



Techtronic Industries

TECHTRONIC INDUSTRIES CO. LTD.

POLICY ON NON-AUDIT SERVICES

(Amended January 2007)

- Pre-approved audit services, audit-related services, tax services and other services
- Prohibited non-audit services

TECHTRONIC INDUSTRIES CO. LTD.

The Stock Exchange of Hong Kong Limited
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Pre-approved services and prohibited non-audit services.

POLICY ON NON-AUDIT SERVICES

1. INTRODUCTION

1.a. Statement of purpose

The Audit Committee of the Board of Directors is responsible for the appointment, compensation and oversight of the work of the independent auditor. As part of this responsibility, the Audit Committee is required to pre-approve the audit and non-audit services performed by the independent auditor in order to assure that they do not impair the auditor's independence from the Corporation.

The TTI Policy on Non-Audit Services ("**Policy**") is designed to ensure that services performed by the independent auditor do not impair the auditor's independence from the Corporation. Principles of independence with respect to services provided by auditors are largely predicated on three basic principles, violations of which would impair the auditor's independence:

- (1) an auditor cannot function in the role of management,
- (2) an auditor cannot audit his or her own work and
- (3) an auditor cannot serve in an advocacy role for his or her client.

In determining the pre-approved audit, audit-related, tax and other services, the Audit Committee will consider:

- whether such services are consistent with regulatory rules on auditor independence and whether the provision of such services by the independent auditor would impair the independent auditor's independence.
- whether the independent auditor is best positioned to provide the most effective and efficient service, for reasons such as its familiarity with the Corporation's business, people, culture, accounting systems, risk profile and other factors, and whether the service might enhance the Corporation's ability to manage or control risk or improve audit quality.
- the relationship between fees for audit and non-audit services.

1.b. Review

This Policy shall be reviewed annually by the Audit Committee to ensure that it reflects applicable legislative or regulatory requirements and "best practice" developments.

2. POLICY

The Appendix to this Policy describes the Audit, Audit-related, Tax and All Other services that have the general pre-approval of the Audit Committee. The Audit Committee will annually (expected to be in November) review and pre-approve the services that may be provided by the independent auditor during the following calendar year without obtaining specific pre-approval from the Audit Committee.

Any services not listed as pre-approved require specific approval from the Audit Committee before engaging with the independent auditor.

2.a. Audit Services

Audit services are services necessary to perform an audit or review in accordance with generally accepted auditing standards, as well as those services that generally only the independent auditor can reasonably provide, which may include (1) attest services, (2) comfort letters, (3) statutory audits and (4) consents and assistance with and review of documents filed with the HKEx.

2.b. Audit-Related Services

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements or that are traditionally performed by the independent auditor. Audit-related services include, among others, due diligence services pertaining to potential business acquisitions/dispositions; consultations concerning financial accounting and reporting standards; accounting consultations and audits in connection with acquisitions; internal control reviews; attest services that are not required by statute or regulation; and employee benefit plan audits.

2.c. Tax Services

The Audit Committee believes that the independent auditor can provide tax services to the Corporation such as tax compliance, tax planning and tax advice without impairing the auditor's independence. The Audit Committee will not permit the retention of the independent auditor in connection with a transaction initially recommended by the independent auditor, the sole business purpose of which may be tax avoidance and the tax treatment of which may not be supported in tax related regulations.

2.d. Other Services

The Audit Committee believes that, in addition to the services discussed above, the independent auditor may provide certain non-audit services without impairing the independent auditor's independence. Accordingly, the Audit Committee has pre-approved the engagement of the independent auditor to provide the services listed in the Appendix. Any other non-audit services to be provided to the Corporation by the independent auditor that are not contained in the Appendix must be specifically pre-approved by the Audit Committee.

A list of the prohibited non-audit services is attached to this Policy as an Appendix.

2.e. Services to Individuals

Individuals, other than Directors and Senior Managers, working for TTI and its associated companies may engage the external auditor on a private basis without the need to disclose that engagement. For the purposes of this policy, Senior Managers are those employees who in the normal course of their duties are party to price sensitive information. The TTI Company Secretary maintains a list of these relevant employees. If there is any doubt about an employee's status, the TTI Company Secretary should be consulted before the external auditor is engaged.

Appendix

Pre-approved Audit, Audit-Related, Tax and Other Services
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Statutory audits or financial audits for subsidiaries or affiliates of the Corporation
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Consultations by the Corporation's management as to the accounting or disclosure treatment of transactions or events and/or the actual impact of final or proposed rules, standards or interpretations by regulatory or standard setting bodies

Reviews of financial statements of businesses considered for acquisition and due diligence services pertaining to potential business acquisitions/dispositions
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Financial statement audits of employee benefit plans
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Reviews of internal controls over financial activities and reporting requirements,
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Attestation and agreed-upon procedures engagements regarding financial data as requested by parties such as customers, underwriters, counter parties or regulators
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Post-acquisition review of acquired business financial statements (including purchase accounting issues)
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Closing balance sheet audits pertaining to dispositions

Tax planning and advice regarding the tax consequences of proposed or actual transactions or the operation of corporate programs
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Assistance with tax filings (such as preparation of returns and related matters and assistance with audits by taxing authorities)

Transfer pricing and cost segregation studies

Tax advice regarding new statutory, regulatory or administrative developments

Risk management advisory services regarding financial or operational matters
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Prohibited Non-Audit Services

Bookkeeping or other services related to the accounting records or financial statements of the audit client

Financial information systems design and implementation

Appraisal or valuation services, fairness opinions or contribution-in-kind reports
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Actuarial services, Broker-dealer, investment adviser or investment banking services
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Internal audit outsourcing services

Management functions and Human resources
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Legal services

Expert services unrelated to the audit
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