

CIAM GROUP LIMITED
Audit Committee
Terms of Reference

Date of Approval: 12 September 2008

Version No.001

1. Constitution

- 1.1 The Board of Directors of the Company has established the Audit Committee with reference to the recommendations as stipulated in Appendix 14 of the Listing Rules.

2. Membership

- 2.1 The Committee shall be appointed by the Board from amongst the non-executive directors of the Company. The Committee shall be made up of at least 3 members and at least one of whom shall have relevant professional qualifications or accounting or financial management experience.
- 2.2 The Chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director. In the absence of the Chairman and/or an appointed deputy, the remaining members present shall elect one of their numbers to chair the meeting.

3. Attendance at Meetings

- 3.1 Only members of the Committee have the right to attend Committee Meeting. However, the Committee may invite the Chairman of the Board, Chief Executive Officer, Finance Director, other director, senior management and/or other relevant person 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.

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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 of the Committee, any other person required to attend and all other non-executive directors, no later than 10 working days prior to the date of the meeting. Supporting papers shall be sent to Committee 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.

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' meeting.

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 of the Committee and, once agreed, to all members of the Board.

9. Scope of Work

9.1 Relationship with external auditors

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- (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 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 audit committee should 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 the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall 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 having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The audit committee should report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

9.2 Review of financial information of the Company

- (a) to monitor integrity of financial statements of the Company and the Company's 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 this regard, in reviewing the Company's annual report and accounts and half-year report, the committee should focus particularly on:
 - (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 Exchange Listing Rules and other legal requirements in relation to financial reporting;
- (b) in regard to 9.2(a) above:

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Audit Committee
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- (i) members of the Committee must liaise with the Company's board of directors, senior management and the person appointed as the Company's qualified accountant and the Committee must meet, at least once 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 such reports and accounts and must give due consideration to any matters that have been raised by the Company's qualified accountant or auditors.

9.3 Oversight of the issuer'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 with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- (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 any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (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 the effectiveness of the internal audit function;
- (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 in respect of the accounting records, financial accounts or systems of control and management's response;

CIAM GROUP LIMITED

Audit Committee

Terms of Reference

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- (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 audit committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action; and
- (b) to act as the key representative body for overseeing the Company's relation with the external auditor.
- (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.