

**TPV TECHNOLOGY LIMITED**

(Incorporated in Bermuda with limited liability)

**TERMS OF REFERENCE**

**OF**

**AUDIT COMMITTEE**

## **A. Organization**

The Audit Committee (the “Committee”) shall comprise not less than three independent non-executive directors of 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 free of any relationship that would, in the opinion of the board of directors (the “Board”), interfere with their exercise of independent judgment.

## **B. Statement Policy**

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 Group’s Qualified Accountant, the senior management, the Group Internal Auditor and the external auditors of the Company.

## **C. Membership**

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

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

## **D. Meetings**

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

The Chief Financial Officer, the Group’s Qualified Accountant, the Group Internal Auditor and the external auditors will normally attend meetings. Other non-executive directors will also have the rights of attendance. However, the Committee will meet with the internal and external auditors in the absence of executive directors at least once a year.

Minutes of each audit committee meeting shall be taken by any person appointed by the Committee and circulated among all members of the Board.

## **E. Authority**

The Committee shall have the power to conduct or authorize investigations into any matters within the Committee’s scope of responsibilities. It is authorized 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.

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

## **F. Responsibilities**

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.

In carrying out these responsibilities, the audit committee is expected to:-

1. Review and update the Committee's terms of reference annually.
2. Provide an open channel of communication between the external auditors and the Board.
3. Make recommendation 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 resignation or dismissal of that auditors.
4. Review and monitor the independence and objectivity of the external auditors and the effectiveness of the audit process. The Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences.
5. Develop and implement policy on the engagement of external auditors to supply non-audit services.
6. To review the interim and annual financial statements before submission to the Board, focusing particularly on:
  - any changes in accounting policies and practices;
  - major judgmental areas;
  - significant adjustments resulting from audit;
  - the going concern assumptions and any qualifications;
  - compliance with accounting standards; and
  - compliance with the Listing Rules and other legal requirements in relation to financial reporting.
7. With regard to matters of item (6) above, the members of the Committee should:
  - liaise with the Board, senior management and the Group's Qualified Accountant and to meet the external auditors at least once a year; and
  - 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 Group's Qualified Accountant, compliance officer or auditors.
8. Review the Company's financial controls, internal control and risk management systems.
9. Discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system.
10. Consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response.
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 the effectiveness of the internal audit function.
12. Review the Group's financial and accounting policies and practices.
13. Review the Group's connected transactions / continuing connected transactions in accordance with the requirements under Chapter 14A of the Listing Rules.

14. Review management letter of the external auditors, any material queries raised by the auditors to the management in respect of the accounting records, financial accounts or systems of control and management's response.
15. Ensure the Board will provide a timely response to issues raised in the management letter of the external auditors.
16. Report to the Board on matters set out in the Code on Corporate Governance Practices (i.e. Appendix 14 to the Listing Rules) and consider other topics as defined by the Board.

Revised on 12 September 2006