



APT Electronics Co., Ltd.
廣東晶科電子股份有限公司

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

Working Rules of the Audit Committee under the Board of Directors

Chapter 1 General Provisions

Article 1 In order to enhance the Company's internal supervision and risk control, strengthen the decision-making functions of the board of directors (hereinafter referred to as the "**Board**") of the Company, make pre-audit and professional audit, ensure the Board's effective supervision over the management and improve the Company's governance structure, the Company has established the Audit Committee under the Board and formulated these Rules in accordance with the Company Law of the People's Republic of China, the Articles of Association of APT Electronics Co., Ltd. (hereinafter referred to as the "**Articles of Association**"), 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 other relevant provisions.

Article 2 As a specialized working body under the Board, the Audit Committee under the Board is mainly responsible for the Company's internal control construction and implementation thereof, internal audit, the implementation of the internal audit system, risk management, and giving opinions on the appointment of external auditors and supervising their relationship with the Company, reviewing the Company's financial information and making judgments on the truthfulness, completeness and accuracy of the financial information.

Chapter 2 Composition

Article 3 The Audit Committee shall be composed of at least three non-executive Directors, and a majority of the members shall not hold positions in the Company other than as directors and shall not have any relationship with the Company that may affect their independent and objective judgment. Among the chairman and other members of the Audit Committee (collectively, the "**members**"), the majority of whom shall be independent non-executive Directors, and at least one independent non-executive Director shall have appropriate professional qualifications as required in the Hong Kong Listing Rules, or professional speciality in accounting or related financial management (hereinafter referred to as the "**Financial Professional**").

A former partner of the existing external audit firm of the Company shall be prohibited from acting as a member of the Audit Committee for a period of two years from the date of his/her ceasing (whichever is later):

- (I) to be a partner of the accounting firm; or
- (II) to have any financial interest in the accounting firm.

Article 4 The members shall be nominated by the chairman of the Board, more than half of the independent non-executive Directors or more than one-third of all the Directors, and shall be elected by the Board. But independent non-executive Directors of the Company elected as Financial Professionals shall be automatically admitted to candidates without being nominated. Where there is only one independent non-executive Director as Financial Professional, he/she shall be automatically elected.

Article 5 The Audit Committee shall have one chairman whose position shall be taken by the member being an independent non-executive Director, who shall be responsible for convening and presiding over the work of the Committee.

Article 6 The secretary of the Audit Committee shall be the secretary of the Company. The Audit Committee may from time to time appoint any other person with appropriate qualification and experience to act as the secretary of the Audit Committee.

Article 7 The term of office of members of the Audit Committee shall be the same as that of members of the Board. A member may serve consecutive terms if re-elected upon the expiry of his/her term of office. Any member who no longer serves as a Director of the Company or no longer suits for serving as a member during his/her term of office (for example, any member who shall be an independent non-executive Director no longer meets the requirements in relation to independence under the Hong Kong Listing Rules) shall automatically be disqualified as a member, and the Board shall fill the vacancy in accordance with the provisions of Articles 3 to 5 above.

Article 8 Where the number of members of the Audit Committee does not satisfy the requirements of Articles 3 and 5 of these Working Rules, the Board shall, immediately state relevant details and reasons by announcement according to the requirements of the Hong Kong Listing Rules and fill the vacancy as required in Articles 3 to 5 of these Working Rules within three months from the date of failure to meet the requirements of the foregoing provisions. The term of office for the member filling the vacancy shall expire upon the expiration of his/her term of office as a Director.

Article 9 The internal audit department or audit team under the Audit Committee is the executing agency for the specific work, which is responsible for the formulation and implementation of internal audit plans, production of internal audit reports, daily work contacts, organization of meetings and other matters approved by the Audit Committee.

