



To the Directors of Limited

AUDIT ENGAGEMENT LETTER

The purpose of this letter is to set out the basis on which we act as auditors of the company and its subsidiaries and the respective areas of responsibility of the directors and of ourselves.

Consolidated financial statements and audit for subsidiaries

1.1 Your company is a holding company of the subsidiaries below and agrees to appoint us as their auditors as well under the same terms of this engagement letter. We will not send separate letters to the board of directors of each subsidiary, as your company will forward copies of this letter to them for their approval and acceptance.

Name of Subsidiaries	Reporting Standards	Governing Law or Regulations

1.2 Your company is a holding company of the subsidiaries out below, but we are not acting as auditors of them.

Name of Subsidiaries	Reporting Standards	Governing Law or Regulations

1.3 As auditors of your company, being a holding company, we are required to report and express an opinion on consolidated financial statements of which include the financial information of subsidiaries and may include financial information of joint ventures or associates. If we are not auditors of anyone of them, it will be necessary for us to communicate directly with the component auditors concerned to satisfy ourselves that:

- a so far as is practicable, there is uniformity within the group in the application of accounting policies;
- b the consolidated financial statements give the information required by the Hong Kong Companies Ordinance, applicable accounting standards and any other legislation or non-statutory requirements affecting the presentation of

- financial statements; and
- c all material aspects of the consolidated financial statements have been subjected to an audit examination, the nature and extent of which is adequate and reasonable, in our view, for the purpose of forming an opinion.

Responsibilities of directors and auditors

- 2.1 As directors of the above company, you are responsible for ensuring that the company maintains proper books of account, for preparing financial statements of which give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for maintaining internal control necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The financial statements comprise the statement of financial position as at year end and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. You are responsible for making available to us all the company's books of account, records, minutes of all management and members' meetings and other information relevant to the preparation of the financial statements or to the purpose of the audit, and responsible for allowing us with unrestricted access to persons within the company from whom we determine it necessary to obtain audit evidence. As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit and we draw your attention to section 134 of the Hong Kong Companies Ordinance under which it is an offence for an officer of the company to mislead the auditors.

- 2.2 We have a professional responsibility to report if the financial statements do not comply in any material respect with applicable accounting standards and we have a statutory responsibility to report to the members whether in our opinion the financial statements give a true and fair view and whether they have been properly prepared in accordance with the Hong Kong Companies Ordinance. In arriving at our opinion, we are required to consider the following matters, and to report on any in respect of which we are not satisfied:
- a whether proper books of account have been kept by the company and proper returns adequate for our audit have been received from branches not visited by us;
 - b whether the company's financial statements are in agreement with the books of account and returns;
 - c whether we have obtained all the information and explanations which we consider necessary for the purpose of our audit; and

d whether the financial statements give details of directors' remuneration or of loans to officers.

2.3 Our report will be made solely to your members, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of our report. The audit will not be planned or conducted in contemplation of reliance by any third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction. If you intend to publish or reproduce, in printed form or electronically, our report together with the financial statements or otherwise make reference to us in a document that contains other information, you agree to provide us with a draft of such document to read, and obtain our approval for inclusion of our report, before the document is finalised and distributed. Where our audit report is reproduced in any medium, the complete financial statements, including other explanatory information, must also be presented.

Scope of audit

3.1 We will conduct our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

3.2 The responsibility for safeguarding the assets of the company and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with management. Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements may remain undiscovered. Our audit should not be relied upon to disclose all such misstatements or frauds, errors or instances of non-compliance as may exist.

3.3 In making our risk assessments, we consider internal control relevant to the company's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. However, we expect to provide you with a separate letter concerning any material weaknesses in the design or implementation of internal control over financial reporting that come to our attention during the audit of the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness

of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

- 3.4 In order to assist us with the examination of your financial statements, we shall request sight of all documents or statements, including the chairman's statement, operating and financial review and the directors' report, which are due to be issued with the financial statements. We are also entitled to attend all general meetings of the company and to receive notice of all such meetings. We shall not be treated as having notice, for the purposes of our audit responsibilities, of information provided to members of our firm other than those engaged on the audit (for example information provided in connection with accounting, taxation and other services). Once we have issued our report we have no further direct responsibility in relation to the financial statements for that period. However, we expect that you will inform us of any material event occurring between the date of our report and that of the Annual General Meeting which may affect the financial statements.
- 3.5 The working papers and files for this engagement created by us during the course of the audit, including electronic documents and files, are the sole property of T. K. Lo & Company. During the engagement we may from time to time communicate with you electronically. However, the electronic transmission of information cannot be guaranteed to be secure or error free and such information could be intercepted, corrupted, lost, destroyed, delayed or incomplete or otherwise be adversely affected or unsafe to use. Accordingly while we will use reasonable procedures to check for the then most commonly known viruses before sending information electronically, we shall not have any liability to you arising from or in connection with the electronic communication of information to you. If your company has requested that we provide other services, such as Hong Kong Profits Tax, etc, the terms of them would be dealt with in a separate letter.

Communication with authorities and component parties

- 4.1 As the auditors of your company, we have statutory rights and duties in the public interest to communicate directly with the regulatory and enforcement authorities on any suspected instance of fraud which could have a material effect on the financial statements that come to our attention during our audit work but we are not required to undertake additional work to identify them.
- 4.2 Where the company has audit components, besides those mentioned in 1.3 above, we are permitted to the extent possible under the law and regulation (1) to communicate unrestrictedly with the components, component auditors, those charged with governance of the component, component management or component regulatory authorities from whom we determine it necessary to obtain audit evidence, (2) to access to component information, including relevant audit documentation of the component auditors, available to these component parties and (3) to perform work or request a component auditor to perform work on the financial information of the components. If

there are important communications, including significant deficiencies in internal control and financial reporting matters, among the component parties, they should notify us for the purposes of our audit.

Fees

5 Our fees are computed on the basis of the time spent on your affairs by the partners and our staff and on the levels of skill and responsibility involved plus out-of-pocket expenses. Unless otherwise agreed, our fees will be billed at appropriate intervals during the course of the service and will be due on presentation.

Agreement of terms, applicable law and governing jurisdiction

6 Once it has been agreed, this letter will remain effective, from one appointment to another, until it is replaced. We shall be grateful if you could confirm in writing your agreement to these terms by signing and returning the enclosed copy of this letter, or let us know if they are not in accordance with your understanding of our terms of engagement. The contract formed by this engagement letter, when accepted by you, shall be governed by, and construed in accordance with the laws of Hong Kong Special Administrative Region of the People's Republic of China and it is hereby irrevocably agreed and accepted that the courts of Hong Kong Special Administrative Region of the People's Republic of China shall have exclusive jurisdiction to settle any claim, difference or dispute, including claims for set-off or counterclaims which may arise out of or in connection with such contract.

Yours faithfully

T. K. Lo & Company
Certified Public Accountants
Date

We agree to the terms of this letter.

Director, for and on behalf of the board of _____
Date