

NOVO GROUP LTD.
(the “Company”)

AUDIT COMMITTEE
TERMS OF REFERENCE

Purpose

1. The audit committee (“**AC**”) is a committee established by the board of directors (“**Board**”). Its primary function is to assist the Board in fulfilling its oversight responsibilities by reviewing:
 - (a) the financial information provided by the Company to any governmental body or the public;
 - (b) the systems of internal controls that management and the Board have established;
 - (c) the audit and business processes to manage risks and safeguard the Company’s assets and enhance shareholder value; and
 - (d) the processes to manage compliance risk viz the risk of legal or regulatory sanctions, financial loss, or loss of reputation that the Company may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice.

Composition

2. The AC shall comprise at least three directors, all non-executive, the majority of whom (including the chairman) shall be independent directors.
- 2A. An “independent director” means a director who:
 - (i) is independent from any management and business relationship with the Company; and
 - (ii) is independent from any substantial shareholder of the Company.
- 2B. A director shall not be considered independent from management relationships with the Company if:
 - (a) he is employed by the Company or any related corporation, or has been so employed at any time during the Company’s or any related corporation’s preceding three financial years;

- (b) his immediate family member¹ is employed by the Company or any related corporation as an executive officer whose compensation is determined or recommended by the remuneration committee of the Company, or if his immediate family member has been so employed at any time during the Company's or any related corporation's preceding three financial years; and
- (c) he is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the management of the Company.

2C. A director shall not be considered independent from business relationships with the Company if:

- (a) he is a director, substantial shareholder² of, a partner in or an executive officer³ of, any corporation, firm, limited liability partnership or a sole proprietor carrying on business for purposes of profit to which the Company or any related corporation has made, or from which the Company or any related corporation has received, significant payments⁴ in the current or immediately preceding financial year;
- (b) he is a former partner of the Company's existing auditing firm and has ceased to be a partner or have any financial interest in the firm for a period of less than 1 year;
- (c) he is receiving or has received, any compensation from the Company or any related corporation, other than compensation received for his service as a director or as an employee, at any time during the Company's preceding financial year;
- (d) he is employed by, is receiving or has received any compensation from:
 - (i) a corporation which is a member of the Company or any related corporation; or
 - (ii) a related corporation of a member of the Company or any related

¹ For the purpose of this paragraph, "immediate family member" means spouse, child, adopted child, step-child, brother, sister, parent, or step-parent.

² For the purpose of this paragraph, "substantial shareholder" means a person who has a "substantial shareholding" as defined in Division 4 of Part IV of the Singapore Companies Act.

³ For the purpose of this paragraph, "executive officer" means any person who is in the direct employment of, or acting for or by arrangement with, a corporation, and is concerned with or takes part in the management of the corporation on a day-to-day basis.

⁴ For the purpose of this paragraph, "payments" does not include payments for transactions involving standard services with published rates or routine and retail transactions and relationships, unless special or favourable treatment is accorded.

corporation, and he is responsible for or engages in the activities of that member, at any time during the current or preceding financial year of the Company;

- (e) his immediate family member is a director or a substantial shareholder of a corporation which is a member of the Company or any related corporation; or
- (f) his immediate family member is employed by a corporation which is a member of the Company or any related corporation as an executive officer whose compensation is determined by the remuneration committee of the member corporation.

2D. A director is considered to be independent from a substantial shareholder of the Company if he is not a substantial shareholder of the Company and is not connected to a substantial shareholder of the Company. A person is connected to a substantial shareholder if he is:

- (a) an immediate family member of the substantial shareholder;
- (b) employed by the substantial shareholder or a subsidiary or associated company of the substantial shareholder;
- (c) a director of the substantial shareholder;
- (d) a director of a subsidiary or associated company of the substantial shareholder;
- (e) a partner of the substantial shareholder in any firm or limited liability partnership; or
- (f) accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder.

3. The members of the AC shall be appropriately qualified to discharge their responsibilities. At least two members shall have accounting or related financial management expertise or experience as the Board deems suitable.

4. The Chairman and members of the AC shall be appointed by the Board.

5. Where, by virtue of any vacancy in the membership of the AC for any reason, the number of members of the AC is reduced to less than 3, the Board shall, within 3 months thereafter, appoint such number of new members to the AC as may be required to make up the minimum number of 3. Any new member appointed shall hold office for the remainder of the terms of office of the member of the AC in whose place he is appointed.

