

**Computer And Technologies Holdings Limited (the "Company")**  
**(Stock Code: 46)**  
**Audit Committee Terms of Reference**  
**Revised and adopted by the Board on 22 Mar, 2012**

## **1 Constitution**

The board of directors of the Company (the "**Board**") hereby constitutes and establishes an audit committee (the "**Audit Committee**") with the authority, responsibility, and specific duties as described below.

## **2 Membership**

- a) The Audit Committee shall be appointed by the Board and shall consist of not less than three members comprising non-executive directors.
- b) The majority of the members of the Audit Committee shall be independent non-executive directors and at least one of whom is an independent non-executive director (the "**INED**") with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities (the "**Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").
- c) The members of the Audit Committee (the "**Members**") shall appoint its chairman (the "**Chairman**") who must be an independent non-executive director. A quorum shall be two Members.
- d) A former partner of the Company's existing auditing firm shall be prohibited from acting as a Member for a period of one year from the date of his ceasing:
  - (i) to be a partner of the firm; or
  - (ii) to have any financial interest in the firm, whichever is later.

## **3 Responsibility**

- a) The function of the Audit Committee is to assist the Board to provide an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Company and its subsidiaries (the "**Group**"), to oversee audit process and to perform other duties and responsibilities as assigned by the Board.

- b) The Audit Committee should serve as a focal point for communication between other directors, the external auditors, and the management as their duties relate to financial and other reporting, internal controls, and the audits.
- c) The Audit Committee will report its findings in the annual and interim reports of the Company when
  - (i) the findings reveal any significant or material costs or damages to the Company;
  - (ii) the findings reveal any material non-compliance with laws and regulations or standard principles of accounting; or
  - (iii) the findings reveal any potential significant or material risks to the Company.

#### **4 Authority**

The Audit Committee is granted the authority to investigate any activity within its terms of reference and all employees of the Company are directed to cooperate as requested by members of the Audit Committee. The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice as necessary to assist the Audit Committee and shall be provided with sufficient resources to perform its duties. As part of its functions, the Audit Committee will review the regular reports of the Company's internal audit department (the "**Internal Audit Department**") and will have the power to request further information from the Internal Audit Department as well as require the Internal Audit Department to prepare specific reports dealing with particular internal controls or compliance issues for review by the Audit Committee as and when necessary. The Committee shall report to the board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the board.

#### **5 Duties**

The duties of the Audit Committee include:

##### *Relationship with the external auditors*

- a) to be primarily responsible for making recommendations to the Board on 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. Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the corporate governance report a detailed explanation of the Audit Committee's view and the reasons for the Board to have taken such a different view;

- b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- c) to 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 reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board and shall identify and make recommendations on any matters where action or improvement is needed;
- d) to act as the key representative body for overseeing the Company's relations with the external auditor;

*Review of the Company's financial information*

- e) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall 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 assumption and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- f) Regarding to paragraph 5(e):
  - (i) the Members shall liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the external 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 shall 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.

*Oversight of the Company's financial reporting system and internal control procedures*

- g) to review the Company's financial controls, internal control and risk management systems;
- h) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- i) 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;
- j) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- k) to review the financial and accounting policies and practices of the Group;
- 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 report to the Board on the matters in the code provisions of Corporate Governance Code contained in Appendix 14 of the Listing Rules (as amended from time to time);
- o) to consider other topics, as defined by the Board from time to time; and
- p) 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 Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

## **6 Frequency and proceedings of meetings**

- a) The Audit Committee shall meet at least twice a year. Additional meetings may also be held from time to time to discuss special projects or other issues which the Audit Committee considers necessary.
- b) The external auditors may request a meeting if they consider that one is necessary.
- c) Unless agreed by all the Members, the notice period for convening a Committee meeting shall not be less than seven clear days (including non-working days).
- d) Any of the Members can convene a meeting by giving to the Committee Secretary a notice. Upon receipt of such notice, the Committee Secretary shall notify all other Members about the meeting.
- e) Notices referred to the above may be given in writing (by letter, facsimile, email or telex) or orally.
- f) The Member or the Committee Secretary convening a meeting shall provide to other Members about the purposes of the meeting, the time, venue and agenda of the meeting and shall apply to each of them all relevant documents of the meeting.
- g) Each Member present in a meeting shall have one vote. All resolutions passed in the meeting shall be by majority votes. If the votes for and against a resolution is equal, the Chairman shall have a casting vote.

## **7 Attendance**

- a) As necessary or desirable, the Chairman may request that the Group's executive directors, senior management, external and internal auditors and/or other relevant person(s) be present at meetings of the Audit Committee. Other directors of the Board shall also have the right of attendance.
- b) The quorum of a meeting shall be two Members (excluding the Committee Secretary), at least one of whom should be an INED.
- c) Meetings can be held by way of telephone conference or similar communications equipment whereby all persons participating in a meeting through such media can clearly hear and understand each other and all persons participating in any meeting pursuant to this provision shall be deemed to be present in person at such meeting.
- d) If within thirty minutes from the time appointed for a meeting, a quorum is not reached, upon majority agreement by the members who present, the meeting shall stand adjourned. The Committee Secretary or any Member can issue the notice for the adjourned meeting.

## **8 Secretary**

The Company Secretary of the Company (the "**Company Secretary**") shall be the secretary of the Audit Committee.

## **9 Minutes and written resolutions**

- a) Full minutes of the Audit Committee meetings shall be kept by the Company Secretary and draft and final versions of minutes of the meetings shall be sent to all Members for their comments and records within a reasonable time after the meeting.
- b) The Company Secretary shall circulate the minutes of meetings of the Audit Committee to all directors of the Board.
- c) A resolution in writing signed by all the Members shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.

## **10 Annual General meeting**

The chairman of the Audit Committee shall, as far as practicable, attend the annual general meeting of the Company and be prepared to respond to any shareholder's questions on the Audit Committee's activities.

## **11 Terms available**

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