

Luks Group (Vietnam Holdings) Company Limited

陸氏集團（越南控股）有限公司

(the “Company”)

(Incorporated in Bermuda with limited liability)

(Stock code: 366)

Terms of Reference for the Audit Committee

(Revised and adopted on 30 March 2012)

1. Constitution

The audit committee (“**Committee**”) is established as a committee of the board (the “**Board**”) of directors of the Company.

2. Membership

The Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three members, at least one of whom shall be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). A quorum for a meeting shall be two members of the Committee.

The majority of the members of the Committee shall be independent non-executive directors of the Company.

The Chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director of the Company.

A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Committee for a period of one year from the date of his ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is later.

3. Attendance at meetings

The Finance Director, the Head of Internal Audit, and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance. However, at least twice a year the Committee shall meet with the external auditors and at least once a year without the presence of any members of the management.

The Company Secretary shall be the secretary of the Committee.

4. Frequency of Meetings

Meetings shall be held not less than twice a year. The external auditors may

request a meeting if they consider that one is necessary.

5. Authorities

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 employees and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorized by the Board to obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary. The Committee is to be provided with sufficient resources to perform its duties.

6. Duties

The duties of the Committee include the following:

A. Relationship with the Company's auditors

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, 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 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

B. Review of the Company's financial information

- (a) 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: -
 - (1) any changes in accounting policies and practices;

- (2) major judgmental areas;
- (3) significant adjustments resulting from audit;
- (4) the going concern assumptions and any qualifications;
- (5) compliance with accounting standards; and
- (6) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(b) Regarding B(a) above: -

- (1) members of the Committee should liaise with the Board and senior management and the person appointed as the Company's qualified accountant and the Committee must meet, at least twice a year, with the Company's auditors; and
- (2) 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 or auditor;

C. Oversight of the Company's financial reporting system and internal control procedures

- (a) to review the Company's financial controls, internal control and risk management systems;
- (b) 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;
- (c) 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;
- (d) 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;
- (e) to review the financial and accounting policies and practices of the Company and its subsidiaries;
- (f) 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;

- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to report to the Board on the matters in the provisions of the Code on Corporate Governance Practices of the Listing Rules;
- (i) 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. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (j) to act as the key representative body for overseeing the Company's relations with the external auditor; and
- (k) to consider other topics, as defined by the Board.

7. Minutes

Full minutes of Committee meetings should be kept by the secretary of the Committee, and the draft and final versions of the minutes of meetings of the Committee shall be circulated to all members of the Board for their comment and records respectively, in both cases within a reasonable time after the meeting.

Note: If there is any inconsistency between the English and Chinese versions of these terms of reference, the English version shall prevail.