

L.K. TECHNOLOGY HOLDINGS LIMITED
(the “Company”)

TERMS OF REFERENCE

OF

AUDIT COMMITTEE
(the “Committee”)

Membership

1. All members of the Committee shall be appointed by the Board amongst the non-executive directors of the Company and a majority of them, including the chairman of the Committee, must be independent non-executive directors.
2. The Committee shall consist of a minimum of three (3) members, at least one of whom is an independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Frequency and proceedings of meetings

1. The Committee shall meet at least four times a year and at such other times as the chairman of the Committee shall require.
2. The Committee may request that any other members of the Board, any senior officers and representatives of external auditors be present at the meetings of the Committee.
3. The quorum for a meeting shall be two members.
4. Notice of any meeting has to be given at least five (5) days prior to any such meeting being held, unless all members unanimously waive such notice. An agenda of items to be discussed, together with supporting papers shall be sent to all members of the Committee and to other attendees as appropriate within a

reasonable time prior to the meeting.

5. The Company Secretary shall act as the secretary of the Committee.
6. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes, the Chairman shall have a second or casting vote.
7. A resolution in writing signed by all of the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee. Any such resolution may be contained in a single document or may consist of several documents all in like form.
8. Subject to the above, the provisions and requirements in relation to the proceedings of meetings of the Board contained in the Company's Articles of Association shall apply, mutatis mutandis, to meetings of the Committee.

Authority

1. The Committee is authorized by the Board to investigate any activity within the scope of its terms of reference. It is authorized to seek any information it may require from any members of the management, employees, directors, auditors, advisors and other third parties and all such persons will be directed to co-operate with any request made by the Committee.
2. The Committee is authorized by the Board to obtain external legal or other independent professional advice and to secure the attendance of such professional advisors with relevant experience and expertise at its meetings if it considers this necessary.

Duties

The Committee shall have the following duties:

1. 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;

2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee shall discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
3. to develop and implement a policy on engaging an external auditor to supply non-audit services;
4. to monitor integrity of the Company's financial statements and annual report and accounts, interim 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 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;
5. regarding (4) above:-
 - (i) the Committee shall liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's external auditor; and
 - (ii) the Committee shall 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;
6. to review the Company's financial controls, internal control and risk management systems;

7. to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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;
8. to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
9. 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;
10. to review the group's financial and accounting policies and practices;
11. to discuss problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary);
12. 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;
13. to ensure that the Board will provide a timely responses to the issues raised in the external auditor's management letter;
14. 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 and to ensure proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
15. to act as the key representative body for overseeing the Company's relations with the external auditor;
16. to report to the Board on the matters set out within the scope of responsibilities herein; and
17. to consider other topics, as defined or instructed by the Board.

Reporting Procedures

1. The secretary of the Committee shall circulate the minutes of meetings and reports of the Committee to all members of the Board.
2. The Committee shall report back to the Board on their findings, decisions and recommendations on the matters set out herein.

Other

The Committee may review from time to time its terms of reference and recommend any changes it considers necessary to the Board for approval.