



To the Directors of ..... Limited

## AUDIT ENGAGEMENT LETTER

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

### Registration of the entity

1 Whereas the company is an entity incorporated or registered as below.

Place	Status	Governing Law or Regulations
Hong Kong	Private limited by shares <b>Limited by guarantee</b>	Hong Kong Companies Ordinance – Chapter 622 (HKCO), particular for sections 380, 383, 405 & 413 relating to financial statements reporting

### Responsibilities of directors and auditor

2.1 As directors of the above company, you are responsible for preparing each financial year statements of which give a true and fair view in accordance with

Hong Kong Financial Reporting Standards (HKFRS)  
**Hong Kong Financial Reporting Standard for Private Entities (HKFRS-PE)**  
issued by the Hong Kong Institute of Certified Public Accountants (HKICPA)

and the governing law or regulations and for maintaining records and internal control necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

You are responsible for making available to us all the company's accounting 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 would like to draw your attention that it is an offence for an officer of the company to mislead the auditor.

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. 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:

- whether proper accounting records have been kept by the company and proper returns adequate for our audit have been received from branches not visited by us;
- whether the company's financial statements are in agreement with the accounting records and returns;
- whether we have obtained all the information and explanations which we consider necessary for the purpose of our audit; and
- 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 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 finalized and distributed. Where our audit report is reproduced in any medium, the complete financial statements,

including other explanatory information, must also be presented.

- 2.4 If the company is a parent company at the end of the financial year and does not obtain exemption, it is required to present consolidation financial statements. The subsidiaries below, if any, agree to appoint us as their auditor 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
N/A	N/A	N/A

But we are not acting as auditor of the subsidiaries below.

Name of Subsidiaries	Reporting Standards	Governing Law or Regulations
N/A	N/A	N/A

### Scope of audit

- 3.1 We will conduct our audit in accordance with

Hong Kong Standards on Auditing issued by the HKICPA.

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 auditor 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, we are permitted to the extent possible under the law and regulation (1) to communicate unrestrictedly with the components, component auditor, 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 auditor, 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 04 January 2016

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We agree to the terms of this letter.

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Director, for and on behalf of the board of \_\_\_\_\_  
Date 04 January 2016