

**TCL Communication Technology Holdings Limited**  
**(the "Company")**

**Terms of Reference of Audit Committee**  
**(As revised at the Board Meeting on 16 April 2005)**

**Constitution**

1. The board (the "Board") of directors of the Company (the "Directors") has resolved to establish a committee known as the Audit Committee (the "Committee").

**Membership**

2. The Committee shall be appointed by the Board from amongst the non-executive Directors and shall consist of not less than three members, a majority of whom should be independent. A quorum shall be two members.
3. The members of the Committee may not appoint his alternate to attend the meeting or perform his duties thereat.
4. The chairman of the Committee shall be appointed by the Board and should be an independent director.

**Attendance at meetings**

5. The financial controller and other financial officers shall normally attend meetings. The external auditors may be invited to attend meetings. However, at least once a year the Committee shall meet with the external auditor without executive Board members present.
6. The company secretary of the Company shall be the secretary of the Committee. However, if the company secretary is not able to attend the meeting, he/she may appoint a person as his/her alternate to attend the meeting and perform his/her duties thereat.

**Frequency of meetings**

7. Meetings shall be held not less than 4 times a year. The external auditors may request a meeting if they consider that one is necessary.

**Notice of meeting**

8. Unless otherwise agreed by the Committee, the notice of convening a meeting of the Committee for the purpose of reviewing the quarterly, interim and annual financial statements shall be sent out not less than 14 days before the meeting (provided that the notice period for convening a meeting for a special purpose may be less than 2 working days). The notice can be given orally or in writing, and if it is orally given, it shall be confirmed in writing subsequently.
9. The notice of the meeting shall specify the date, time and place of the meeting and attach the agenda of the meeting.

### **Authority**

10. The Committee is authorised by the Board to investigate 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.
11. 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**

12. The duties of the Committee shall be:
  - (a) to make recommendations to the Board on the appointment, re-appointment 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.
  - (c) to discuss with the external 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;
  - (d) 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 the Committee considers that action or

improvement is needed and making recommendations as to the steps to be taken;

- (e) to monitor integrity of the quarterly, interim and annual financial statements and annual and interim report and accounts and to review significant financial reporting judgments contained in them before submission to the Board, focusing 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 Stock Exchange of Hong Kong Limited (the "Stock Exchange") and legal requirements in relation to financial reporting.
- (f) In regard to (e) above, to consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer (if any) or auditors;
- (g) where the report or accounts have been reviewed or audited, to discuss problems and reservations arising from such reviews or audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- (h) to review the external auditors 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, and to ensure that the Board provide a timely response to the issues raised;
- (i) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (j) to review the Company's financial controls, internal control and risk management systems;

- (k) to discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- (l) to consider any findings of major internal investigations of internal control matters and management's response;
- (m) 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 monitor and review the effectiveness of the internal audit function;
- (n) to review the group's financial and accounting policies and practices;
- (o) to report to the Board on the matters set out in the Code C.3.3 on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange; and
- (p) to consider other topics, as defined by the Board.

### **Reporting procedures**

13. The secretary shall circulate the minutes of meetings and reports of the Committee to all members of the Board.

***Note: This is the English translation of the Chinese version of terms of reference of audit committee. In case of inconsistency between the Chinese and English versions, the Chinese version shall prevail.***