CHEUK NANG (HOLDINGS) LIMITED
卓 能 (集 團) 有 限 公 司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 131)

AUDIT COMMITTEE
TERMS OF REFERENCE

1. Membership

1.1 The Audit Committee shall be appointed by the Board and must consist of a minimum of three members (the "Members").

1.2 Membership shall be confined to non-executive Directors the majority of which must be independent non-executive Directors ("INEDs") and at least one INED with appropriate professional qualifications or accounting or related financial management expertise.

1.3 A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Company's audit committee for a period of 1 year commencing on the date of his ceasing:

(a) to be a partner of the firm; or

(b) to have any financial interest in the firm,

whichever is the later.

1.4 The Chairman of the Audit Committee shall be appointed by the Board and must be an INED.

2. Secretary

2.1 The Company Secretary shall be the secretary of the Audit Committee.

2.2 The Audit Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Audit Committee.

3. Meetings

3.1 The Audit Committee shall meet at least twice each year. The Audit Committee should meet the external auditor at least twice a year.

3.2 Notice of any meetings has to be given at least 14 days prior to any such meeting being held, unless all Members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a member shall be deemed waiver of the requisite length of notice by the Member. Notice of any adjourned meetings is not required if adjournment is for less than 14 days.

3.3 The quorum for decisions of the Audit Committee shall be any two Members one of whom must be an INED.

3.4 Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.

3.5 Resolutions of the Audit Committee shall be passed by a majority of votes.

3.6 A resolution in writing signed by all the Members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.

3.7 Full minutes shall be kept by the secretary of the Audit Committee. Draft and final versions of minutes shall be circulated to all Members for their comment and records respectively, in both within a reasonable period of time after the meeting. Such minutes shall be opened for Directors' inspection.

4. Attendance at Meetings

4.1 At least once a year, representatives of the Company's external auditors will meet the Audit Committee.

4.2 At the invitation of the Audit Committee, the following persons may attend the meeting:

(i) Group Finance Director/Chief Executive Officer; and

(ii) Other members of the Board.

4.3 Only Members of the Audit Committee are entitled to vote at the meetings.

5. Annual General Meeting

The Chairman of the Audit Committee or in his/her absence, another Member (who must be an INED) of the Audit Committee, shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Audit Committee's activities and their responsibilities.

6. Responsibility, Powers and Discretion

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting and internal control system. The Audit Committee shall have the following responsibility, powers and discretion:

Relationship with the Company's External Auditors

6.1 to be primarily responsible for making recommendation 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 resignation or dismissal of the external auditor;

6.2 to review and monitor the external auditor's independence and objectivity;

6.3 to review and monitor the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

6.4 to develop and implement policy on the engagement of external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally;

6.5 to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

Review of financial information of the Company

6.6 to monitor integrity of financial statements of the Company and the Company's annual report and accounts and half-year report, and to review any significant financial reporting judgements contained in them. In this regard, in reviewing the Company's annual report and accounts and half-year report before submission to the Board, the Audit Committee shall focus particularly on:

(a) any changes in accounting policies and practices;

(b) major judgmental areas;

(c) significant adjustments resulting from audit;

(d) the going concern assumptions and any qualifications;

(e) compliance with accounting standards; and

(f) compliance with the Listing Rules and any other legal requirements in relation to financial reporting;

6.7 In regard to 6.6 above:

(a) members of the Audit Committee must liaise with the Company's Board of Directors, senior management and the person appointed as the Company's qualified accountant;

(b) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, qualified accountant, compliance officer (or person occupying the same position), or external auditor about financial report improprieties;

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

6.8 to review the Company's financial controls, internal control and risk management systems;

6.9 to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

6.10 to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

6.11 to review the Group's financial and accounting policies and practices;

6.12 to report on all the above matters to the Board; and

6.13 to consider any other matters specifically referred to the Audit Committee by the Board.

7. Reporting Responsibilities

The Audit Committee shall report to the Board after each meeting.

8. Authority

8.1 The Audit Committee is authorised by the Board to inspect all accounts, books and records of the Company.

8.2 The Audit Committee shall have the right to require the Company's management to furnish information on any matter relating to the financial position of the Company, its subsidiaries or affiliates, as may be required for the purposes of discharging its duties.

8.3 The Audit Committee shall be provided with sufficient resources to discharge its duties.

Adopted on 24th March 2006
Revised on 27 February 2012