HOSIN Electronics Co., LTD.

Terms of Reference of the Audit Committee of the Board

Chapter I General Provisions

Article 1 In order to strengthen the internal supervision and risk control of HOSIN Electronics Co., LTD. (the "**Company**") and standardize the Company's audit work, these Terms of Reference are formulated in accordance with the relevant provisions of the Company Law of the PRC (the "**Company Law**"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Articles of Association of HOSIN Electronics Co., LTD. (the "**Articles of Association**").

Article 2 The Audit Committee is a specialized working body established by the Board of Directors and is primarily responsible for guiding the work of the internal audit department and for the communication, supervision and verification of the Company's internal and external audits.

Article 3 For the purposes of these Terms of Reference, senior management means the general manager, deputy general manager, finance director, secretary to the Board and other senior management personnel as stipulated in the Articles of Association.

Chapter II Composition

Article 4 The Audit Committee shall consist of at least three members, all of whom shall be non-executive Directors, with independent non-executive Directors constituting a majority. In addition, at least one independent non-executive Director among the members of the Audit Committee shall possess appropriate professional qualifications or accounting or related financial management expertise, satisfying the qualification requirements for financial professionals of audit committees under the Listing Rules. The chairperson of the Audit Committee must be an independent non-executive Director.

Article 5 The chairperson of the Board of the Company or one-half or more of the independent non-executive Directors shall have the right to nominate candidates for members. Members shall be elected by more than half of all the Directors. After the proposal for the election of members is approved, the newly appointed members shall take office immediately after the conclusion of the Board meeting.

Article 6 A partner of the Company's current external audit firm shall not serve as a member of the Audit Committee within two years from the later of the date on which he ceases to be a partner of such audit firm and the date on which he ceases to have a financial interest in such current external audit firm.

Article 7 The Audit Committee shall have one convener (chairperson), who shall be an independent non-executive Director member who is an accounting professional and shall be responsible for presiding over the work of the Committee.

Article 8 The term of office of the Audit Committee shall be the same as that of a Director of the Company. The members may serve consecutive terms if re-elected upon the expiration of their terms. Before expiry of the term of a member of the Audit Committee, he/she shall not be removed without cause unless a statutory circumstance disqualifying him/her from holding office exists. If a member ceases to be a Director of the Company due to resignation or any other reason, his or her membership shall automatically cease at the time he or she ceases to be a Director. The Board of Directors shall promptly appoint new member(s) to fill the vacancy.

Article 9 If any of the following circumstances applies to a member, the Board shall remove him or her from office:

(I) he/she violates laws, regulations, rules and Committee discipline;

(II) he/she fails to fulfill the duty of diligence, is absent from Committee meetings twice without cause, or fails to issue opinions on matters subject to review three times;

(III) he/she submits a written resignation application, or is unsuitable to continue serving as a member due to a change in position during his/her term;

(IV) other circumstances under which he/she is unsuitable to serve as a member of the Committee.

A member of the Audit Committee may tender his/her resignation to the Board before expiry of his/her term, and the resignation report shall provide necessary explanations of the reasons for resignation and matters requiring the attention of the Board.

Article 10 The internal audit department of the Company shall carry out internal audit work under the guidance and supervision of the Audit Committee. The secretary to the Board shall be responsible for the specific coordination between the Audit Committee and the Board.

Chapter III Duties and Powers

Article 11 The Audit Committee shall be responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating internal and external audit work and internal control, and its principal duties and powers are as follows:

(I) Supervising and evaluating external audit work

1. to propose to the Board the appointment, re-appointment and removal of external auditors, to approve the remuneration and to engagement terms of the external auditors, and deal with any issues relating to the resignation or dismissal of such auditors;

2. to review and monitor, in accordance with applicable standards, whether the external auditors are independent and objective and whether the audit procedures are effective; the Committee shall, before the commencement of the audit, discuss with the auditors the nature, scope and relevant reporting responsibilities of the audit. To conduct a review of the independence of the external auditors, the Committee shall: act as the primary representative between the Company and the external auditors, and study and monitor the relationship between the Company and the auditors (including non-audit services); obtain materials from the auditors annually to understand the policies and procedures adopted by the auditors in maintaining their independence and in monitoring compliance with relevant rules, including rules on the rotation of audit partners and staff; meet with the external auditors at least once a year without management present to discuss matters relating to audit fees, any matters arising from the audit and other matters raised by the auditors;

3. to formulate and implement policies on the engagement of external auditors to provide non-audit services. For the purposes of this provision, "external auditors" include any entity that is under the same control, ownership or management as the firm responsible for the audit, or any entity that a reasonably informed third party would reasonably conclude is part of the local or international operations of the firm responsible for the audit. The Audit Committee shall report to the Board and make recommendations on actions it considers necessary or matters for improvement.

