



## Leoch International Technology Limited

理士國際技術有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 842)

### Leoch International Technology Limited ("Company")

#### Terms of Reference for Audit Committee

##### *Constitution*

1. The board of directors of the Company (the "**Board**") has established a committee known as the audit committee (the "**Committee**"). LR3.21

##### *Membership*

2. The members of the Committee shall be appointed by the Board from amongst the directors of the Company and shall consist of not less than three members, a majority of whom should be independent. At least one member shall have the appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Listing Rules. Two members shall form a quorum of the Committee.
3. A former partner of the Company's existing auditing firm is prohibited from acting as a member of the Committee for a period of 1 year commencing on the date of his ceasing: App 14  
C3.2
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm,whichever is the later.
4. The chairperson of the Committee shall be appointed by the Board and should be an independent non-executive director. In his absence, members present may elect any member to chair a Committee meeting.

##### *Attendance at meetings*

5. The chief financial officer and representatives of the external auditors of the Company shall normally attend meetings of the Committee. However, at least once a year the Committee shall meet with the external and internal auditors of the Company without the presence of the executive directors of the Company. The chief financial officer of the Company or such other person appointed by

the chairperson of the Committee shall be the secretary of the Committee (the "**Committee Secretary**").

*Frequency and procedure of meetings*

6. Meetings of the Committee shall be held not less than 2 times a year and special meetings may be called at the discretion of the chairperson of the Committee or at the request of the Board or senior management of the Company to review significant control or financial issues. The external auditors of the Company may request a meeting if they consider necessary. The members of the Committee may adopt from time to time the procedure governing the convening of the Committee meetings, the means and procedure for the passing of resolutions at meetings of the Committee.

*Authority*

7. The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
8. The Committee is authorized 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. The relevant expenses should be borne by the Company.

*Duties*

9. The duties of the Committee shall be:

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*Relationship with external auditor*

- (a) to be primarily responsible for making recommendations to the board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging an 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 audit committee should report to the board, identifying and making recommendations on any matters where action or improvement is needed;

*Review of 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 judgments 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 the 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 of the Committee should liaise with the Board and senior management 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(s) or auditors;

*Oversight of the financial reporting system and internal control procedures*

- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (h) to consider major investigation findings on internal control matter as delegated by the board or on its own initiative and management's response to these findings;

- (i) 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 review and monitor its effectiveness;
- (j) to review the group's financial and accounting policies and practices;
- (k) 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;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters in paragraph C.3.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules; and
- (n) to consider other topics, as defined by the Board.

*Other Procedures*

10. The chairperson of the Committee, in consultation with the Committee Secretary, should be primarily responsible for drawing up and approving the agenda of each Committee meeting. The chairperson of the Committee, with the assistance of the Company's chief financial officer, shall ensure that all members of the Committee shall have sufficient information in a timely manner to enable effective discussion at a Committee meeting and be briefed on the issues arising at each Committee meeting. The Committee Secretary shall record minutes of all duly constituted meetings of the Committee. All minutes shall record in sufficient detail the matters considered, decisions reached or recommendations made and any concerns raised by any member, the external auditor and the Company's chief financial officer including dissenting views of any member. The Committee Secretary shall circulate the draft and final versions of the minutes of meetings and reports of the Committee to all members of the Committee for comments and records within a reasonable time after each meeting. The chairperson of the Committee shall report at the forthcoming regular meeting of the Board any key decisions made and shall table before the Board an index of meetings and issues discussed.
11. Unless otherwise defined, terms and expressions used herein shall have the same meanings as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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