

Terms of Reference of Audit Committee

SUNCORP TECHNOLOGIES LIMITED (the “Company”) – Audit Committee

Terms of Reference (adopted by the Board of Directors of the Company to take effect on 1 January 2016)

(I) OBJECTIVE

The Committee of the Company is to assist the board of directors of the Company (the “Board”) in (i) ensuring that an effective system of risk management, internal control and compliance with the Company’s obligations (including external financial reporting obligations) under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and applicable laws and regulations is in place; and (ii) overseeing the integrity of the financial statements of the Company.

The Committee shall also be directly responsible on behalf of the Board for (i) the selection, oversight and remuneration of the Company’s external auditor, (ii) the assessment of the independence and qualifications of the external auditor, and (iii) the oversight of the performance of the Company’s internal audit function and external auditor.

(II) MEMBERSHIP

The Committee shall be appointed by the Board and shall comprise a minimum of three Non-executive Directors.

The majority of the members of the Committee (the “Members”) shall be Independent Non-executive Directors, at least one of whom has to be an Independent Non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The chairman of the Committee shall be appointed by the Board and must be an Independent Non-executive Director.

All members of the Committee are appointed by the Board and can be removed by the Board at its sole discretion. The Board shall from time to time vary the composition of the Committee as may be required by the Listing Rules (as modified from time to time) or the rules of any other stock exchange in respect of which the shares of the Company are listed or quoted, or other codes, rules and regulations as may be prescribed by the Hong Kong Securities and Futures Commission or any other applicable regulatory authority from time to time (the “Applicable Rules”).

A former partner of the existing auditing firm of the Company is prohibited from acting as a member of the Committee for a period of one (1) year from the later of (a) the date of his ceasing to be a partner of the firm; and (b) the date of his ceasing to have any financial interest in the firm.

The Company Secretary of the Company shall be the secretary of the Committee.

(III) AUTHORITY

The Committee shall report directly to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).

The Committee is authorised to inspect all accounts, books and records of the Company and the Committee shall have the right to require the management of the Company to furnish all information requested by the Committee as may be required for the purposes of discharging its duties.

The Committee is authorised to obtain outside legal and other independent professional advice and to secure the assistance of outsiders with relevant experience and expertise if it considers necessary. The Committee shall have the authority to approve related fees and retention terms.

The Committee shall be provided with sufficient resources to discharge its duties.

(IV) DUTIES

The duties of the Committee shall include the following aspects:

A. Relationship with the Company's external auditor

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;
2. to review and monitor the independence and objectivity of the external auditor. The Committee shall:
 - (a) consider all relationships between the Company and the audit firm (including the provision of non-audit services);
 - (b) seek from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding rotation of audit partners and staff; and

- (c) meet with the external auditor, at least annually, in the absence of management of the Company, to discuss matters relating to the audit fees, any issues arising from the audit and any other matters the external auditor or the Committee may wish to raise;
- 3. to review and monitor the effectiveness of the audit process in accordance with applicable standards. The Committee shall discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 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. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 5. to be primarily responsible for making recommendation to the Board for the approval of any non-audit services provided to the Company by the external auditor. The Committee should ensure that the provision of such non-audit services does not impair the external auditor’s independence or objectivity. When assessing the independence or objectivity of the external auditor in relation to the provision of non-audit services, the Committee should consider:
 - (a) whether the skills and experience of the audit firm make it a suitable supplier of the non-audit services;
 - (b) whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such non-audit services by the external auditor;
 - (c) the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit firm; and
 - (d) the criteria which govern the compensation of the individuals performing the audit; and
- 6. to set policies regarding the hiring of employees or former employees of the external auditor and monitor the application of such policies.

B. Review of the Company's financial information

1. to monitor integrity of the Company's financial statements, including annual reports and interim reports and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee shall focus particularly on:
 - (a) accounting policies and practices;
 - (b) any changes in accounting policies and practices;
 - (c) major judgmental areas;
 - (d) significant adjustments resulting from audit;
 - (e) the going concern assumption and any qualifications;
 - (f) compliance with accounting standards; and
 - (g) compliance with the Listing Rules, the Applicable Rules and any legal requirements in relation to financial reporting;
2. regarding the preparation of the reports and accounts referred to above, to liaise with the Board and senior management and to meet, at least twice a year, with the external auditor; and
3. to consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts referred to above and must give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditors of the Company.

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

1. to review the 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 on an ongoing basis;

2. to discuss the risk management and internal control systems 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, internal audit and financial reporting functions;
3. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the response of management of the Company to these findings;
4. 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;
5. if the Company considers the internal audit function to be outsourced to those professional firms as our internal auditor, then it should be clearly stated in the engagement letter. The internal auditor shall perform risk assessment and more routine internal audit related works for our Group.
6. to review the Group's financial and accounting policies and practices;
7. to review the management letter of the external auditor, any material queries raised by the auditor to management of the Company about accounting records, financial accounts or systems of control and the response of management of the Company; and
8. to ensure that the Board will provide a timely response to the issues raised in the management letter of the external auditor.

D. Corporate governance functions

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

5. to review the Company's compliance with the code and disclosure in the corporate governance report.

E. Other duties

1. to ensure the Company's practices and procedures with respect to related party transactions are adequate for compliance with the requirements under the Listing Rules and the Applicable Rules;
2. to review from time to time as appropriate these Terms of Reference and the effectiveness of the Committee and recommend to the Board any necessary changes;
3. to report to the Board on the matters in these Terms of Reference and where the monitoring activities of the Committee reveal cause for concern or scope for improvement, the Committee shall make recommendations to the Board to address the issue or to make improvements;
4. to provide to the Board such assurances as it may reasonably require regarding compliance by the Company's subsidiaries and associates for which the Company provides management services with all supervisory and other regulations to which they are subject;
5. to consider other topics or matters, as defined or referred to the Committee by the Board;
6. 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 ensures that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
7. to act as the key representative body for overseeing the Company's relations with the external auditor.

(V) COMMITTEE MEETINGS

A. Frequency

The Committee shall meet at least twice a year. Additional meetings should be held if the Committee shall so request.

B. Notice

Notice of any meetings of the Committee has to be given 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 meeting is not required if the adjournment is less than 14 days.

C. Quorum

The quorum for decisions of the Committee should be any two Members, of whom one has to be an Independent Non-Executive Director.

D. Resolutions

Resolutions of the Committee shall be passed by a majority of votes which can also be passed by way of unanimous written resolutions. Meetings can be held in person, by telephone or by video conference.

E. Minutes

The secretary of the Committee should keep full minutes of all Committee meetings. Draft and final versions of minutes of meetings of the Committee should be sent to all Members for their comment and records within a reasonable time, normally 7 days, after the meeting. If there is conflicting view between the Members on the contents of the draft minutes, the chairman of the meeting shall have a conclusive decision.

Minutes of all Committee meetings will also be sent to other members of the Board at the same time when they are sent to Members.

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Note: If there is any inconsistency between the English and Chinese versions of this Terms of Reference, the English version shall prevail.