



Timeless Software Limited

(incorporated in Hong Kong with limited liability)

(Stock code: 8028)

AUDIT COMMITTEE — TERMS OF REFERENCE

Constitution

1. The Audit Committee (the “Committee”) is established pursuant to a resolution passed by the board of directors (the “Board”) of Timeless Software Limited (the “Company”) in the meeting held on 16 November 1999.

Membership

2. The Committee shall consist of not less than three members appointed by the Board (the “Member(s)”), all of whom shall be non-executive directors and a majority of whom shall be independent non-executive directors (the “INED”). At least one INED must be with appropriate professional qualifications or accounting or related financial management expertise.
3. The Chairman of the Committee shall be appointed by the Board and must be an INED.
4. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of one year commencing on the date of his ceasing :
 - A. To be a partner of the firm; or
 - B. To have any financial interest in the firmwhichever is the later.

Secretary

5. The company secretary of the Company shall be the secretary of the Committee (the “Secretary”).
6. Notwithstanding any other provisions in the terms of reference, the Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Committee.

Frequency and proceeding of Meetings

7. Meetings shall be held not less than four times a year. Additional meeting should be held as the work of the Committee demands. The external auditors may request a meeting if they consider it necessary and upon the receipt of such request, the Secretary shall convene such a meeting as soon as reasonably practicable.
8. The quorum for a meeting shall be two members. In the event of an equality of votes, the Chairman of the Committee shall be entitled to a second or casting vote.
9. Meetings could be held in person, by telephone or by video conference.
10. Resolutions of the Committee at any meeting shall be passed by a majority of votes of the Members present.
11. A resolution in writing signed by all Members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

Attendance at Meetings

12. As necessary or desirable, the Chairman 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 Board members shall also have the right of attendance.

Authority

13. The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it required from any employee and all employees are directed to co-operate with any request made by the Committee.
14. 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.
15. Where the Board disagrees with the Committee's view on the selections, appointment, resignation or dismissal of the external auditors, the Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view and the reason why the Board has taken a different view.

16. The Committee is to be provided with sufficient resources to discharge its duties.

Duties

17. The duties of the Committee shall be :-

- (a) To make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the audit fees and the terms of engagement of the external auditor, and any questions of their resignation or dismissal;
- (b) To 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 external 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, and to 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;
- (d) To monitor integrity of the Company's financial statements, annual report, accounts and the half-year report, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report, accounts or the half-year report, the Committee should focus particularly on :-
 - (i) Any changes in accounting policies and practices;
 - (ii) Major judgmental area;
 - (iii) Significant adjustments resulting from the audit;
 - (iv) The going concern assumption;
 - (v) Compliance with accounting standards; and
 - (vi) Compliance with the GEM Listing Rules of The Stock Exchange and legal requirements;

In this regard :-

- (i) Members of the committee must liaise with the Board, senior management and the committee must meet, at least twice a year, with the external auditor; 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 staff responsible for the accounting and financial reporting function, compliance officer or auditors.
- (e) To oversee the Company's financial reporting system and internal control procedures by performing the followings:-
 - (i) To review the Company's financial controls, internal control and risk management systems;
 - (ii) 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 including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
 - (iii) 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;
 - (iv) where an internal audit function exists, to ensure co-ordination between the internal and external audits, and ensure that the internal audit function is adequately managed and has appropriate standing within the Company;
 - (v) To consider the Company's financial and accounting policies and practices;
 - (vi) To review 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;
 - (vii) To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (f) To review compliance with regulatory and legal requirements by the Company;
- (g) To report to the Board on the matters set out in this terms of reference;

- (h) To consider any other matter, may be as defined by the board from the time to time;
- (i) To establish a whistle blowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company and to ensure that arrangements are in place for fair & independent investigation of these matters for appropriate follow up action.

Reporting Procedures

- 18. Full minutes of Committee meetings shall be kept by the Secretary.
- 19. Draft and final versions of minutes of Committee meetings shall be sent to all Members for their comments and records respectively.

Continuing application of the articles of association of the Company

- 20. The articles of association of the Company regulating the meeting and proceedings of the Directors so far as they are not replaced by the provisions in this terms of reference shall apply to the meetings and proceedings of the Committee.

Miscellaneous

- 21. The English text of this terms of reference will prevail over the Chinese text in case of any inconsistency.

Hong Kong, 30 March 2012