



**CIAM Group Limited**  
**事安集團有限公司\***

*(A subsidiary of CITIC International Assets Management Limited  
incorporated in Bermuda with limited liability)*

**(Stock Code: 378)**

**TERMS OF REFERENCE OF AUDIT COMMITTEE**

*\* For identification purpose only*

# **CIAM GROUP LIMITED**

## **Audit Committee Terms of Reference**

*Date of Approval: 22 May 2012*

*Version No. 003*

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### **1. Definitions**

*In this document, unless the content otherwise requires, the following expressions have the following meanings: -*

- “the Board” means the board of Directors of the Company
- “the CEO” means the Chief Executive Officer of the Company
- “the Committee” means the Audit Committee of the Company
- “the Company” means CIAM Group Limited
- “the Director(s)” means director(s) of the Company
- “the Group” means the Company and its subsidiaries
- “the INED(s)” means the independent non-executive Director(s) of the Company
- “the Member(s)” means the member(s) of the Committee
- “the NED(s)” means the non-executive Director(s) of the Company

### **2. Constitution and Membership**

- 2.1 The Audit Committee is established by the Board.
- 2.2 The Committee shall be appointed by the Board from amongst the NEDs. The Committee shall be made up of at least 3 members and at least one of whom is an INED with relevant professional qualifications or accounting or financial management experience. The majority of the Members should be INEDs.
- 2.3 The Chairman of the Committee shall be appointed by the Board and shall be an INED. In the absence of the Chairman and/or an appointed deputy, the remaining Members present at the meeting shall elect one among themselves to chair the meeting.

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### **3. Attendance at Meetings**

- 3.1 Only Members have the right to attend Committee Meeting. However, the Committee may invite the Chairman of the Board, CEO, Finance Director, other Director(s), senior management and/or other relevant person(s) to attend all or part of any meetings as and when appropriate.
- 3.2 The Committee may invite the external and/or internal auditors to attend meetings.
- 3.3 The Company Secretary shall act as the Secretary of the Committee.

### **4. Frequency of Meetings**

- 4.1 The Committee shall meet not less than twice a year and at such other times as the Chairman of the Committee shall require.
- 4.2 Meetings will be arranged to tie in with the publication of the company financial statements, prior to a Board Meeting where accounts or financial statements are to be approved.
- 4.3 Meetings can be requested by the external or internal auditors if they consider one is necessary.

### **5. Notice of Meetings**

- 5.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any Member or at the request of external or internal auditors if they consider it necessary.
- 5.2 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 and any other person required to attend, no later than 10 working days prior to the date of the meeting. Supporting papers shall be sent to Members and to other attendees as appropriate, at the same time.

### **6. Quorum**

- 6.1 The quorum necessary for the transaction of business shall be 2 Members unless the Board has otherwise determined. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

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### **7. Proceedings of the Committee**

7.1 The meetings and proceedings of the Committee are governed by the provisions contained in the Company's bye-laws for regulating the meetings and proceedings of Directors' meetings.

### **8. Minutes of Meetings**

8.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

8.2 Minutes of meetings and reports of the Committee shall be circulated promptly to all Members and, once agreed, to all members of the Board.

### **9. Scope of Work**

9.1 Relationship with external auditor

(a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; and

(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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

9.2 Review of financial information of the Company

(a) to monitor integrity of the Company's financial statements and the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained therein. In reviewing these reports and accounts before submission to the Board, the Committee should focus particularly on:

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- (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumption and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and other legal requirements in relation to financial reporting.
- (b) in regard to 9.2(a) above:
- (i) Members should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
  - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports 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.

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

- (a) to review the Company's financial controls, internal control and risk management systems;
- (b) to discuss the internal control system with management and 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 budgets of the Company's accounting and financial reporting function;
- (c) to review and agree the annual internal audit plan, monitor the plan's progress, review reports on matters identified as being high risk and ensure that management is taking effective remedial action;
- (d) 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;

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- (e) 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;
- (f) to review the Group's financial and accounting policies and practices;
- (g) to 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;
- (h) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (i) to report to the Board on the matters set out in this section; and
- (j) to consider other topics, as defined by the Board.

### **9.4 Others**

- (a) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;
- (b) to act as the key representative body for overseeing the Company's relation with the external auditor; and
- (c) to assure legal compliance and conduct investigations when necessary.

## **10. Support**

10.1 The Committee should be provided with adequate resources to discharge its duties.