Chapter 3 Duties and Authorities

Article 10 The main duties and authorities of the Audit Committee include:

- (I) proposing the appointment or replacement of the external audit firm and being responsible for the communication between internal auditors and external auditors, including:
1. acting as the major representative of both the Company and external auditors, and being responsible for overseeing the relationship between them;
 2. being responsible for making recommendations to the Board on the appointment, reappointment and replacement of external auditors so as to submit the same to the shareholders' meeting for approval, and approving the remuneration and terms of service of external auditors. In the event of resignation of any external auditors, the Committee shall look into the details of the resignation and clarify with the departing external auditors whether there is any work matter or reason for resignation requiring the Board's and the shareholders' attention;
 3. reviewing and monitoring the independence and objectivity of external auditors as well as the effectiveness and compliance of audit methods, and discussing with external auditors the nature and scope of the audit and relevant reporting obligations before the audit commences;
 4. developing and implementing policies on engaging an external audit firm to supply non-audit services. For this purpose, the external audit firm 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
 5. reporting and making recommendations to the Board on any matters where action or improvement is needed.

(II) reviewing the Company's financial information and disclosure thereof, including:

1. reviewing relevant information such as the Company's financial statements, annual reports and accounts, interim reports, other periodic reports, agreed proceedings and audit reports, as well as the significant views on financial reporting set out in financial statements and reports, and giving comments on the completeness, accuracy and truthfulness of the preparation and disclosure of the Company's financial reports;
2. before submitting the financial reports to the Board for consideration, the following matters are specifically addressed: the basis of and changes in accounting policies and practices, major accounting judgments, significant audit adjustment projects, business going concern assumptions, qualified opinions produced by the external audit firm, and compliance with accounting standards, laws, regulations and provisions in relation to financial reporting under the Hong Kong Listing Rules;
3. considering any material or unusual matters reflected or need to be reflected in such reports and accounts, and giving due consideration to any matters raised by the accountants and financial reporting staff, supervision officers or auditors of the Company;
4. liaising with the Board, the senior management and the external audit firm; the Audit Committee shall meet at least twice each year with the external audit firm of the Company.

(III) oversight of the Company's financial reporting system, risk management and internal control systems, including:

1. reviewing and evaluating whether the senior management has established appropriate risk management and internal control systems, and discussing with the senior management in relation to the risk management and internal control systems to ensure that the management has performed its duties to establish effective risk management and internal control systems. This discussion shall include the adequacy of resources, staff qualifications and experience of the Company's accounting, internal audit and financial reporting functions and their staff training programs and budget.
2. reviewing the internal audit plans of the Company and its subsidiaries, reviewing annual audit plans with the internal auditors and providing guidance to them so as to consider the adequacy of the accounting system, risk management and the degree of internal control. Ensuring the co-ordination of work between the internal audit and the external audit firms, also requiring to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness.

3. with the help of risk management personnel and internal auditors, requiring to conduct at least annually a review of the soundness and effectiveness of the risk management and internal control hierarchy, mechanism and system of the Company, and advising and making recommendations towards the improvement of the risk management and internal control systems of the Company. 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 Company's risk management system; discussing with the management the risk management and internal control systems to ensure that the management has performed its duties to establish such effective systems; discussing with the management about the scope and quality of the ongoing monitoring of risks and the internal control system as well as the internal audit function and work of other providers of assurance; taking the initiative to or, upon delegation by the Board, study the major investigation results of the relevant risk management and internal control matters as well as the management's response to the investigation results; overseeing the management in the design, execution and supervision of the risk management and internal control systems, and urging the management to confirm whether the abovementioned systems are effective.

4. requiring to particularly focus on the following matters when the Committee conducts such annual review: (1) the changes since the last annual review in the nature and severity of significant risks, and the Company's ability to respond to the changes in its internal businesses and the external environment; (2) 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) and the internal control system and, if applicable, the internal audit function and work of other providers of assurance; (3) 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 Company and any connected person or related party covered by the Hong Kong Listing Rules; (4) the effectiveness of the Company's procedures in relation to financial reporting and compliance with the requirements of the Hong Kong Listing Rules; (5) the work of the internal risk management and audit functions and other supervision departments, including the reports (both regular and exceptional) issued by the risk management personnel and internal auditors, management recommendations submitted by the external auditors and the senior management's responses, as well as 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 such findings during its work and the resolutions thereof, or otherwise, any difficulties encountered; (6) the extent and frequency of communication of monitoring results to the Committee which

