

聯想控股股份有限公司 Legend Holdings Corporation

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3396)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE UNDER THE BOARD

1. GENERAL

1.1 In order to strengthen the development of the internal control, audit and connected transaction system and ensure the Board's effective management of the senior management in areas such as financial reporting, risk management and internal control of Legend Holdings Corporation (hereinafter referred to as the "Company", together with its subsidiaries, the "Group") and its consummate governance structure, the audit committee under the Board is established and these terms of references are formulated in accordance with relevant laws and regulations of the Company Law of the People's Republic of China (hereinafter referred to as the "Company Law"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Hong Kong Listing Rules"), and the requirements of the articles of association of the Company (the "Articles of Association").

1.2 The audit committee (the "Committee") is a standing committee under the Board and is principally performing its monitoring function in the following areas:

- the truthfulness of financial statements and the financial reporting procedures;
- the effectiveness of risk management and internal control system;
- the appointment of external auditors and the evaluation of their qualifications, independence and performance;
- the periodic review and annual audit of the Group's financial statements; and
- compliance with applicable accounting standards and legal and regulatory requirements on financial information disclosures.

The Committee shall be responsible for risk management and monitoring as well as accountable to the Board. The senior management shall be responsible for the preparation, submission and truthfulness of financial statements, provide confirmation to the Committee regarding the effectiveness of the relevant risk management and internal control system, and undertake the ultimate liability to the Board and shareholders.

2. COMPOSITION

2.1 The Committee shall consist of at least three members. The members shall be directly appointed by the Board amongst the non-executive Directors and the majority of them shall be independent non-executive Directors. The Committee shall be chaired by an independent non-executive Director.

2.2 At least one member of the Committee shall be an independent non-executive Director with appropriate professional qualifications or appropriate accounting or related financial management expertise.

2.3 A former partner of the Group's existing external auditing firm shall be prohibited from acting as a member of the Committee for a period of one (1) year from the date of his/her ceasing to:

- (a) be a partner of such external auditing firm; or
- (b) have any financial interest in such external auditing firm,

whichever is later.

- 2.4 Members of the Committee shall attend regular meetings of the Committee, and shall actively express their opinions on matters proposed at the meetings, have a thorough understanding of the roles and responsibilities of the Committee and themselves as a member of the Committee, and be familiar with the operation mode, business activities and development of the Group.
- 2.5 Head of the internal control of the Group shall be in attendance at the meetings of the Committee to provide assistance. At the request of the Committee, the senior management, head of the finance department and representatives of external auditors of the Group shall also be in attendance at some or all meetings of the Committee or participate in the discussion of certain matters proposed at the meetings.
- 2.6 The secretary of the Board or the joint company secretaries of the Company or their proxy shall be the secretary of the Committee.

3. DUTIES AND RESPONSIBILITIES

3.1 Financial Reporting

- 3.1.1 The Committee shall be responsible for reviewing and monitoring the effectiveness of the financial reporting procedures implemented by the senior management and in compliance with applicable laws and regulations;
- 3.1.2 The Committee shall review and discuss with the senior management and the internal and external auditors the following:
- the appropriateness of the Group's accounting and financial reports and accounts, including the compliance with the accounting standards, any complex or unusual transactions reflected or required to be reflected in such reports and accounts, accounting treatment of significant risks and uncertainties and highly judgmental areas;
 - material adjustments arising from audit;
 - accounting and financial reporting issues raised by accounting and financial reporting personnel, internal or external auditors;
 - new developments of or significant changes to the Group's existing accounting policies and recommendations to the Board on any significant new policies or significant changes to existing policies; and
 - other reports submitted by the Board in relation to the duties and responsibilities of the Committee.
- 3.1.3 The Committee shall review with the senior management and the internal and external auditors and approve or, if appropriate, recommend for approval by the Board:
- the audited annual financial statements together with the report of the external auditors thereon;
 - the interim financial statements;
 - the quarterly financial results, if applicable; and
 - all financial information contained in material public disclosure documents including prospectuses, circulars to shareholders and other offering documents.
- 3.1.4 In reviewing financial statements, the Committee shall pay attention to and review any changes in financial and accounting policies and practices;

3.1.5 If the dividend proposal submitted by the senior management deviates from the dividend policy approved by the Board, the Committee shall review such dividend proposal and make recommendations to the Board;

3.1.6 The Committee shall review with the senior management and the internal auditors the measures and procedures of control for the regulatory filings to regulatory authorities by the Group.

