



世纪阳光

CENTURY SUNSHINE GROUP HOLDINGS LIMITED

世紀陽光集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

TERMS OF REFERENCE

FOR

AUDIT COMMITTEE

CENTURY SUNSHINE GROUP HOLDINGS LIMITED

世紀陽光集團控股有限公司

(the “Company”)

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AUDIT COMMITTEE

The board of directors of Century Sunshine Group Holdings Limited (the “Director(s)”) (“Board”) resolved at a meeting on 31 January 2004 to establish a committee of the Board to be known as the audit committee (the “Audit committee”).

The terms of reference for the Audit Committee was approved and adopted by the Board on 31 January 2004 and revised on 23 March 2012, 30 November 2016 and 31 December 2018. The revised version of the terms of reference for the Audit Committee (the “Terms of Reference”) shall supersede any terms of reference previously adopted by the Board.

1. MEMBERSHIP

- 1.01 The members of the Audit Committee (the “Member(s)”) shall be appointed by the Board from amongst the non-executive Directors and a majority of the non-executive Directors should be independent.
- 1.02 The Audit Committee shall have a minimum of three Members, one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.
- 1.03 A quorum shall be two Members.
- 1.04 The chairman of the Audit Committee shall be appointed by the Board from time to time and should be an independent Director.
- 1.05 Any Member who wishes to retire or resign from the Audit Committee shall notify the Board in writing giving three months’ notice or such a shorter notice as may be agreed by the Board.
- 1.06 Any Member who no longer is the member of the Board shall be removed from the Audit Committee accordingly.
- 1.07 Any vacancy of the Audit Committee shall be replaced within three months in the event that the aforesaid terms of 1.01 and 1.02 could not be met.
- 1.08 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of two (2) year from the date of his/her ceasing:
 - (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm,whichever is later.

2. ATTENDANCE AT MEETINGS

- 2.01 The chief financial officers of the Company and a representative of the external auditor of the Company shall normally attend meetings. Other members of the Board and the staff with specific responsibility for the area under review by the Audit Committee shall also have the right of attendance.

2.02 At least one a financial year, the Audit Committee shall meet with the external auditor without the present of the executive Board members.

2.03 The company secretary of the Company (the “Company Secretary”) shall be the secretary of the Audit Committee. Where the Company Secretary is also an executive Board member, the Company Secretary can only attend meetings of the Audit Committee in the capacity as the Company Secretary, and not as an executive Board member.

3. FREQUENCY OF MEETINGS

3.01 Meeting shall be held not less than twice each financial year. The Audit Committee shall normally meet prior to the finalization of all the quarterly, interim and year end accounts and to discuss any issues arising therefrom.

3.02 The external auditor of the Company may request a meeting if they consider that such meeting is necessary.

4. AUTHORITY

4.01 The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference as set out herein and any other issues specifically delegated by the Board or which may arise as a natural extension of the review of the Company’s affairs in pursuing the Audit Committee’s duties.

4.02 The Audit Committee is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.

4.03 The Audit Committee shall be given full and unlimited access to all books and accounts of the Company by the Board in pursuing the Audit Committee’s duties.

4.04 The Audit Committee is required by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

4.05 The Audit Committee shall be provided with sufficient resources to perform its duties.

4.06 The Audit Committee shall initiate amendments to its Terms of Reference when the need arises due to changes in regulation governing corporate governance. Any Director may give instructions for such amendments to the Terms of Reference, as he deem fit, by reason of changes in the Company’s structure, organization and/or operations which affect the matters set out in the Terms of Reference.

4.07 Amendment to the Terms of Reference shall be submitted to the Audit Committee for consideration and tabled at a Board meeting for approval.

5. DUTIES

The duties of the Audit Committee shall be:

Relationship with the Company’s auditor

- (a) to be primarily responsible for making recommendations 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 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 Audit 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 Audit Committee should report to the Board for identifying and making recommendations on any matters where action or improvement is needed;
- (d) to act as the key representative body for overseeing the Company's relations with the external auditor;

Review of the Company's financial information

- (e) to monitor integrity of the Company's financial statements and annual report and accounts, quarterly reports, and half-year reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit or independent review;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (f) Regarding (e) above:-
 - (i) members of the Audit Committee should liaise with the Board and senior management and the person appointed as the Company's qualified accountant and the Audit Committee must meet, at least twice a year, with the Company's auditor; and
 - (ii) 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 auditor;

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

- (g) to review the Company's financial controls, risk management and internal control systems;
- (h) to discuss the internal control system with management to ensure that management has performed its duty to have effective systems. 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;
- (i) 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;
- (j) to ensure co-ordination between the internal reviews and external audits, 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;
- (k) to review the group's financial and accounting policies and practices;
- (l) to review the external auditor's management letter (if any), any material queries raised by the auditor to management about accounting records, financial accounts or systems of controls and management's response;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter (if any);
- (n) to report to the Board on the matters set out in provision of this Terms of Reference;
- (o) to consider other topics, as defined by the Board; and

Relationship with the Company and its employees

- (p) to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, to which the Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

6. REPORTING PROCEDURES

- 6.01 Each Audit Committee meeting shall be properly recorded by the secretary of the Audit Committee and upon confirmation of such minutes by the Chairman, a copy of the confirmed minutes shall then be duly circulated to all Members for approval.
- 6.02 The secretary of the Audit Committee shall circulate the confirmed minutes of all meetings of the Audit Committee to all members of the Board.
- 6.03 The minute book of the Audit Committee shall be kept by the Company Secretary and shall be available for inspection by any Directors.

7. LANGUAGE VERSION

The Terms of Reference have been issued in the English language with a separate Chinese language translation. In the event that there is any conflict between the English language version and the Chinese language version, the English language version shall prevail.

8. PUBLICATION OF THE TERMS OF REFERENCE

The Terms of Reference will be posted on the websites of The Stock Exchange of Hong Kong Limited and the Company. It is also available at the Company's principal place of business in Hong Kong open for inspection by the shareholders during normal business hours. A copy of the Terms of Reference will be made available to any person without charge upon request.