

SOUND GLOBAL LTD.
桑德國際有限公司*

(Incorporated in the Republic of Singapore with limited liability)
(Hong Kong Stock Code: 00967)

AUDIT COMMITTEE CHARTER

(Adopted by the Company pursuant to the Board resolution passed on 30 June 2020)

1. INTRODUCTION

- 1.1 The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) require every listed company to establish an audit committee (the “**Audit Committee**”) which will report to the board of directors of the listed company.
- 1.2 This Charter of the Audit Committee sets out the terms of reference of the Audit Committee of SOUND GLOBAL LTD. (the “**Company**”), including its authority and duties as well as the procedure regulating the conduct of its meetings.
- 1.3 The primary responsibilities of the Audit Committee are:
 - (a) to assist the board of directors of the Company (the “**Board**”) in fulfilling its responsibilities in respect of the Company’s accounting policies, risk management, internal controls, financial reporting practices and business policies;
 - (b) to monitor management’s commitment to the establishment and maintenance of a satisfactory control environment and effective systems of risk management and internal control (including any arrangements for internal audit);
 - (c) to maintain a channel of communication among members of the Board, the financial management team, and the internal and external auditors on matters arising out of the internal and external audits and to consider the adequacy of arrangements for audit; and
 - (d) to monitor and review the scope and results of external audit and its cost effectiveness and the independence and objectivity of the external auditors.

2. CONSTITUTION AND AUTHORITY

- 2.1 The Audit Committee is constituted pursuant to Article 104 of the Company’s articles of association.
- 2.2 The Audit Committee is to be given explicit authority by the Board to investigate any matter within its terms of reference, full access 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.
- 2.3 In addition, the Audit Committee is given full authority to meet with the external auditors without other Board members, the management or internal auditors being present.
- 2.4 The Audit Committee shall have full access to and co-operation by the management, including internal auditors, and have full discretion to invite any director or executive officer to attend its meetings.
- 2.5 The Audit Committee is authorised by the Board at the expense 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 this necessary and it shall be given reasonable resources to enable it to discharge its functions properly.

3. MEMBERSHIP

- 3.1 The Audit Committee shall be appointed by the Board from amongst its members, and shall comprise not less than three (3) members.
- 3.2 All Audit Committee members should be non-executive (i.e. should not be executive directors of the Company or any related corporation) and the majority of whom, including the Chairman, should be independent.
- 3.3 At least one member should have appropriate professional qualifications or accounting or related financial management expertise or experience, as the Board deems appropriate.
- 3.4 Starting from 1 January 2019, a former partner of the Company's existing auditing firm should be prohibited from acting as a member of its Audit Committee for a period of 2 years from the date of his/her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.
- 3.5 On appointment, and thereafter, every member shall submit an annual confirmation to the Board as to his independence in compliance with the independence guidelines as set out in the Listing Rules.
- 3.6 A member shall notify the Audit Committee immediately, of any change in circumstances that may result in him not being able to meet the criteria for independence (within the meaning of the Listing Rules). The Board may, after considering the change in circumstances, require the resignation of the member.
- 3.7 A member who wishes to retire or resign from the Audit Committee shall notify the Board by giving at least three (3) months' notice in writing.
- 3.8 The office of a member shall become vacant upon the member's resignation/retirement/removal or disqualification as a director of the Company.
- 3.9 If the number of members falls below three (3), the Board shall within three (3) months appoint a new member.

4. DUTIES

- 4.1 The duties of the Audit Committee shall be:
 - (a) to review with the external auditors the audit plan, their evaluation of the system of internal accounting controls and their audit report;
 - (b) to review the balance sheet and profit and loss account and, if it is a holding company, the consolidated balance sheet and profit and loss account and thereafter to submit them to the directors of the Company or the directors of the holding company;
 - (c) to review announcements of results before submission to the Board for approval;
 - (d) to review the assistance given by management to the external auditors;

- (e) to review the external auditors' management letter, any material queries raised by the auditors to management accounting records, financial accounts or systems of control and the response from management;
- (f) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- (g) to review any significant unresolved differences between the external auditors, internal auditors and management;
- (h) to review the scope and results of the audit and its cost effectiveness. The objectivity and independence of external auditors and the effectiveness of the audit process should be reviewed annually in accordance with applicable standards. The Audit Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- (i) to review the nature and extent of non-audit services (where these are substantial) provided by the external auditors to the Company to ensure that these are provided objectively, on a value-for-money basis. For this purpose, "external auditors" include 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. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (j) to ensure the integrity of the financial statements of the Company and annual report and accounts, half-year report and, if prepared for publication, quarterly reports and any formal announcements relating to the Company's financial performance; and to review the significant financial reporting issues and judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:–
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