enables it to conduct continuous assessment on the Group's state of control and the effectiveness of financial reporting risk management; (7) the incidence of significant control failings or weaknesses that occur at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could already have had, or may in the future have a material impact on the Company's financial performance or condition; and (8) regarding risk management matters that may have a significant impact on the Company's financial position and reputation, ensuring that appropriate measures have been taken against above matters, and ensuring that any significant impact of these matters is reflected in the financial reports.

5. requiring to review such arrangements under which employees of the Company may raise concerns about possible improprieties in financial reporting, internal control or other matters privately; ensuring that proper approaches are in place to conduct fair and independent investigations into such matters and take appropriate actions.
6. requiring to study important investigation results of the relevant risk management and internal control matters (whether the investigation is conducted as delegated to the Committee by the Board or upon the Committee's own initiative) and the senior management's responses.

(IV) monitoring the Company's improprieties in financial reporting and internal control, including:

1. reviewing the following arrangements of the Company: Arrangements by which the Company's employees can report, in confidence, to the Audit Committee any possible improprieties in financial reporting, internal control or other matters; the Committee shall ensure that proper arrangements are in place to procure the Company to conduct fair and independent investigations into these matters and take appropriate actions;
2. establishing a whistleblowing policy and system for the Company's employees and others who deal with the Company (e.g. customers and suppliers) to raise their concerns, in confidence, with the Audit Committee about any possible improprieties related to the Company.

(V) performing corporate governance duties, including:

1. developing and reviewing the policies and practices on corporate governance of the Company and making recommendations to the Board;
2. reviewing and monitoring the training and continuous professional development of the Directors and the senior management;

3. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
4. developing, reviewing and monitoring the code of conduct and compliance manual (if any) for the employees and Directors;
5. reviewing the Company's compliance with the Hong Kong Listing Rules and disclosure in the Corporate Governance Report set out in the annual reports of the Company;
6. reporting to the Board on the matters under the provisions of the Corporate Governance Code in Appendix 14 of the Hong Kong Listing Rules.

(VI) reviewing the scientificity, rationality, effectiveness and implementation of internal control systems of the Company and various subsidiaries and branches, and making recommendations on the liability of those responsible for the violation;

(VII) reviewing material connected transactions upon the commission of the Board;

(VIII) review the financial and accounting policies and practices of the Group;

(IX) examining the Explanatory Letter on Auditing provided by the external audit firm to the management, any material questions raised by the external audit firm to the management in respect of accounting records, financial accounts or control systems and the responses from the management;

(X) ensuring the Board gives timely reply to matters mentioned in the Explanatory Letter on Auditing provided by the external audit firm to the management;

(XI) other matters specified by laws, regulations, normative documents, the Hong Kong Listing Rules, the securities regulatory authority in Hong Kong and Articles of Association, as well as the procedural rules of the Board of the Company and authorized by the Board.

Article 11 The Audit Committee shall be accountable to the Board. The Committee shall submit its proposals to the Board for consideration and decision, and shall report to the Board at least once a quarter, with relevant contents including but not limited to the work progress and quality of internal audit and major issues found. The Audit Committee shall cooperate with the Supervisors of the supervisory committee for audit activities.

Article 12 The chairman of the Audit Committee shall attend the Company's annual shareholders' meeting and answer questions raised by shareholders regarding matters related to the Audit Committee's duties. If the chairman of the Committee is unable to attend the annual shareholders' meeting, other member or appropriately appointed representative shall attend the meeting on his/her behalf.

Chapter 4 Decision-making Procedures

Article 13 The internal audit department or audit team shall be responsible for the preliminary preparatory work in relation to the decision-making of the Audit Committee, and provide written information of the Company in relevant aspects, including but not limited to:

- (I) relevant financial reports of the Company;
- (II) semi-annual and annual internal control examination and supervision reports;
- (III) work reports of the internal and external audit firms;
- (IV) external audit contracts and relevant work reports;
- (V) public disclosure of information made by the Company;
- (VI) audit reports regarding the material connected transactions of the Company;
- (VII) other relevant matters.

