



## **CHINASOFT INTERNATIONAL LIMITED**

**中軟國際有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 354

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### **AUDIT COMMITTEE**

### **TERMS OF REFERENCE**

*(As adopted by the Board on 2 June 2003 and amended on 28 March 2012)*

#### **DEFINITIONS**

1. Unless the context otherwise requires, the terms below have the following meaning:

“Board”	:	the board of directors of the Company
“Chief Financial Officer”	:	the chief financial officer of the Company
“Committee”	:	the audit committee
“Company”	:	Chinasoft International Limited
“Company Secretary”	:	the company secretary of the Company
“Director(s)”	:	the director(s) of the Company
“Exchange’s website”	:	the official website of Hong Kong Exchanges and Clearing Limited
“Group”	:	the Company and its subsidiaries from time to time
“Listing Rules”	:	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management”	:	heads of divisions, departments or other operating units within the Group, and directors of subsidiaries

#### **CONSTITUTION**

2. The Board hereby constitutes and establishes an audit committee on 2 June 2003 with authority, responsibility and specific duties as described below.

#### **MEMBERSHIP AND QUORUM**

3. The Committee shall consist of at least three members appointed by the Board, all of whom shall be non-executive Directors and a majority of whom shall be independent non-executive Directors. At least one of the independent non-executive Director members of the Committee must have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Executive Directors may not serve as members of the Committee. A quorum shall be not less than half of the members on the Committee, at least two of whom must be independent non-executive Directors.

4. The chairman of the Committee must be an independent non-executive Director and shall be appointed by the Board.
5. No former partner of the Company's existing auditing firm may serve as a member of the Committee for a period of 1 year from the date of his ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.

#### **AUTHORITY AND DUTIES**

6. The Committee is authorized by the Board to perform any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
7. The Committee is authorized by the Board 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 at the Company's expenses. The Committee shall be provided with sufficient resources to perform its duties.
8. The Committee shall report to the Board any suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention.
9. The duties of the Committee shall be:-
  - (a) responsible for making recommendations to the Board concerning the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
  - (b) to discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and ensure co-ordination where more than one audit firm is involved;
  - (c) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
  - (d) to monitor integrity of the half-year, annual and any periodic financial statements, half-year report, annual report and any preliminary announcement before submission to the Board, and to review significant financial reporting judgments contained in them, focusing 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;
- (e) to review with Management the narrative sections of the Group's annual report to shareholders and discusses results press releases, as well as financial information and results guidance provided to the financial community;
- (f) to review regularly with Management, the internal auditors and the external auditors all significant issues concerning litigation, contingencies, claims, or assessments and all material transactions and accounting issues and transactions that require disclosure in the Company's financial statements;
- (g) to review the Group's policies and programs for complying with laws and regulations in respect of financial reporting and internal control;
- (h) to communicate with the Board, senior management and the Chief Financial Officer in relation to the matters set out in (d) above;
- (i) to meet regularly, but in no event less than twice a year with the Company's external auditors in executive session;
- (j) to meet regularly in executive session with the company's internal auditor, general counsel and head of compliance;
- (k) to consider any matters that have been raised by the Chief Financial Officer, the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors or any significant or unusual items that are, or may need to be, reflected in the reports and accounts referred to in (d) above;
- (l) to review the external auditor's management letter, any material queries raised by the auditor to Management about accounting records, financial accounts or systems of control and Management's response;

- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to discuss and review with Management the Company's internal and financial control and risk management systems and ensure that Management has performed its duty to have effective internal and financial control and risk management systems including an annual review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (o) to review and monitor the effectiveness of the internal audit function, 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;
- (p) to develop, implement and oversee the Company's policy on engaging an external auditor (including 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) to supply non-audit services, and to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (q) to review the Group's financial and accounting policies and practices;
- (r) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and Management's response to these findings;
- (s) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow up action;
- (t) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (u) to review these terms of reference and to report to the Board on the Committee's areas of responsibility and recommend to the Board any appropriate extensions or changes in the duties of the Committee; and

- (v) to consider other topics, as defined by the Board from time to time.

### **MEETINGS AND ATTENDANCE**

10. Meetings shall be held not less than two times a year. As necessary or desirable, the chairman of the Committee may request that members of Management, the head of internal audit and representatives of the external auditors be present at meetings of the Committee. Other Directors shall also have the right of attendance. Regularly, but at least twice a year, the Committee shall meet with the Company's external auditors. The external auditors may request a meeting if they consider that it is necessary.
11. Meetings of the Committee shall be summoned by the secretary of the Committee at the request of the chairman of the Committee. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than 7 days before the date of the meeting. Supporting papers shall be sent to the Committee members and to the other attendees at least 3 days in advance of the meeting (or other agreed period).
12. Except as outlined above, meetings of the Committee shall be conducted in accordance with the provisions of the Company's articles of association governing the proceedings of the Directors of the Company.

### **REPORTING AND MINUTES**

13. The Company Secretary of the Company or his/her nominee or such other person as nominated by the Board shall act as the secretary of the Committee and shall be responsible for taking minutes of each Committee meeting.
14. Full minutes of the Committee meetings shall be kept by the secretary of the Committee and shall be open for inspection at any reasonable time on reasonable notice by any Director. Minutes of meetings of the Committee shall record in sufficient details the matters considered by the Committee and decisions reached, including any concerns raised by Directors, members or dissenting views expressed. Draft and final versions of minutes of the meetings shall be sent to all Committee members for their comment and records, within a reasonable time after such meetings are held.
15. The secretary of the Committee shall circulate to all Directors the final versions of Committee meeting minutes once approved by the Committee.

16. The Committee shall report to the Board on a regular basis. At the next Board meeting following a Committee's meeting, the Committee shall report the Committee's decisions or recommendations to the Board, unless there are legal or regulatory restrictions on their ability to do so.
17. The chairman of the Committee shall attend the annual general meeting(s) and be prepared to respond to any shareholders' questions on the Committee's activities or in his absence, another member of the Committee, or failing this, his duly appointed delegate.

**AMENDMENT TO TERMS OF REFERENCE**

18. Any amendment to these terms of reference must be approved by the Board.

**AVAILABILITY OF TERMS OF REFERENCE**

19. The Committee shall make available these terms of reference, explaining its role and the authority delegated to it by the Board by including them on the Exchange's website and the Company's website.