



AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

TERMS OF REFERENCE
FOR THE AUDIT COMMITTEE

Membership

1. The Audit Committee (the “Committee”) shall be appointed by the Board of Directors (the “Board”) from amongst the Non-Executive Directors of the Company and shall consist of not less than three members, a majority of whom should be Independent Non-Executive Directors. A quorum shall be two members.
2. The Chairman of the Committee shall be appointed by the Board and should be an Independent Non-Executive Director.

Attendance at meeting

3. The Chief Financial Officer and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance.
4. The Company Secretary of the Board shall be the secretary of the Committee.

Frequency of meetings

5. Meetings shall be held not less than four times a year. The external auditors may request a meeting if they consider that one is necessary.

Authority

6. The Committee is authorised by the Board to monitor any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. For the avoidance of doubt, the authority of the Committee provided herein shall be extended to the Company’s subsidiaries, and all references to “Company” and “Group” in these terms of reference shall include the Company’s subsidiaries.

7. The Committee is authorised 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.

Duties

8. The duties of the Committee shall be:

Relationship with the Company's 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;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to discuss with the 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 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;

Review of the Company's financial information

- (d) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly report and announcements and to review significant financial reporting judgements contained in them. In reviewing these reports and announcements before submission to the Board, 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 assumptions 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 (the “Listing Rules”) and legal requirements in relation to financial reporting;
- (e) Regarding (d) above:
- (i) members of the Committee 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 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 (where applicable) or auditors;

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

- (f) to review the Company’s financial controls, internal control and risk management systems;
- (g) 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 should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company’s accounting and financial reporting function;
- (h) 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;
- (i) (where an internal audit function exists) to review the internal audit programme, 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;
- (j) to review the Group’s financial and accounting policies and practices;
- (k) 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;

- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters set out in the Corporate Governance Code (Appendix 14 to the Listing Rules);
- (n) to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- (o) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;

Corporate Governance delegated by the Board

- (p) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (q) to review and monitor the training and continuous professional development of Directors and senior management;
- (r) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (s) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees;
- (t) to review the Company's compliance with the Corporate Governance Code (Appendix 14 to the Listing Rules) and disclosure in the Corporate Governance Report (Appendix 14 to the Listing Rules);

Other duties

- (u) 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 should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (v) to act as the key representative body for overseeing the Company's relations with the

external auditor; and

(w) to consider other topics, as defined by the Board.

Reporting procedures

9. The secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

End

(effective on 1st April 2012)