



GLORIOUS SUN ENTERPRISES LIMITED

旭日企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 393)

AUDIT COMMITTEE – TERMS OF REFERENCE

1. Constitution

The Audit Committee is constituted as a committee of the board (the “Board”) of directors (the “Directors”) of Glorious Sun Enterprises Limited (the “Company”).

The Audit Committee was established on 8th July 1998 with its Terms of Reference updated and revised from time to time with reference to Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

This updated version of Terms of Reference is approved by the Board and is effective on 19th March 2019.

2. Membership

- 2.1. The members of the Audit Committee (the “Members”) shall be appointed by the Board and shall consist of not less than three members.
- 2.2. Membership shall be confined to non-executive Directors, the majority of which must be independent non-executive Directors and at least one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.
- 2.3. The Chairman of the Audit Committee shall be appointed by the Board and shall be an independent non-executive Director.
- 2.4. 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 two years from the date of the person ceasing:
 - (a) to be a partner of the firm; or

(b) to have any financial interest in the firm,
whichever is later.

3. Secretary

3.1. The Company Secretary of the Company or his/her deputy shall be the secretary of the Audit Committee.

4. Meetings

4.1. Meetings shall be held not less than twice a year. The Company's external auditors may request that a meeting be held if they consider it necessary.

4.2. 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.

4.3. The quorum for meetings shall be two Members.

4.4. Meetings can 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 or through electronic means of communications whereby all persons participating in the meeting are capable of hearing each other.

4.5. Resolutions of the Audit Committee at any meetings shall be passed by a majority of votes of the Members present.

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

4.7. Full Minutes of meetings shall be kept by the secretary of the Audit Committee. Draft and final versions of minutes shall be sent to all Members for their comment and records within a reasonable time after the meeting. Such minutes shall be open for Directors' inspection.

4.8. At least once a year, representatives of the Company's external auditor will meet the Audit Committee without any Executive Directors being present, except by invitation of the Audit Committee, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditor may wish to raise.

4.9. At the invitation of the Audit Committee, the following persons may attend the meeting:-

- (a) Head of Internal Audit Department or in his/her absence, a representative from Internal Audit Department;
- (b) Chief Accountant of the Group (or person occupying the same position); and
- (c) Other members of the Board or other persons.

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

5. Annual General Meeting

5.1. The chairman of the Audit Committee or in his absence, another member of the Audit Committee or in his absence his duly appointed delegate, shall attend the Company's annual general meeting and be prepared to respond to shareholders' questions on the Audit Committee's activities and its responsibilities.

6. Responsibilities and Powers

The responsibilities of the Audit Committee are to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting and internal control system; and to assist the Board with any other responsibility as may be delegated by the Board from time to time. The Audit Committee shall have the following responsibilities and powers:

Relationship with the Company's External Auditors

- 6.1. 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;
- 6.2. to review and monitor the external auditor's independence and objectivity in accordance with applicable standards;
- 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 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), and to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- 6.5. to act as the key representative body for overseeing the Company's relations with the external auditor;

Review of the Company's financial information

- 6.6. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports (if applicable), and to review significant financial reporting judgements contained in them. In reviewing these reports 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 other legal requirements in relation to financial reporting;

- 6.7. Regarding 6.6 above:-

- (a) members of the Audit Committee should liaise with the Board and senior management;
- (b) the Audit Committee must meet, at least twice a year, with the Company's external auditors; and
- (c) 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 staff responsible for the accounting and financial reporting function, compliance officer (or person occupying the same position) or external auditors;

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 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;

- 6.10. 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;
- 6.11. 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;
- 6.12. to review the Group's financial and accounting policies and practices;
- 6.13. to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response;
- 6.14. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 6.15. 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. 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;

Corporate governance functions delegated by the Board

- 6.16. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- 6.17. to review and monitor the training and continuous professional development of Directors and senior management;
- 6.18. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- 6.19. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- 6.20. to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;

Others

- 6.21. to report to the Board on the matters in the Terms of Reference; and
- 6.22. to consider any topics, as defined by the Board.

7. Reporting

7.1. 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 performing its duties.

8.3. A Director as a member of the Audit Committee may seek independent professional advice in appropriate circumstances at the Company's expense to perform his/her duties as a member of the Audit Committee.

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

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