Meetings

6. The AC may ask members of management or others to attend the meeting and provide pertinent information as necessary.
7. To foster open communication, the AC should meet with other committees, management and the external auditor, jointly and separately, at least .
8. The secretary shall on the requisition of a member of the AC (hereinafter referred to as member) or at the request of external auditor summon a meeting of the members.
9. Upon the request of the external auditor, a meeting of the AC will also be convened to consider any matter the auditor believe should be brought to the attention of the directors or shareholders.
10. Seven days' notice or such shorter notice as may be agreed by members will be given by the secretary, specifying the place, time and agenda of the meeting. A copy of the notice shall also be sent to the external auditor.
11. The quorum necessary for the transaction of the business of the AC shall be two, at least one of whom shall be an independent member.
12. If, at any meeting the chairman is not present within 15 minutes after the time appointed for holding the meeting, the members present may choose one of the other independent members to be Chairman of the meeting.
13. In case of an equality of votes the chairman of the meeting shall have a second or casting vote.
14. A resolution in writing, signed by all the members of the time being entitled to receive notice of a meeting of the AC, shall be as effective as a resolution duly signed at a meeting of the AC. Any such resolution may consist of several documents in like form, each signed by one or more members.
15. Minutes of all proceedings of meetings of the AC shall be recorded by a duly appointed secretary of the meeting (who should normally be the company secretary) and circulated to all the members. Draft versions of minutes of meetings of the AC should be sent to all members of the AC within a reasonable time after the meeting for their comment. The final version of minutes is to be signed by the chairman of the meeting and thereafter should be sent to all members of the AC within a reasonable time after the meeting for their records. The minute books shall be kept by the secretary and shall be open for inspection by any director of the Company's Board.
16. The Chairman of the AC shall report on the 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.

Authority

17. The AC shall have explicit authority to investigate any matter within its terms of reference, 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.

Responsibilities

18. Review and update the terms of reference of the AC.
19. Recommend to the Board the appointment, reappointment, and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor and any questions of its resignation or dismissal.
20. Review and monitor the scope and results of the audit in accordance with applicable standard and its cost effectiveness, and the independence and objectivity of the external auditor. Where the auditor 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 value for money.
21. Confirm and assure the independence of the external auditor annually.
22. Review with other committees, management and the external auditor, significant risks or exposures that exist and assess the steps management has taken to minimise such risk to the Company.
23. Discuss with the external auditor, the nature and scope of the audit and reporting obligations of the external auditor before the audit commences, and the coordination of audit effect to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
24. Develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, “external auditor” includes 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 reasonable conclude to be part of the audit firm nationally or internationally. The AC should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

25. Monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these report (if applicable) before submission to the Board, the AC should focus particularly on:
- (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from audit;
 - (d) the going concern assumptions and any qualifications; and
 - (e) compliance with accounting standards; and compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") ("**Listing Rules**") and the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and legal requirements in relation to financial reporting.

Regarding (25) above, members of the AC should liaise with the Board and senior management and the AC must meet, at least twice a year, with the Company's external auditor; and the AC 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 auditor.

26. Review with the chief financial officer and external auditor at the completion of the quarterly reviews and annual examination:
- (a) the Company's quarterly and audited annual financial statements and related footnotes, integrity of financial reporting of the Company including accounting principles before submission to the Board for approval for release to the SGX-ST and/or the Hong Kong Stock Exchange. The AC shall make recommendations to the Board for approval, the quarterly and audited financial statements and the corresponding SGXNET and/or the Hong Kong Stock Exchange announcements;
 - (b) the external auditor's audit of the annual financial statements and reports thereon;
 - (c) the adequacy of the Company's system of accounting and financial controls;
 - (d) the assistance given by the Company's officers to external auditor;

- (e) any related significant findings and recommendations of the external auditor together with management's responses thereto; and
 - (f) any significant changes required in the external auditor's audit plan, any serious difficulties or disputes with management encountered during the course of the audit and their resolution, and other matters related to the conduct of the audit.
27. Review the Company's internal controls, including financial, operational and compliance controls and risk management systems.
 28. Discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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.
 29. Implement an internal audit function and review internal audit reports and internal audit plans. Ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor its effectiveness.
 30. Consider and review any findings on internal control matters of the internal auditor of the Company as delegated by the Board or on its own initiative and management's response to these findings.
 31. Review the Group's financial and accounting policies and practices.
 32. Review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response.
 33. Ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.
 34. Review arrangements by which the 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 place for the independence investigation of such matters and for appropriate follow up action.
 35. If the AC becomes aware of any suspected fraud or irregularity, or suspected infringement of any Singapore laws or Hong Kong laws or regulations or rules of the SGX-ST or the Hong Kong Stock Exchange or any other regulatory authority in Singapore or Hong Kong, which has or is likely to have a material impact on the Company's operating results or financial position, the AC must discuss such matter with the external auditor and, at

an appropriate time, report the matter to the Board.

36. Review policies and procedures with respect to officers' expense accounts and perquisites, including use of corporate assets.
37. Review and approve interested person transactions (if any) in accordance with the requirements as defined in the Listing Manual and ensure that the transactions were on normal commercial terms and not prejudicial to the interests of the members of the Company.
38. Review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies of the SGX-ST or the Hong Kong Stock Exchange, and programs and reports received from regulators.
39. Meeting with the external auditor, other committees, and/or management in separate executive sessions without the presence of the management of the Company to discuss any matters that these groups believe should be discussed privately with the AC.
40. Confirm in the annual report that the AC has undertaken a review of all non-audit services provided by the external auditor and they would not, in the AC's opinion, affect the independence of the auditor.
41. Report actions and minute of the AC to the Board with such recommendations as the AC considers appropriate.
42. Report to the Board on the matters set out in this these Terms of Reference.
43. Consider other topics and undertake such other functions, duties, reviews and projects as may be requested by the Board or as may be required by the Singapore laws or Hong Kong laws or the Listing Manual or the Listing Rules.
44. Act as the key representative body for overseeing the Company's relations with the external auditor.