3.2 Risk Management and Internal Control System

3.2.1 The Committee shall review and evaluate whether the senior management has established an appropriate risk management and internal control system. This function is part of the Committee's risk management and control duties to establish a proper and effective risk management and internal control system. It is the responsibility of the senior management to confirm to the Committee as to the effectiveness of the risk management and internal control system. The Committee shall discuss with the senior management the risk management and internal control system and ensure that the management has performed its duties to establish an effective risk management and internal control system;

3.2.2 The Committee shall review the internal audit plans of the Company and its subsidiaries, review the annual audit layout with the internal auditors and provides guidance to them so as to consider the adequacy of the accounting system, risk management and the degree of internal control;

3.2.3 With the help of risk management and internal auditors, the Committee shall at least annually conduct a review on the soundness and effectiveness of the risk management and internal control hierarchy, mechanism and system of the Group, and advise and make recommendations on the improvement of the risk management and internal control system of the Group. Such review shall cover all important monitoring areas, including the functions of financial monitoring, operational monitoring and compliance monitoring, and monitoring of the implementation of the Group's risk management system. The Committee shall particularly focus on the following in conducting such annual review:

- the changes since the last annual review in the nature and extent of significant financial reporting risks, and the Group's ability to respond to the changes in its internal business and the external environment;
- the scope and quality of the senior management's ongoing monitoring of risks (including but not limited to compliance risks on financial reporting, accounting and external reporting compliance risks) and the internal control system and, if applicable, the internal audit function and work of other providers of assurance;
- the effectiveness of the internal control system established by the senior management to monitor transactions entered into or to be entered into between any member of the Group and any connected person or related party within the meaning of the Hong Kong Listing Rules;
- the effectiveness of the Group's procedures in relation to financial reporting and compliance with the Hong Kong Listing Rules;
- the work of the internal risk management and audit function and other supervision departments, including the reports (both regular and exceptional) issued by the risk management and internal audit personnel, management recommendations submitted by the external auditors as well as the senior management's responses, and any examination reports issued by regulatory authorities and the senior management's responses. The Committee shall also meet with the senior management, the risk management personnel, the internal auditors and the external auditors to discuss findings from its work and the resolution, or otherwise, of any difficulties encountered;

- the extent and frequency of communication of monitoring results to the Committee which enables it to build up a cumulative assessment on the effectiveness of monitoring and financial reporting risk management of the Group;
 - the incidence of significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition;
 - regarding risk management matters that may have a significant impact on the Group's financial position and reputation, to ensure that the matters have been properly addressed, and ensure that any significant impact of these issues is reflected in the financial statements; and
 - the adequacy of resources, staff qualifications and experience regarding the Group's accounting, risk management, internal audit and financial reporting functions as well as its staff training programs and budget.
- 3.2.4 The Committee shall review arrangements under which employees of the Group may raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;
- 3.2.5 The Committee shall consider major investigation findings on risk management and internal control matters (whether as delegated by the Board or on its own initiative) and the senior management's response to these findings.

3.3 Internal Audit

3.3.1 The Committee shall:

- Regularly assess and monitor the effectiveness of the internal audit function, review and approve the duties and responsibilities and structure of internal audit with reference to the opinions of the senior management and the head of internal audit, and ensure that the internal audit function has an appropriate standing and no unreasonable restrictions are imposed on its functions;
- report the results of assessment of the head of internal audit to the Committee;
- approve the results of assessment of other senior members of the internal audit team as advised by the head of internal audit and report the same to the Committee;
- review, monitor, examine and approve the audit layout, approaches, annual audit plans and budgets for internal audit and ensure the independence of the internal audit and sufficient resources available to support the internal audit; and
- ensure effective communication and coordination between the internal audit department and the external auditors.

3.3.2 The Committee shall:

- review the reports submitted by internal audit, together with the senior management's response to any identified weaknesses on internal control; and
- receive and review conclusion reports submitted by internal audit summarising the senior management's response to matters not yet followed up and the progress of implementation of the same

3.3.3 The Committee shall meet the head of internal audit without the presence of senior management or executive director(s) to discuss any matters that the Committee or the internal auditors believe that shall be discussed privately.