(II) Guiding internal audit work

1. review the Company's annual internal audit work plan;

2. urge the implementation of the Company's internal audit plan;

3. review internal audit work reports, evaluate the results of internal audit work, and urge the rectification of major issues;

4. guide and monitor the effective operation of the internal audit department;

5. ensure that the internal audit function has sufficient resources to operate within the Company and has an appropriate status;

6. make recommendations on the appointment and removal of the person in charge of the Company's internal audit department.

The internal audit department of the Company shall report its work to the Audit Committee. All types of audit reports, rectification plans for audit issues and rectification status submitted by the internal audit department to management shall simultaneously be submitted to the Audit Committee.

(III) Reviewing the Company's financial reports

To review and monitor the truthfulness, completeness and accuracy of the Company's financial statements and the Company's annual reports and accounts, interim reports and (if intended to be published) quarterly reports, and to review significant financial reporting judgments contained in the statements and reports, with particular focus on the possibility of fraud, fraudulent acts and material misstatements in relation to the financial statements and reports. In this regard, when submitting the relevant statements and reports to the Board, the Audit Committee shall specifically review the following matters:

1. any changes in accounting policies and practices;

2. areas involving significant judgment;

3. significant financial reporting adjustments arising from the audit;

4. the going concern assumption and any qualifications;

5. compliance with accounting standards;

6. compliance with other securities regulatory rules of the place where the shares of the Company are listed and legal requirements relating to financial reporting.

For the purposes of item (3) above, the members of the Audit Committee shall liaise with the Board and the senior management of the Company. The Audit Committee shall meet with the external auditors of the Company at least twice a year; the Audit Committee shall consider any material or unusual matters reflected or required to be reflected in such reports and accounts, and shall give due consideration to any matters raised by the Company's accounting and financial reporting staff, compliance department or external auditors.

(IV) Assessing the effectiveness of internal control, and reviewing and supervising the effective operation of the Company's financial reporting, internal control system and risk management system

1. review the Company's financial controls, internal control system and risk management system.

2. discuss the risk management and internal control systems with management to ensure that management has performed its duty to establish effective systems, and such discussion shall include whether the Company has sufficient resources and whether the staff qualifications and experience in its accounting and financial reporting functions, and whether the training programs are adequate, and related budgets for staff are adequate;

3. on its own initiative or as delegated by the Board, study material findings of investigations relating to risk management and internal control and management's responses to such findings;

4. supervise the effective implementation of internal control and internal control self-assessment, coordinate internal control audits, urge the rectification of internal control deficiencies and other related matters; review the financial and accounting policies and practices of the Company and its group;

5. review the internal control audit report issued by the external auditors and communicate with the external auditors on the issues identified and improvement methods. On its own initiative or as delegated by the Board, examine the management letter issued by the external auditors to management, any material queries raised by the external auditors to management in respect of accounting records, financial accounts, risk management or control systems and management's responses; ensure that the Board responds in a timely manner to the matters raised in the management letter issued by the external auditors to management;

6. ensure coordination between the work of internal and external auditors; ensure that the internal audit function has sufficient resources to operate and has an appropriate status within the Company; and review and monitor whether the internal audit function is effective;

7. review the following arrangements established by the Company: employees of the Company may raise concerns, in confidence, about possible improprieties relating to financial reporting, internal control or other aspects. The Audit Committee shall ensure that appropriate arrangements are in place for the Company to conduct fair and independent investigations into such matters and to take appropriate action.

(V) Responsible for communication between management, the internal audit department and relevant departments and the external auditors

1. coordinate communication between management and the external auditors on major audit issues;

2. coordinate communication between the internal audit department and the external auditors and cooperation with external audit work;

3. act as the primary representative between the Company and the external auditors, and be responsible for monitoring the relationship between them.

(VI) Report to the Board on the above matters and other matters set out in code provision D.3.3 of Appendix C1 to the Listing Rules (as amended from time to time), and report to the Board on the decisions or recommendations of the Audit Committee, unless such reporting is prohibited by legal or regulatory restrictions.

