



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 1 April 2012

* For identification purpose only

CENTURY LEGEND (HOLDINGS) LIMITED

AUDIT COMMITTEE

TERMS OF REFERENCE

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Century Legend (Holdings) Limited

(“Company”)

Audit Committee

Terms of Reference

1. CONSTITUTION

- 1.1 The Audit 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 (“**Listing Rules**”).
- 1.2 The terms of reference for the Audit Committee were revised on 1 April 2012 pursuant to the Corporate Governance Code set out in the Appendix 14 of the Listing Rules.

2. MEMBERSHIP

- 2.1 The members of the Audit Committee shall be appointed by the Board of Directors and on the recommendation of the nomination committee in consultation with the Audit Committee Chairman from amongst the Non-executive Directors of the Company.
- 2.2 The Audit Committee shall consist of not less than three members, a majority of whom should be independent 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.
- 2.3 The Chairman of the Company shall not be an audit committee member.
- 2.4 The Chairman of the Audit Committee must be an Independent Non-executive Director and appointed by the Board of Directors.
- 2.5 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Company’s Audit 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 Appointments should be for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to be independent.

3. MEETINGS

- 3.1 The Company Secretary shall be the secretary of the Audit Committee.
- 3.2 The Audit Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Audit Committee.
- 3.3 A quorum of the Audit Committee shall be any two members.
- 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 7 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 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 of audit committee meetings should be kept by the secretary of the Audit Committee. Draft and final versions of minutes of the audit committee meetings shall be circulated to all committee members for their comments and record, within a reasonable time after the meeting. Such minutes of meeting shall be opened for the Board's inspection.

4. ATTENDANCE AT MEETINGS

- 4.1 At the invitation of the Audit Committee, the Finance Director (where there is one), the Head of Internal Audit (where there is one), 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 Audit Committee are entitled to vote at the meetings.

5. FREQUENCY OF MEETINGS

- 5.1 The chairman of the Audit Committee, in consultation with the secretary, shall decide the frequency and timing of its meetings. There shall be as many meetings as the Audit Committee's duties and responsibilities require.
- 5.2 The Audit Committee shall meet no fewer than two meetings a year. The Company's external auditors may request that a meeting be held if they consider it necessary.

6. AUTHORITY

- 6.1 The Audit Committee is authorized by the Board to inspect all accounts, books and records of the Company.
- 6.2 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.
- 6.3 A member of the Audit 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 Audit Committee to the Company within its terms of reference.
- 6.4 The Audit Committee shall be provided with sufficient resources to discharge its duties.
- 6.5 Where there is disagreement between the Audit Committee and the Board, adequate time should be made available for discussion of the issue with a view to resolving the disagreement. Where any such disagreements cannot be resolved, the Audit Committee shall have the right to report the issue to the shareholders as part of the report on its activities in the annual report.

7. DUTIES & RESPONSIBILITIES

It is the Audit Committee's primary duty to act independently from the executive to ensure that the interests of the shareholders are properly protected in relation to financial reporting and internal control and to act as the key representative body for overseeing the Company's relationship with the external auditors. The Audit Committee shall have the following duties and responsibilities: -

Review of the Company's financial information

- 7.1 to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and any formal announcements relating to the Company's financial performance, and to review significant financial reporting judgments contained in them.
- 7.2 In reviewing these reports before submission to the Board, the Audit 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 Audit Committee should liaise with the Company's board of directors, 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
 - (b) the Audit 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.
- 7.4 Oversight of the Company's financial reporting system and internal control procedures:
- (a) to review the Company's financial controls and, unless expressly addressed by a separate board risk committee composed of independent non-executive directors or by the board itself, the Company's 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 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;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- (h) to report to the Board on the matters in this section headed "Duties and Responsibilities"; and
- (i) to consider other topics, as defined by the board;

Relationship with the Company's auditors

- 7.5 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 any questions of their resignation or dismissal;
- 7.6 to review and monitor external auditors' independence and objectivity;
- 7.7 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;
- 7.8 to develop and implement policy on engaging external auditors to supply non-audit services;
- 7.9 for the purpose of 7.8, "external auditors" 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; and

7.10 to report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

Relationship with the Company's employees

7.11 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;

7.12 to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

7.13 to act as the key representative body for overseeing the Company's relations with the external auditors.

8. REPORTING PROCEDURES

8.1 The Audit Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless prohibited by applicable laws and regulations (such as a restriction on disclosure due to regulatory requirements).

9. PUBLICATION OF THE TERMS OF REFERENCE

9.1 The terms of reference of the Audit Committee will be posted on the website of the Company and on the website of the Stock Exchange of Hong Kong Limited.