3.4 External Audit

- 3.4.1 The Committee shall act as the principal representative of the Company to communicate with the external auditors, monitor the relationship between the Company and the external auditors, review and monitor the independence and objectiveness of the external auditors as well as the effectiveness and compliance of the audit approaches, and ensure the external auditors' ultimate responsibility to the Board, the Committee and shareholders.
- 3.4.2 The Committee shall make recommendations to the Board, for it to put to the shareholders for approval at the general meeting, in relation to the appointment, reappointment and removal of the external auditors and approve their remuneration and terms of engagement. In the event of a resignation by the external auditors was tendered, the Committee shall enquire the circumstances of the resignation and clarify with the outgoing external auditors whether there is any matter in relation to their work or the circumstances of the resignation which shall draw to the attention of the Board and shareholders.
- 3.4.3 The Committee shall discuss with the external auditors the nature and scope of the audit before the external auditors commence the audit work, review and monitor the effectiveness of the audit procedures in accordance with applicable standards, and satisfy itself that the audit plan is risk-based and covers all relevant measurable activities during the entire accounting period and that the work of the external auditors and the internal audit is coordinated. The Committee shall also review with the external auditors (and the senior management) all matters to be communicated to the Committee in relation to general accounting principles.
- 3.4.4 The Committee shall review and monitor the completeness, accuracy and fairness of half-yearly and annual financial statements and accounts as well as interim and annual reports and quarterly reports (if publication is required) before submission to the Board with particular regard to changes in accounting policies and practices, major judgmental areas, adequacy of information disclosure, consistency between the financial statements and prior disclosures, any significant audit adjustments, the going concern assumption and any conditional statements, any applicable legal requirements and accounting standards and compliance with the requirements of the Hong Kong Listing Rules and other legal requirements in relation to financial reporting;
- 3.4.5 The Committee shall review and examine the results of the audit with the external auditors, internal auditors and the senior management, and report the same to the Board. The scope of review shall include but without limitation to:
- the external auditors' evaluation of the Group's internal accounting system and relevant opinions;
 - the degree of cooperation the external auditors received from the senior management, any major problems experienced in conducting the audit and any restrictions imposed by the senior management or disagreement with the senior management on significant accounting issues;
 - the existence of problems or potential problems related to accounting and/or audit matters and any accounting errors, and any changes in accounting procedures and/or internal control system identified or arising during the audit;
 - matters specified in the explanatory statements submitted by the external auditors to the senior management in respect of audit, the senior management's response and subsequent follow-up of any identified weaknesses;
 - the appropriateness and quality of all principal accounting policies and treatments adopted by the Group and the selection and adoption of new accounting policies and treatments; and
 - any alternative financial treatments that have been discussed with the senior management, the ramifications of their use and the external auditors' suggested

treatment, as well as any other material communications with the senior management.

For the purposes of item 3.4.5 above, the Committee shall coordinate the settlement of any differences between the opinions of and any disputes between the senior management and the external auditors arising from financial reporting in order to ensure the smooth preparation or issue of auditor's reports or conduction of related work. In the event of any material weaknesses identified, the Committee shall make recommendations to the Board on the measures to be taken.

3.4.6 review the scope of audit and any other services provided by the external auditors and approve their fees and terms of service. As part of the view:

- i) advise the external auditors to conduct any supplementary audit as the Committee considers appropriate;
- ii) review the external auditors about recent or expected developments of accounting principles or reporting practice that may affect the Company or the scope of audit; and
- iii) discuss expected major audit issues, if any.

3.4.7 The Committee shall recommend to the Board on the policy on the engagement of the external auditors to provide non-audit services. In relation to non-audit services, the Committee shall consider:

- whether there are safeguards in place, or whether necessary measurements shall be taken by the Committee or be recommended to the Board for adoption, to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of non-audit services by the external auditors; and
- the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the external auditors.