(VII) Responsible for supervising and improving the principles, structure and systems of corporate governance, including:

1. formulate and review corporate governance policies and practices, and make recommendations to the Board;

2. review and monitor the training and continuous professional development of Directors and senior management;

3. review and monitor the Company's policies and practices in compliance with laws and regulatory requirements;

4. formulate, review and monitor the code of conduct and compliance manual (if any) for employees and Directors; and

5. review the Company's compliance with the Corporate Governance Code in Appendix C1 to the Listing Rules and the disclosures in the Corporate Governance Report.

(VIII) Other matters as required by laws, regulations, the Listing Rules and as authorized by the Board of the Company.

Article 12 The following matters shall be submitted to the Board for consideration only after approval by more than half of all members of the Audit Committee:

(I) disclosure of financial information in financial and accounting reports and periodic reports, and internal control evaluation reports;

(II) engagement or dismissal of the accounting firm undertaking the Company's audit business;

(III) appointment or dismissal of the chief financial officer of the Company;

(IV) changes in accounting policies or accounting estimates, or correction of material accounting errors, for reasons other than changes in accounting standards;

(V) other matters prescribed b`y laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

The Audit Committee shall exercise the functions and powers of the board of supervisors as prescribed by the Company Law.

The Audit Committee shall make recommendations to the Board on the engagement or replacement of external auditors, and review the audit fees and engagement terms of the external auditors, and shall not be improperly influenced by the Company's substantial shareholders, actual controllers, or Directors and senior management.

The Audit Committee shall urge the external auditors to be honest and trustworthy, diligent and responsible, strictly comply with business rules and industry self-regulatory norms, strictly implement internal control systems, verify the Company's financial and accounting reports, fulfill their duty of special care, and issue professional opinions prudently.

Article 13 The Audit Committee shall be accountable to the Board, and its proposals shall be submitted to the Board for consideration. Where the Audit Committee provides opinions for consideration to the Board on matters within its terms of reference and the Board does not adopt them, the Company shall, in accordance with the securities regulatory rules of the place where the shares of the Company are listed, disclose such matter (if required) and fully explain the reasons.

Article 14 If the internal audit department discovers in the course of its review that there are material deficiencies or material risks in internal control, it shall promptly report to the Audit Committee. If the Audit Committee considers that there are material deficiencies or material risks in the Company's internal control, the Board shall promptly report to the securities regulatory authorities of the place where the shares of the Company are listed, and shall disclose in an announcement the material deficiencies or material risks in internal control, the consequences that have occurred or may occur, and the measures already taken or proposed to be taken.

Chapter IV Decision-making Procedures

Article 15 The secretary to the Board shall coordinate with the internal audit department and other relevant departments to provide the following written materials to the Audit Committee for its decision-making:

(I) the relevant financial reports of the Company;

(II) work reports of internal and external auditors;

(III) external audit contracts and related work reports;

(IV) information disclosed by the Company to the public;

(V) audit results of the Company's major connected transactions;

(VI) other documents relevant to the performance of the Audit Committee's duties.

Article 16 The Audit Committee shall review the reports and materials provided by the internal audit department and other relevant departments, and submit the relevant written resolutions and materials to the Board for discussion:

(I) evaluation of the work of the external auditors, and the engagement and replacement of the external auditors;

(II) whether the Company's internal audit system has been effectively implemented, and whether the Company's financial reports are comprehensive and true;

(III) whether the financial reports and other information disclosed by the Company to the public are objective and true, and whether the Company's major connected transactions, use of raised funds, major investments, external guarantees, etc. comply with relevant laws and regulations;

(IV) evaluation of the work of the Company's internal finance department and audit department, including their persons in charge;

(V) other relevant matters.

Chapter V Rules of Procedure

Article 17 The Audit Committee shall hold at least two regular meetings each year, once every half year, which shall be held before the regular meetings of the Board, and all members shall be notified not less than three days before the meeting (excluding the date of notice, including the date of the meeting).

An extraordinary meeting may be convened when proposed by two or more members, or when the convener (chairperson) considers it necessary. All members shall be notified of an extraordinary meeting not less than three days before the meeting (excluding the date of notice, including the date of the meeting). In urgent circumstances or with the written consent of more than half of the members of the Audit Committee, the above notice period may be waived. The meeting materials and notice of the Audit Committee shall be sent simultaneously. Before the meeting, all members shall fully understand the meeting materials.

