



TITAN INVO TECHNOLOGY LIMITED
(THE “COMPANY”)
TERMS OF REFERENCE OF THE AUDIT COMMITTEE
(THE “COMMITTEE”)

Membership

1. The Committee shall consist of not less than three members (the “**Member(s)**”) appointed by the board of directors of the Company (the “**Board**”). All of the Members shall be Non-executive Directors and a majority of the Members shall be Independent Non-executive Directors and at least one member should have the appropriate professional qualification or financial management experience, in accordance with the Rules Governing the Listing of Securities in The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

A former partner of the Company’s existing auditing firm is prohibited from acting as a member of the Committee for a period of one year commencing on the later of (a) the date of his ceasing to be a partner of the firm; or (b) the date of his ceasing to have any financial interest in the firm.

2. The Chairman of the Committee shall be appointed by the Board and shall be an Independent Non-executive Director.

Frequency and proceedings of meetings

3. Number of meetings

There shall be at least two meetings of the Committee annually, to be convened and held by attending in person, by telephone or by video conference. Any Member or the Company’s external auditors may demand a meeting to be convened if required.

4. Notice of meetings

Unless waived by all Members by notice, the Secretary to the Committee shall give seven days prior notice to all Members for any meeting of the Committee to be convened and shall circulate the meeting agenda to the Members.

5. Quorum

Meetings of the Committee shall be attended by more than one-half of the Members to be effective.

6. Conducting the meetings

Meetings of the Committee could be convened by attending in person, by telephone or video conference. Members could attend the meetings through telephone conference or through similar arrangements under which Members could communicate with each other. With the consent of all Members, resolutions of the Committee could be passed by written resolutions.

7. Resolutions

Any resolutions shall be passed by the majority vote of the Members who attend the meeting.

8. Invitations

The Committee could invite any Executive Directors of the Company, external advisers or other individuals to attend the meetings of the Committee, but such Executive Directors of the Company, advisers or individuals are not entitled to vote at the meetings.

9. Minutes of the meetings

Full minutes of meetings of the Committee should be kept by the secretary to the Committee. The minutes shall record the matters considered and the decisions reached by the Members in detail, including any doubts or disagreements raised by the Members. Draft and final versions of the minutes of the meetings should be sent to all Members for their comment and records, within a reasonable time after the meeting.

Authority

10. The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate with the Committee. The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.
11. The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control and risk management 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.
12. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Committee shall arrange for the corporate governance report in the annual report of the Company to include an explanation of the Committee's view and the reasons why the Board has taken a different view.
13. The Committee is to be provided with sufficient resources to discharge its duties.

Responsibility

14. The Committee is to serve as a focal point for communication between other Directors of the Company, the external auditor and the internal auditor as regards their duties relating to financial and other reporting, risk management, internal controls, external and internal audits and such other matters as the Board determines from time to time.
15. The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the risk management and internal controls of the Company and its subsidiaries (the "**Group**"), and as to the adequacy of the external and internal audits.

Duties, powers and functions

16. The duties of the Committee are as follows:

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 Company's external auditor, and to approve the remuneration and terms of engagement of the Company's external auditor, and any questions of its resignation or dismissal;
- (b) to review and monitor the Company's external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences. Should there be more than one auditor firm participating, the Committee shall ensure the coordination between them;
- (c) to develop and implement policy on engaging the Company's 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 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:–
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;

- (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (e) Regarding (d) above:–
- (i) Members should liaise with the Board and senior management of the Company 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 or auditors;
- (f) to discuss with the Company’s external auditors questions and doubts arising in the audit of interim and annual accounts, and other matters that the auditors wish to discuss (such discussions may be conducted in the absence of the Company’s management if necessary);
- (g) to review the letter to the Company’s management from the Company’s external auditors and the management’s response;
- (h) if the Company’s annual report includes statements about the Company’s risk management and internal control systems, to review such statements prior to submission for the Board’s approval;

Oversight of the Company’s financial reporting system, risk management and internal control systems

- (i) to review the Company’s financial reporting, financial controls, and unless expressly addressed by a separately board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- (j) to discuss the risk management and internal control systems with the Company’s management to ensure that management has performed its duty to have effective systems. 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;

- (k) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (l) where an internal audit function exists in the Company, to ensure co-ordination between the Company's internal and external auditors, and to ensure that the Company's internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (m) to review the financial and accounting policies and practices of the Group;
- (n) 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;
- (o) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (p) to report to the Board on the matters in these terms of reference;
- (q) to consider other topics, as defined by the Board;

Others

- (r) 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; and
 - (s) to act as the key representative body for overseeing the Company's relations with the Company's external auditor.
17. The Chairman of the Committee should attend, or in his/her absence, another member of the Committee or failing this his/her duly appointed delegate, should attend the annual general meeting to answer the questions from shareholders according to the invitation from the chairman of the Board.

Reporting Procedures

18. The Committee should report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Committee, the Chairman of the Committee shall report to the Board on the findings and recommendations of the Committee. At least annually, the Committee should present a report to the Board which addresses the work and findings of the Committee during the year.

Interpretation

19. The final power of interpretation of these terms of reference shall belong to the Board.

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Last update in August 2017