3.4.8 The Committee shall review annually all non-audit works performed by the external auditors to ensure that such non-audit works do not involve any impermissible non-audit work and do not impair the independence of the external auditors in connection with their audit;

3.4.9 The Committee shall approve the policy on hiring employees or formal employees of the external auditors and monitor the adoption of such policy to assess whether it has affected or is likely to affect the judgment or independence of the work of the external auditors;

3.4.10 The Committee shall meet with the external auditors at least twice each year to discuss matters regarding the audit fees, any matters arising from audit and any other matters the external auditors wishes to raise.

3.5 Others

3.5.1 The Committee shall preliminarily consider the connected transactions requiring approval at the general meeting and the Board before proposal to the Board for approval;

3.5.2 Within the scope of authorisation of the Board, the Committee shall consider and approve the connected transactions or accept filings of connected transactions;

3.5.3 Subsequent to the year end, the Committee shall submit to the Board a special report on the conditions of connected transactions and the implementation of the connected transaction system during the year which shall report in details on overall position, extent of risks and distribution of structure of the connected transactions conducted in the year;

- 3.5.4 The Committee shall review the soundness of the arrangements under which the employees may report and complain about any non-compliances of the Company in financial reporting, internal control or other areas, and ensure that the Company has appropriate arrangements in place to conduct fair and independent investigation and follow up on such matters;
- 3.5.5 The Committee shall cooperate with the supervisory committee to conduct the supervisory committee's audit activities;
- 3.5.6 The Committee may conduct research on other subjects determined by the Board and keep the Board be informed of any events which may have a material effect on the Group's financial position or business development and make appropriate recommendations to the Board;
- 3.5.7 The Committee shall handle other matters required by laws, regulations, regulatory documents, the Articles of Association and the securities regulatory authorities of the place where the shares of the Company are listed and authorised by the Board (including other subjects determined by the Board);
- 3.5.8 The Committee shall communicate with other committees under the Board on a regular basis, ensure all material risk management issues and non-compliance matters have been thoroughly discussed and followed up by taking into account the risk control function of the Board, and ensure all reviews by the Committee of the internal control system through audit have been appropriately coordinated.
- 3.5.9 The Committee shall upload these terms of reference to the website of The Stock Exchange of Hong Kong Limited and the Company to explain its power delegated by the Board.

4. POWER

- 4.1 The Committee has the right to seek adequate administrative support from the senior management of the Group and has separate and independent access to the senior management of the Group.
- 4.2 The senior management shall provide the Committee with all the information necessary and appropriate for the Committee to discharge its responsibilities on a fair and timely basis. The Committee has the right to request any member of the senior management and any employee of the Group to promptly respond to the queries raised by any member of the Committee as comprehensive as possible. Information provided to the Committee shall be accurate and complete and be in such form and of such quality as will enable the Committee to make an informed decision.
- 4.3 The Committee has the right to take initiative or at the request of the Board, to investigate major internal control matters and review the Group's operating, financial and accounting policies and practices, study any findings and the response of the senior management and advise the Board of the results of such investigation or review and its recommendations.
- 4.4 Members of the Committee can, upon reasonable request, seek independent professional advice in their decision-making in appropriate circumstances, at the Group's expense. In the event of seeking professional advice from an external consultant, such consultant shall be directly appointed by the chairman of the Committee and its opinions shall be directly submitted to the chairman of the Committee (independent of the senior management).

5. RULES OF PROCEDURES

- 5.1 The Committee shall convene meetings at least twice a year, before the periodical meetings

of the Board be convened. Notices shall be given to all members no less than 3 business days prior to the meeting, and if otherwise, written consent shall be obtained from over half of the members.

