

# TPV

## TPV TECHNOLOGY LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 903)**

### **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

#### **1. ORGANISATION**

1.1. The Audit Committee (“the Committee”) shall comprise not less than three independent non-executive directors of TPV Technology Limited (the “Company”) and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. The Committee members shall be independent non-executive directors and free of any relationship that would, in the opinion of the board of directors (the “Board”), interfere with their exercise of independent judgment.

#### **2. STATEMENT POLICY**

2.1. The Committee shall provide assistance to the Board in fulfilling their responsibilities to the shareholders, potential shareholders, and investment community relating to corporate accounting, reporting practices and the quality and integrity of the financial reports of the corporation. In doing so, it is the responsibility of the Committee to maintain free and open means of communication between directors, the senior management, the Group Internal Auditor and the external auditors of the Company.

#### **3. MEMBERSHIP**

3.1. The Committee will be appointed by the Board. The quorum for meeting will be two members.

3.2. The Chairman of the Committee will be elected among the Committee members.

#### **4. MEETINGS**

4.1. Meeting will be held not less than twice a year. The external auditors or any members of the Committee may request a meeting with or without the presence of management if they consider one is necessary.

4.2. The Chief Financial Officer, the Group Internal Auditor and the external auditors will normally attend meetings. However, the Committee will meet with the internal and external auditors in the absence of executive directors at least twice a year.

4.3. Full minutes of audit committee meetings shall be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the meetings should be sent to all committee members for their comment and records within a reasonable time after the meeting.

## **5. AUTHORITY**

- 5.1. The Committee shall have the power to conduct or authorise investigations into any matters within the Committee's scope of responsibilities. It is authorised to seek any information it requires from any employee of the Company. The Committee shall be empowered to obtain independent legal or other professional advice to assist it in the conduct of any investigation.
- 5.2. The Committee should be provided with sufficient resources to perform its duties.

## **6. RESPONSIBILITIES**

- 6.1. In order to promptly react to changing conditions and to ensure that the corporate accounting and reporting practices are in compliance with all requirements and standards, the Committee shall remain flexible in its policies and procedures.
- 6.2. In carrying out these responsibilities, the Committee should:-
- 6.2.1. Review and update the Committee's terms of reference annually.
  - 6.2.2. Provide an open channel of communication between the external auditors and the Board.
  - 6.2.3. Make recommendations to the Board on the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal.
  - 6.2.4. Review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences.
  - 6.2.5. Develop and implement policy on engaging external auditors to supply non-audit services. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.
  - 6.2.6. Monitor integrity of the Company's financial statements and 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 reviewing these reports before submission to the Board, the Committee should focus particularly on:
    - (a) any changes in accounting policies and practices;
    - (b) major judgmental areas;
    - (c) significant adjustments resulting from audit;
    - (d) the going concern assumptions and any qualifications;
    - (e) compliance with accounting standards; and

- (f) compliance with the Listing Rules and legal requirements in relation to financial reporting.
- 6.2.7. Regarding item (6.2.6.) above, members of the Committee should:
- (a) liaise with the Board, senior management and to meet the external auditors at least twice a year; and
  - (b) 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 Group's staff responsible for the accounting and financial reporting function, compliance officer or auditors.
- 6.2.8. Review the Company's financial controls, internal control and risk management systems.
- 6.2.9. 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 programmes and budget of the Company's accounting and financial reporting function.
- 6.2.10. 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.
- 6.2.11. 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.
- 6.2.12. Review the Group's financial and accounting policies and practices.
- 6.2.13. Review the Group's connected transactions/continuing connected transactions in accordance with the requirements under Chapter 14A of the Listing Rules.
- 6.2.14. Review the external auditors' management letter, any material queries raised by the auditors to the management about accounting records, financial accounts or systems of control and management's response.
- 6.2.15. Ensure the Board will provide a timely response to the Company raised in the external auditors' management letter.
- 6.2.16. Report to the Board on the matters in the Corporate Governance Code and Corporate Governance Report (i.e. Appendix 14 to the Listing Rules) and consider other topics as defined by the Board.
- 6.2.17. Review arrangements for 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.
- 6.2.18. Act as the key representative body for overseeing the Company's relations with the external auditors.

6.2.19. To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors.

Revised on 18 November 2014