation, specific to the relevant meeting.
- 4.2 Management shall provide the fullest co-operation in providing information and resources, and in implementing or carrying out all requests made by the AC.
- 4.3 The AC shall be responsible for overseeing the internal audit function. The AC is to ensure that the internal audit department is provided with adequate resources and that it has appropriate standing within the Company to enable it to carry out its function effectively.
- 4.4 Where the AC becomes aware of 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 operating results or financial position of the company, the AC should discuss such matter with the external auditors and, at an appropriate time, report the matter to the Board.

5. Duties and Responsibilities

- 5.1 The AC shall:
- (a) Monitor integrity of the Company's and the Spackman Group's financial statements and any public financial reporting and review the significant financial reporting judgments contained therein with management and external auditors for submission to the Board. The AC should focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;

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- (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Catalist Rules and other legal requirements in relation to financial reporting.
- (b) In regard to (a) above, members of the AC must liaise with the Company's Board and senior management, and the AC must meet, at least twice a year, with the Company's external and internal auditors. The AC should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and must give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function of the Company, compliance officer or auditors.
- (c) Review with the external auditors their audit plan, audit report, management letter and any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control, ensure the Board will provide a timely response to the issues raised in the management letter and review the responses which the external auditors have received from management or difficulties with management encountered during the course of the audit.
- (d) Review with the external and internal auditors the adequacy and effectiveness of the Spackman Group's risk management and internal control systems, including financial, operational, compliance and information technology controls.
- (e) Discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.
- (f) Review with the internal auditors, the programme, scope and results of the internal audit and management's response to their findings to ensure that appropriate follow-up measures are taken.
- (g) Ensure co-ordination between the internal and external auditors, and review and monitor the effectiveness of the internal audit function.
- (h) Review with the external auditors the Spackman Group's existing financial and accounting policies and practices and the impact of any new or proposed changes in accounting principles or regulatory requirements on the financial statements of the Company and the Spackman Group.
- (i) Review interested person transactions for potential conflicts of interest as well as all conflicts of interests to ensure that proper measures to mitigate such conflicts of interests have been put in place.
- (j) Assess the suitability of accounting firms as external auditors and recommend to the Board their appointment or re-appointment as external auditors for the coming year, approve their compensation and terms of engagement as negotiated by management and to review and approve their discharge, resignation or dismissal. The

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AC should also assess the independence and objectivity of the external auditors and the effectiveness of the audit process in accordance with the applicable standards. The AC should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences.

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 its corporate governance report, which forms a part of its annual report, a statement from the AC explaining its recommendation and also the reason(s) why the Board has taken a different view.

- (k) Where the external auditors also supply a substantial volume of non-audit services to the Company, the AC should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and cost savings.

The AC should develop and implement policy on engaging an external auditor to supply non-audit services. The AC should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

- (l) Review filings with the SGX-ST, or other regulatory bodies which contain the Company's and the Spackman Group's financial statements and ensure proper disclosure.
- (m) Commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or infringement of any law, rule and regulation which has or is likely to have a material impact on the Spackman Group's operating results and/or financial position, and management's response to these findings. The AC shall be empowered to retain independent counsel, accountants or others to assist in the conduct of any investigation.
- (n) Review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.
- (o) Develop and review the corporate governance policies and practices of the Spackman Group and make recommendations to the Board.
- (p) Review and monitor the policies and practices of the Company and/or the Spackman Group on compliance with legal and regulatory requirements.
- (q) Develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company.
- (r) Review the Company's compliance with the CG Code and any applicable rules and regulations and disclosure in its annual report.
- (s) Review and approve all hedging policies and instruments (if any) to be implemented by the Spackman Group.

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- (t) 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 AC.
 - (u) Review financial risk areas, with a view to providing an independent oversight on the Spackman Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET.
 - (v) Review and establish procedures for receipt, retention and treatment of complaints received by the Spackman Group regarding among other things, criminal offences involving the Spackman Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Spackman Group.
 - (v) Report to the Board the work performed by the AC in carrying out its functions.
 - (w) Consider any other matters, as defined by the Board.
- 5.2 The AC should review the independence of the external auditors annually.
- 5.3 The AC may suggest matters to be included for review by the external and internal auditors
- 5.4 The AC shall also commission an annual internal control audit until such time as the AC is satisfied that the Spackman Group's internal controls are robust and effective enough to mitigate the Spackman Group's internal control weaknesses (if any).