- 5.2 Extraordinary meetings may be convened upon proposal by the chairman or more than half of all members of the Committee. Notices of extraordinary meetings shall be given to all members no less than 3 business days prior to the meeting, and if otherwise, written consent shall be obtained from over half of the members.
- 5.3 Materials and notice of the meetings of the Committee shall be issued simultaneously. All members shall fully read meeting materials prior to the meeting.
- 5.4 In principle, the meetings of the Committee shall be convened in an onsite way and shall not be convened unless more than half of all members are present. The meetings may also be convened by telecommunication means or written resolutions by circulation provided that voices of all members are heard thoroughly. Telecommunication means refer to the use of telephone, videos and other means to participate in the meeting; written resolutions by circulation refers to the decisions made in the way of separate delivery or by circulation of the proposals. The quorum of the meetings of the Committee shall be two in which one of whom must be an independent non-executive Director.
- 5.5 The chairman of the Committee shall preside over the meetings. In the event that the chairman of the Committee is unable to attend, another member (independent non-executive Director) designated by him/her shall exercise the functions and powers on his/her behalf. If such delegation was not made, more than half of the members being present shall select a member (independent non-executive Director) to preside.
- 5.6 Members of the Committee shall attend the meetings in person. In the event that a member is unable to attend, he may authorise another member to attend on his/her behalf in writing. The proxy who wishes to attend and vote at the meeting shall submit the power of attorney to the chairman of the meeting before it begins. The power of attorney shall set out the name of the principal, name of the proxy, scope of authorisation, voting instructions on resolutions to be proposed at the meeting (for or against), term and validity period of authorisation and the same shall be signed or sealed by the principal. The proxy shall exercise the right within the scope of authorization. Members who authorise other members to attend the meeting shall be solely liable to any decisions made by the proxy within his/her scope of authorisation.
- 5.7 Votes at the meetings of the Committee shall be conducted by a show of hands, by voice or by poll, and every member shall have one vote. Resolutions made at the meetings shall not take effect unless they are passed by more than half of all members (including members unable to be present). Members of the Committee shall give express votes, either for or against, but may not abstain from voting.
- 5.8 Representatives of the auditors shall be normally in attendance at the meetings of the Committee to provide assistance. At the request of the Committee, it may invite non-members of the Committee such as Directors, supervisors, relevant members of senior management and head of relevant departments to be in attendance at some or all of the meetings of the Committee. A prior approval from the chairman of the Committee shall be obtained for the list of such persons in attendance at the meeting.
- 5.9 Any member who is involved in any resolution considered at the meetings of the Committee and his/her associates shall abstain from attending the meetings.
- 5.10 Full records of the meeting of the Committee shall be kept. Minutes of the meetings of the Committee shall sufficiently record the matters considered and decisions reached by the Committee and the auditors in detail, including any concerns raised by the members or

their dissenting views expressed. Members attending the meetings shall sign on the final version of the minutes of the meetings of the Committee.

- 5.11 Members of the Committee and persons in attendance at the meetings are liable to keep all considered matters confidential and shall not disclose such relevant information without approval.

6. REPORTING PROCEDURES

- 6.1 All minutes of the meetings prepared by the Committee in accordance with the Article 5.10 above regarding the rules of procedures shall be kept by the secretary of the Committee and be available for inspection at any reasonable time on reasonable notice by any Director.

- 6.2 The Committee shall regularly report to the Board on matters set out in these terms of reference, including the work of the Committee and its decisions or recommendations, and shall notify the supervisory committee of the same, unless it is prohibited by laws and regulatory rules (such as when the disclosure is restricted in accordance with the regulatory rules).

7. ANNUAL GENERAL MEETING

- 7.1 The chairman of the Committee shall attend annual general meetings of the Company and be prepared to answer any shareholder's questions in relation to the duties of the Committee.

- 7.2 If the chairman of the Committee is unable to attend an annual general meeting of the Company, he/she shall arrange for another member of the Committee to attend in his/her place. Such member shall be prepared to answer any shareholder's questions in relation to the duties of the Committee.

8. EFFECTIVE DATE AND AMENDMENTS

- 8.1 These terms of reference shall take effect from the date of the listing of the Company subject to consideration and approval by the Board. Where it is necessary to amend these terms of reference in light of changes in situation, the amendments shall be proposed by the Committee and submitted to the Board for consideration and approval.

- 8.2 Matters not covered by these terms of reference shall be handled in accordance with the requirements of the relevant laws and regulations of the People's Republic of China ("PRC"), the Hong Kong Listing Rules and the Articles of Association; in case there is any inconsistency between these terms of reference and any future relevant PRC laws and regulations, the Hong Kong Listing Rules and the Articles of Association, the relevant PRC laws and regulations, the Hong Kong Listing Rules and the Articles of Association shall prevail and these terms of reference shall be amended accordingly subject to the approval of the Board.

- 8.3 These terms of reference shall be interpreted by the Board.

Note: In case of any discrepancies between the English version and the Chinese version, the Chinese version shall prevail.