Article 14 The meetings of the Audit Committee shall discuss the reports or materials provided by the internal audit department or audit team, make resolution on relevant matters and submit written resolutions and relevant materials to the Board. Such matters shall include but not limited to:

- (I) the job assessment, appointment and replacement of the external audit firm;
- (II) whether the Company's internal audit system has been effectively implemented, and whether the Company's financial reports are complete and true;
- (III) whether the semi-annual and annual internal control self-evaluation reports are complete and true;
- (IV) whether information such as the financial reports disclosed to the public by the Company is complete and true, and whether the material connected transactions are in compliance with the relevant laws and regulations;

- (V) the job assessment of the financial department and audit department (including its person in charge) of the Company;
- (VI) other relevant matters.

Article 15 The Audit Committee's working procedures for auditing of annual financial reports are as follows:

- (I) the time for auditing of annual financial reports shall be determined through consultation by the Audit Committee and the accounting firm in charge of the Company's annual audit;
- (II) the Audit Committee shall urge the accounting firm to submit the audit report within the agreed time;
- (III) the Audit Committee shall review the financial and accounting statements prepared by the Company before the access of the certified public accountant for annual audit. Written opinions shall be formed in principle;
- (IV) after the access of the certified public accountant for annual audit, the Audit Committee shall enhance communication with the accountant for annual audit and review again the Company's financial and accounting statements after the said accountant has provided preliminary audit opinions. Written opinions shall be formed in principle;
- (V) after the financial and accounting auditing report is completed, the Audit Committee needs to vote on agreeing such report, and if a resolution is finalized, it shall be submitted to the Board for review;
- (VI) while submitting the financial reports to the Board, the Audit Committee shall submit the summary report about the Company's audit work engaged by the accounting firm for the current year and the resolution about reengagement or replacement of the accounting firm for next year to the Board.

Chapter 5 Rules of Procedures

Article 16 Meetings of the Audit Committee include regular meetings and extraordinary meetings. Regular meetings shall be held at least twice a year and once every six months; and extraordinary meetings shall be convened upon proposal by any member or secretary of the Audit Committee. The external auditors of the Company can call for a meeting if necessary. The Audit Committee shall notify all members five days before convening of the meeting. In the event of emergency, a notice may be issued at any time regarding convening of an extraordinary meeting, and the chairman of the Audit Committee shall make explanation at the meeting. Meetings shall be chaired by the chairman of the Audit Committee. In the event that the chairman of the Audit Committee fails to attend the meeting, he/she may appoint another member who is an independent non-executive Director to chair the meeting.

Article 17 The Audit Committee shall meet with the auditors, at least once a year, in the absence of management, to discuss matters relating to audit fees, any issues arising from the audit and any other matters the auditors may wish to raise.

Article 18 Upon the invitation from the Audit Committee, the following persons can attend the meeting:

- (1) finance manager (or equivalent);
- (2) financial controller (or equivalent);
- (3) other staff members responsible for accounting and/or internal function; and
- (4) the other members of Board.

Article 19 The meetings may be held on site and in the form of written circular. If a meeting is held on site, telephone, video, etc. may be used to facilitate the members in attending the meeting. Any member who attends the meeting via the abovementioned approaches shall be deemed as having attended the onsite meeting.

Where a member is unable to attend a meeting for any reason, he/she may appoint another member by a written power of attorney specifying the scope of the authorization to attend the meeting on his/her behalf. A member attending the meeting as proxy shall exercise the rights of a member within the scope of authorization specified in the power of attorney. Where a member is unable to attend a meeting and has not appointed a proxy to attend the meeting on his/her behalf, he/she shall be deemed to have waived his/her right to vote at the meeting.

