



Century Legend (Holdings) Limited

世紀建業 (集團) 有限公司*

(incorporated in Bermuda with limited liability)

AUDIT COMMITTEE

TERMS OF REFERENCE

Revised on 28 December 2015

* For identification purpose only

CENTURY LEGEND (HOLDINGS) LIMITED

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Century Legend (Holdings) Limited ("Company")

Audit Committee

Terms of Reference

1. CONSTITUTION

- 1.1 The Audit Committee (hereinafter referred to as the "Committee") was formed pursuant to the Code of Best Practice set out in the then existing Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").
- 1.2 The terms of reference for the Committee were revised on 16 September 2005 and 1 April 2012 pursuant to the Corporate Governance Code and Corporate Governance Report (the "Code") set out in the Appendix 14 of the Listing Rules. In light of the latest amendments made to the Code (which will take effect on 1 January 2016), the board of directors of the Company (the "Board") has further adopted the following revised terms of reference of the Committee on 28 December 2015 in accordance with such Code amendments.

2. MEMBERSHIP

- 2.1 The members of the Committee shall be appointed by the Board and on the recommendation of the Nomination Committee in consultation with the Committee Chairman from amongst the Non-executive Directors of the Company.
- 2.2 The Committee shall consist of not less than three members, a majority of whom should be independent non-executive directors of the Company (the "INEDs") and at least one Independent Non-executive Director with appropriate professional accounting or related financial management expertise or qualifications as required under the Listing Rules. Where there are only three INEDs as members of the Board, all of them shall be appointed as members of the Committee.
- 2.3 The Chairman of the Company shall not be an audit committee member.
- 2.4 The Chairman of the Committee must be an Independent Non-executive Director and appointed by the Board.
- 2.5 A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Company's Committee for a

period of 1 year from the date of his ceasing: (i) to be a partner of the auditing firm or (ii) to have any financial interest in the firm, whichever is later.

- 2.6 The appointment of the members of the Committee may be revoked, and new member can be appointed in place by resolutions passed by the Board.

3. MEETINGS

- 3.1 The company secretary of the Company (the “Company Secretary”) (the “Secretary”) shall be the secretary of the Committee.
- 3.2 The Committee may from time to time appoint any other person with appropriate qualification and experience as the Secretary.
- 3.3 A quorum of the Committee shall be any two members, both of whom must be IENDs. In the event of equality of votes, the Chairman of the Committee shall be entitled to a second or casting vote.
- 3.4 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, a member attending the meeting shall be deemed waiver of the requisite length of notice of the meeting by the member. Notice of any adjourned meetings is not required if adjournment is for less than 14 days.
- 3.5 Meetings may be held in person, by telephone or 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.
- 3.6 A resolution in writing signed by all members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee and may consist of several documents in same form each signed by one or more of the members of Committee . Such resolution may be signed and circulated by fax or other electronic communications. This provision is without prejudice to any requirement under the Listing Rules for a Board or Committee meeting to be held.

4. ATTENDANCE AT MEETINGS

- 4.1 At the invitation of the Committee, the Finance Director (where there is one or any officer(s) assuming the relevant functions but having a different designation), the Head of Internal Audit (where there is one or any officer(s) assuming the relevant functions but having a different designation), and a

representative of the external auditors may attend the meetings.

- 4.2 However, at least twice a year the Committee shall meet with the auditors without executive Board members or management present.
- 4.3 Only members of the Committee are entitled to vote at the meetings.

5. FREQUENCY OF MEETINGS

- 5.1 Meetings shall be held not less than twice a year. Additional meetings should be held as and when the Committee considers necessary.
- 5.2 The Chairman of the Committee may convene additional meetings at his discretion.
- 5.3 The external auditors may also request a meeting if they consider it necessary.

6. AUTHORITY

- 6.1 The Committee is authorized by the Board to inspect all accounts, books and records of the Company.
- 6.2 The 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.
- 6.3 A member of the Committee may, through the Company Secretary, seek independent advice in appropriate circumstances at the Company's expense to discharge his/her duties as a member of the Committee to the Company within its terms of reference.
- 6.4 The Committee shall be provided with sufficient resources to discharge its duties.
- 6.5 The Committee shall report to the Board any suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
- 6.6 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Committee will arrange for the Corporate Governance Report in the Annual Report of the Company to include an explanation of the Committee's view

and the reasons why the Board has taken a different view.