- (k) Regarding 4.1(j) above:–
- (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company’s auditors; and
 - (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it 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;
- (l) to consider the appointment/re-appointment and removal of the external auditors, the remuneration, terms of engagement and matters relating to the resignation or dismissal of the external auditors for the purpose of making recommendations to the Board on the appointment and re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
 - (m) to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of risk management and internal controls or suspected infringement of any law, rule and regulation (whether of Singapore or elsewhere) which has or is likely to have a material impact on the Company’s operating results and/or financial position, and management’s response;
 - (n) to review the adequacy of the Company’s internal financial controls, operational and compliance controls and unless expressly addressed by a separate board risk committee or by the Board itself, to review the Company’s risk management and internal control policies and systems established by the management at least once a year;
 - (o) to discuss the risk management and internal control systems with management to ensure that 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 function;
 - (p) to review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting, internal control or other matters, and to ensure that arrangements are in place for independent investigation of such matters and for appropriate follow up action;
 - (q) to review the changes in the nature and extent of significant risks, and the Company’s ability to respond to changes in its business and the external environment;
 - (r) to act as the key representative body for overseeing the Company’s relations with the external auditors;
 - (s) to ensure co-ordination between the internal and external auditors;
 - (t) to review the scope, results and cost-effectiveness of internal audit procedures as well as the effectiveness of the Company’s internal audit function;

- (u) to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company. The internal audit function could be (i) undertaken by an in-house unit, (ii) outsourced to a reputable accounting or auditing firm or (iii) undertaken by the internal audit staff of the Company's major shareholder, holding company, parent company or controlling enterprise. The Audit Committee should review and monitor the effectiveness of the internal audit function and ensure the adequacy of the internal audit function;
- (v) to review continuing connected transactions;
- (w) to review the Company's financial and accounting policies and practices;
- (x) to report to the Board on the matters in the code provision under Appendix 14 of the Listing Rules;
- (y) to undertake such other reviews and projects as may be requested by the Board; and
- (z) to undertake such other functions and duties as may be required by the Listing Rules, and by such amendments made thereto from time to time.

5. MEETINGS

- 5.1 Unless varied by this Charter, meetings and proceedings of the Audit Committee shall be governed by the provisions in the Company's articles of association regulating the meetings of the Board and the committees formed by it.
- 5.2 Meetings of the Audit Committee shall be held at least twice a year.
- 5.3 The meetings of the Audit Committee may be conducted by means of telephone conferencing or other methods of simultaneous communications by electronic or telegraphic means and the minutes of such a meeting signed by the Chairman shall be conclusive evidence of the proceedings of any meeting conducted as aforesaid.
- 5.4 The external auditors or the internal auditors may request a meeting with the Audit Committee if they consider that a meeting is necessary.
- 5.5 Meetings should be attended by:
 - (a) finance director/manager (if requested by the Audit Committee);
 - (b) representatives of internal auditors; and
 - (c) representatives of external auditors, Provided That the Audit Committee shall meet with the external auditors and the internal auditors on separate occasions and without the management at least once a year.
- 5.6 The secretary of the Audit Committee shall be the Company secretary or any other person as the Audit Committee considers appropriate.

- 5.7 The secretary shall minute the proceedings of all meetings. In his/her absence, the Audit Committee may appoint one (1) of their members or the finance director/manager to minute the proceedings thereof.
- 5.8 The notice and agenda of meetings shall be circulated at least one (1) week before the scheduled meetings.
- 5.9 The quorum for meetings of the Audit Committee shall be two (2) members present and voting.
- 5.10 A resolution shall be considered passed if there is a majority of votes passed in favour of the resolution during a meeting of the Audit Committee. In the event of an equality of votes, the Chairman shall have a casting vote.
- 5.11 A resolution in writing, signed by majority of the members for the time being entitled to receive notice of meeting of the Audit Committee is valid and effectual as if it has been passed at a meeting of the Audit Committee duly convened and held. Any such resolution may consist of several documents in like forms, each signed by one (1) or more members.

6. REPORTING PROCEDURES

- 6.1 The secretary shall circulate the minutes of all meetings of the Audit Committee to members of the Board.
- 6.2 The Audit Committee shall report to the Board the outcome of its reviews and discussions with the external auditors and the internal auditors and its findings on any suspected fraud or irregularity, or suspected infringement of any Singapore law, rules or regulations, which has or is likely to have material impact on the operating results or financial position of the Company.
- 6.3 The Board shall disclose the names of the members of the Audit Committee, details of the Audit Committee activities, the number of Audit Committee meetings held in that year, and the attendance of each of the members at such meetings in the Company's annual report.
- 6.4 The Board shall comment on the adequacy of the internal controls, including financial, operational and compliance controls, and risk management systems in the Company's annual report.
- 6.5 The Chairman (or in his absence, another member) of the Audit Committee or failing this his duly appointed delegate shall attend the Company's annual general meeting and be prepared to answer questions.

* *For identification purposes only*