Article 20 Only the members of the Audit Committee shall be entitled to vote in the meeting of Audit Committee. Meetings of the Audit Committee may only be convened with the presence of more than two-thirds of its members. Each member shall have one vote. Resolutions of the meeting shall be passed by a majority of all the members of the committee voting in favor.

Article 21 Voting at the meetings of the Audit Committee shall be conducted by a show of hands or by poll. Where any member cannot sign the resolutions made at a telephone meeting or video meeting in real time, the said member may orally give opinions first and responsively affix the written signature as soon as possible thereof, provided that there is no discrepancy between the opinions expressed by such member subsequently in signing the written resolutions and the opinions orally expressed by him/her at the meeting. Voting at an extraordinary meeting may also be conducted by means of communications.

Article 22 Where any member of the Audit Committee has any interest in the matters to be deliberated by the Audit Committee, such member shall abstain from voting on the matters.

Article 23 The senior management have the responsibility to provide the Audit Committee with adequate and timely data in a timely manner, so as to help it make informed decisions. The data supplied must be complete and reliable. The Audit Committee and its members may make further query, and individually and independently contact the senior management when they deem necessary.

Article 24 Members of the internal audit department or audit team may attend the meetings of the Audit Committee. The Directors, Supervisors and other senior management of the Company may be invited to attend such meetings if necessary.

Article 25 Where necessary, the Audit Committee may engage intermediate agencies to provide independent and professional advice for its decision-making, the reasonable cost of which shall be borne by the Company.

Article 26 The convening procedures and voting formula of the meetings of the Audit Committee and the proposals adopted at the meetings shall comply with the relevant laws, regulations, Hong Kong Listing Rules, other provisions of the securities regulatory authority in Hong Kong, the Articles of Association and these Rules.

Article 27 The Audit Committee shall keep minutes of the meetings. The members present at the meetings shall sign the minutes of the meetings that shall be kept by the Board secretary of the Company for at least 10 years. The minutes should record in sufficient detail the matters considered and the resolutions passed at the meeting, including any concerns raised or dissenting views expressed by members of the committee. After conclusion of the meeting, the initial and finalized meeting minutes shall be sent to all the members in due time, with the initial ones to be commented on by the members and the final ones to be recorded. If any Director gives a reasonable notice, the Company shall give the said Director access to such minutes within reasonable time.

Article 28 A resolution signed in writing by all members of the Audit Committee is valid, and the validity is the same as any resolution passed at a meeting duly convened and held by the Audit Committee.

Article 29 Proposals and voting results adopted at the Audit Committee meetings shall be reported to the Board of the Company in writing, unless such reporting is in conflict with the Audit Committee's general responsibilities or cannot be made according to laws, regulations or regulatory requirements (e.g. disclosure is restricted due to regulatory requirements).

Article 30 Members present at the meeting shall be obliged to keep all matters discussed at such meeting confidential, and shall not disclose any relevant information without authorization.

Chapter 6 Supplementary Provisions

Article 31 The phrases “more than” and “at least” as referred to herein are inclusive while “majority” is exclusive.

Article 32 These Rules and amendment thereof shall be subject to consideration and approval of the Board. These Rules shall take effect as from the date on which H shares that the Company plans to issue are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Before completion of issuance and listing of H shares, the prevailing working rules of the Company shall remain effective.

Article 33 Matters not covered herein shall be subject to relevant laws and regulations, Hong Kong Listing Rules, other provisions of the securities regulatory authority in Hong Kong and relevant provisions of the Articles of Association. If relevant provisions of these Rules conflict with relevant laws and regulations, Hong Kong Listing Rules, other provisions of the securities regulatory authority in Hong Kong and the Articles of Association promulgated or amended thereafter, relevant laws and regulations, Hong Kong Listing Rules, other provisions of the securities regulatory authority in Hong Kong and the prevailing or amended Articles of Association shall apply.

Article 34 The authority of formulation and interpretation of these Rules shall be vested in the Board of the Company. (If there is any inconsistency between the English and Chinese versions of this document, the Chinese version shall prevail.)