7. DUTIES & RESPONSIBILITIES

The Committee is to serve as a focal point for communication between other directors of the Company, the external auditors and the internal auditors as regards their duties relating to financial and other reporting, risk management, internal controls, external and internal audits and such other matters as the Board determines from time to time.

The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls and risk management system of the Company and its subsidiaries (the “Group”), and as to the adequacy of the external and internal audits.

The Committee shall fulfill other responsibilities as required by the Listing Rules from time to time.

The duties of the Committee include the following: -

Review of the financial information of the Company

7.1 to monitor the integrity of the Company’s financial statements and annual report and accounts, interim report and to review significant financial reporting judgments contained in them.

7.2 In reviewing these reports before submission to the Board, the Committee should 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 legal requirements in relation to financial reporting.

7.3 Regarding 7.2 above:-

- (a) 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 external auditors; and

- (b) 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 qualified accountant, compliance officer or auditors.

Oversight of the Company's financial reporting system, risk management and internal control systems

- 7.4 to review the Company's financial controls and, unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems;
- 7.5 to discuss the risk management and internal control system with management to ensure that management has performed its duty to have an effective systems. Such discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- 7.6 to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- 7.7 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;
- 7.8 to review the financial and accounting policies and practices of the Group;
- 7.9 to discuss any problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary) and to assist in the resolution of any disagreements or difference between the external auditors and management;
- 7.10 to review the external auditors' management letter, any material queries raised by the auditors to management about the accounting records, financial accounts or systems of control and management's response;
- 7.11 to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- 7.12 to report to the Board on the matters set out in these Terms of Reference;
- 7.13 to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent

investigation of such matters and for appropriate follow-up actions;

7.14 to act as the key representative body for overseeing the Company's relation with external auditors; and

7.15 to consider other topics, as defined by the Board;

Relationship with the Company's external auditors

7.16 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 auditors, and to handle any issues in relation to the resignation or dismissal of the external auditors;

7.17 to consider the plan for each year's audit submitted by the external auditors and discuss the same at a meeting if necessary;

7.18 to review and monitor the external auditors' independence and objectivity in accordance with applicable standards. In this connection, the Committee shall:

(i) consider all relationships between the Company and the external auditors (including non-audit services);

(ii) obtain from the external auditors annually information about policies and process for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff;

(iii) conduct annual review of all non-audit services performed by the external auditors and the related fee levels, and to ensure that such services do not impair the independence or objectivity of the external auditors; and

(iv) review the policies on hiring of any employees or former employees of the external auditors and consider whether as a result of such hiring, there has been or appears to be any impairment of the external auditors' judgment or independence in respect of the audit.

7.19 to discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences and to ensure coordination where more than one audit firm is involved.

7.20 to develop and implement policy on engaging an external auditors to supply non-audit services. For this purpose, external auditors 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 knowing all relevant information would reasonable 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.

8. REPORTING PROCEDURES

- 8.1 The Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Committee, the Chairman of the Committee shall report the findings and recommendations of the Committee to the Board.
- 8.2 Full minutes of Committee meetings shall be kept by the Secretary of the Committee. Draft and final versions of minutes of Committee meetings shall be sent to all members of the Committee for their comment and records within a reasonable time after the meeting.
- 8.3 Copies of the minutes of meetings of the Committee shall be provided to the Board at its meetings.
- 8.4 Each member of the Committee who is an INED shall provide an annual confirmation of his independence to the Company in accordance with the requirements of the Listing Rules.

9. AVAILABILITY AND UPDATE OF THE TERMS OF REFERENCE

These terms of reference of the Committee shall be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements (e.g. the Listing Rules) in Hong Kong. These terms of reference shall be made available to the public by including the information on the website of the Company and The Stock Exchange of Hong Kong Limited.

Revised on 16 September 2005
Revised on 1 April 2012
Revised on 28 December 2015