6. AC Meetings

6.1 Calling of meetings

- (a) Meetings of the AC will be held at least four (4) times a year.
- (b) In addition, the Secretary of the AC shall, on the requisition of an AC member convene a meeting of the AC members. The Secretary of the AC shall be the Company Secretary for the time being or, such other person as may be nominated by the AC.
- (c) The Secretary shall attend all meetings and minute the proceedings thereof.
- (d) Upon the request of the external or internal auditors, a meeting of the AC shall also be convened to consider any matter the auditors believe should be brought to the attention of the Board or shareholders of the Company.
- (e) The AC may invite members of management or others to attend any Committee meeting and to provide pertinent information as necessary.
- (f) The AC will meet at least annually with the external auditors and the internal auditors without the presence of management.

6.2 Meeting should be attended by:

- (a) the Chief Executive Officer or his designee;

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- (b) the Financial Director / Manager / Chief Financial Officer / Financial Controller;
- (c) the Head / Representative of internal audit; and
- (d) the Representative of external auditors.

6.3 Meeting should be held:

- (a) prior to the announcement of the annual external audit;
- (b) prior to the Board's approval of the quarterly results; and
- (c) after the completion of the annual external audit and prior to the Board's approval of the full year result.

6.4 Notice of meetings

Seven (7) days notice, or such shorter notice as may be agreed by the AC members, shall be given by the Secretary of the AC specifying the place, time and agenda of the meeting. A copy of the notice shall also be sent to the external and internal auditors.

All members should have access to the advice and services of the Secretary of the AC with a view to ensuring that all applicable procedures, rules and regulations are followed.

6.5 Decisions/Voting

Of the members participating in a decision of the AC, a majority shall be independent.

The AC shall be provided with sufficient resources to perform its duties.

A resolution shall be considered passed if:

- (a) there is a majority of votes cast in favour of the resolution; or
- (b) there is an agreement in writing by a majority of members entitled to vote on the decision.

6.6 Quorum

The quorum necessary for the transaction of the business of the AC shall be two (2) independent AC members.

6.7 Chairman of meetings

(a) The members:

- (i) shall select a Chairman from among the independent members of the AC;
and
- (ii) may determine the period for which the Chairman is to hold office.

(b) If at any meeting the Chairman is not present within ten (10) minutes after the time appointed for holding the meeting, the members present may choose one of the

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other independent members to be Chairman of the meeting.

6.8 Resolutions

- (a) A resolution in writing, signed by majority of the members for the time being entitled to receive notice of a meeting of the AC, shall be as valid and effectual as if it had been passed at a meeting of the AC duly convened and held.
- (b) Any such resolution may consist of several documents in like form, each signed by one or more members of the AC.

6.9 Minutes

- (a) Minutes of all proceedings of meetings of the AC shall be recorded by the Secretary. Minutes should record in sufficient detail the matters considered by the AC and decisions reached, including any concerns raised by the members or dissenting views expressed. Draft and final versions of minutes should be circulated to all members for their comment and records respectively, within a reasonable time after the meeting.
- (b) The minutes are to be signed by the Chairman of the meeting or, subject to paragraph 6.7(b) above, by the Chairman of the next succeeding meeting.
- (c) The minute books shall be kept by the Secretary of the AC at the registered office of the Company and shall be opened to the inspection of any Director of the Board.

6.10 Reporting to the Board

The Chairman of the AC shall report on the decisions, recommendations and proceedings of the AC to the Board by way of submission of minutes of the AC meetings or by such other mode as the Chairman shall in his discretion deem fit, unless there are legal or regulatory restrictions on its ability to do so.

7 Update of Terms of Reference

- 7.1 These TOR of the AC shall be approved by the Board. On an annual basis, the AC will review and re-assess the adequacy of these TOR and any required revisions will be approved by the Board.

8. Disclosure of Terms of Reference

- 8.1 These TOR will be published on the Company's website and published in the Company's Annual Report.