



ALLTRONICS HOLDINGS LIMITED
華訊股份有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 833)

Alltronics Holdings Limited (the “Company”)
Audit Committee – Terms of Reference

Membership

1. The Audit Committee shall be appointed by the board of directors of the Company (the “Board”) and must comprise members of independent non-executive directors of the Company only.
2. The Audit Committee shall have a minimum of three members, one of whom is an independent non-executive director of the Company with appropriate professional qualifications or accounting or related financial management expertise.
3. The Chairman of the Audit Committee shall be appointed by the Board.
4. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Audit Committee for a period of 1 year from the date of his ceasing:
 - (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm,whichever is later.
5. With regard to the quality of “appropriate professional qualifications or accounting or related financial management expertise” as referred to in paragraph 2 above, the related independent non-executive director is expected to have, through experience as a public accountant or auditor or as a chief financial officer, controller or principal accounting officer of a public company or through performance of similar functions, experience with risk management, internal controls and in preparing or auditing comparable financial statements or experience reviewing or analyzing audited financial statements of public companies. The Board shall evaluate the totality of the individual’s education and experience to determine on a case-by-case basis whether the candidate is suitable for the position.

Meetings and Quorum

6. Meetings shall be held not less than twice every year. The external auditors may request a meeting if they consider that one is necessary.
7. The quorum of any meeting of the Audit Committee shall be any two of its members.
8. Members of the Audit Committee may participate in any meeting of the Audit Committee by means of a conference telephone or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a meeting as if those participating were present in person.
9. Resolutions of the Audit Committee at a meeting shall be passed by a majority of votes of the members present.
10. A resolution in writing signed by all the members of the Audit Committee shall be as valid and effectual as if it had been passed in a meeting of the Audit Committee duly convened and held.

Attendance at meetings

11. Upon invitation by the Audit Committee, the head of the financial function, the head of risk management and internal audit or other Board members may attend meetings of the Audit Committee. However, at least twice a year the Audit Committee shall meet with the external auditors without presence of the executive directors of the Company (except those invited by the Audit Committee).
12. The company secretary of the Company shall be the secretary of the Audit Committee (the "Secretary").

Authority

13. The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it required from any employees and all employees are directed to co-operate with any request made by the Audit Committee.
14. The Audit Committee should be provided with sufficient resources to discharge its duties.
15. The Audit Committee is authorized 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.

Duties

16. The duties of the Audit Committee shall be:

Relationship with the Company's auditors

- 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;

(Note: In the event that the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Audit Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Audit Committee's view and the reason(s) why the Board has taken a different view.)

- 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 external 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 of all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed. The Audit Committee should ensure that the provision by an external auditor of non-audit services does not impair the independence or objectivity. When assessing the external auditor's independence or objectivity in relation to non-audit services, the Audit Committee may wish to consider:
 - (i) whether the skills and experience of the audit firm make it a suitable supplier of non-audit services;
 - (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services;
 - (iii) the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the audit firm; and
 - (iv) criteria for compensation of the individuals performing the audit;

Review of the Company's financial information

- d) to monitor integrity of the Company's financial statements and annual reports and accounts, half-yearly reports and, if prepared for publication, quarterly 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;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and legal requirements in relation to financial reporting;
- e) Regarding to d) above:-
- (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company’s auditors;
 - (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 staff responsible for the accounting and financial reporting function, compliance officer or auditors; and
 - (iii) the Audit Committee should discuss problems and reservation arising from the financial statements, annual reports and accounts, half-yearly reports and quarterly reports (if applicable) and any other matters the external auditor may wish to discuss (in the absence of management of the Company where necessary);

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

- f) to review the Company’s financial controls, and unless expressly addressed by a separate board committee, or by the Board itself, to review the Company’s risk management and internal control systems;
- g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective risk management and internal control 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;
- h) 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;
- i) where an internal audit function exists, to review the internal audit programme, 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;

- j) to review the Company and its subsidiaries' financial and accounting policies and practices;
- k) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- m) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management and 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;
- n) to act as the key representative body for overseeing the Company's relations with the external auditor;
- o) to report to the Board on the matters set out in this term of reference; and
- p) to consider other topics, as defined by the Board.

Reporting

- 17. The Secretary shall be responsible to circulate draft and final versions of minutes of the Audit Committee's meetings to all committee members for their comments and records, within a reasonable time after the meeting.
- 18. The Secretary shall keep full minutes of the Audit Committee's meetings and circulate the minutes and reports of the Audit Committee to all members of the Board.

Publication of the Terms of Reference

- 19. The terms of reference of the Audit Committee must be made available for explaining its role and the authority delegated to it by the Board.
- 20. The Company shall explain the role of the Audit Committee in the Corporate Governance Report.

Adopted on 22 June 2005, and revised on 1 April 2012 and 29 December 2015

(The English version shall always prevail in case of any inconsistency between the English version and its Chinese translation.)