A meeting of the Audit Committee shall be held only if not less than two-thirds of its members are present.

Article 18 If any of the following circumstances occurs, the convener (chairperson) shall issue a notice to convene an extraordinary meeting within two days from the date of occurrence of the fact:

(I) the convener (chairperson) proposes;

(II) two or more members propose;

(III) the chairperson of the Board proposes.

Article 19 Notice of Audit Committee meetings may be given by email, telephone, delivery by hand or by post, or by other means. Where notice is given by telephone, email or other expedited means, if no written objection is received within one day from the date of issuance of the notice, the person notified shall be deemed to have received the meeting notice.

The notice of an Audit Committee meeting shall include at least the following:

(I) the place and time of the meeting;

(II) the agenda of the meeting, matters for discussion and relevant detailed information;

(III) the date on which the notice is issued.

Article 20 The convener (chairperson) shall be responsible for convening and presiding over Audit Committee meetings. If the convener (chairperson) is unable or fails to perform his/her duties, he/she shall designate an independent non-executive Director member to act on his/her behalf.

Members of the Audit Committee shall attend Audit Committee meetings in person and express clear opinions on the matters considered. If a member is truly unable to attend the meeting in person, he/she may submit a power of attorney signed by such member to entrust another member to attend and express opinions on his/her behalf. The power of attorney shall specify the scope and duration of authorization. Each member may accept the entrustment of no more than one member. If an independent non-executive Director member is truly unable to attend the meeting in person, he/she shall entrust another independent non-executive Director member to attend on his/her behalf.

Article 21 A meeting of the Audit Committee shall be held only if not less than two-thirds (inclusive) of its members are present. Each member shall have one vote. Resolutions made at the meeting must be passed by more than half of all members.

Article 22 Meetings of the Audit Committee shall in principle be held in person. On the premise of ensuring that all participating members can fully communicate and express opinions, meetings may, when necessary, be held by video, telephone or other means in accordance with procedures. Voting at Audit Committee meetings shall be by a show of hands or by poll.

Article 23 When an Audit Committee meeting discusses a matter in which a member of the Committee has a connected relationship, such connected member shall abstain.

Article 24 The Audit Committee may, when it considers necessary, invite representatives of the external auditors, internal audit personnel of the Company, finance personnel, legal advisers and other relevant persons to attend Committee meetings as non-voting attendees and provide necessary information. Members of the internal audit department may attend Audit Committee meetings as non-voting attendees, and the Committee may, when necessary, invite Directors and senior management of the Company to attend meetings as non-voting attendees.

Article 25 If necessary, with the approval of the Board, the Audit Committee may engage intermediary institutions to provide professional opinions for decision-making, and the costs shall be borne by the Company.

Article 26 The convening procedures, voting methods and resolutions adopted at Audit Committee meetings must comply with the relevant laws, regulations, the Articles of Association and these Terms of Reference. Resolutions requiring Board approval shall be submitted to the secretary to the Board after the meeting.

Article 27 Minutes of Audit Committee meetings shall be prepared and properly kept by a secretary duly appointed by the Company (such as the company secretary). The minutes shall contain a sufficiently detailed record of the matters considered at the meeting and the decisions reached, including any concerns raised or dissenting opinions expressed by members. The draft and final versions of the minutes of Audit Committee meetings shall be sent to all members of the Audit Committee within seven days after the meeting, with the draft for members to express opinions and the final version for their records. The review opinions adopted at the meeting shall be submitted in writing to the Board, and the relevant personnel shall not disclose the relevant information without authorization. The minutes shall be available for inspection at any reasonable time upon reasonable notice by any Director.

Article 28 The resolutions adopted and the voting results of Audit Committee meetings shall be reported in writing to the Board. For resolutions on which it is truly difficult to form a unified opinion, the different opinions shall be submitted to the Board together with explanations.

Article 29 Members attending the meeting shall be obliged to keep confidential the matters considered at the meeting and shall not disclose the relevant information without authorization, otherwise they shall be liable for the adverse consequences arising therefrom.

Chapter VI Supplementary Provisions

Article 30 Matters not covered by these Terms of Reference shall be governed by the relevant laws and regulations of the State, the securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association. If these Terms of Reference conflict with laws, regulations, the securities regulatory rules of the place where the shares of the Company are listed subsequently promulgated by the State, or the Articles of Association as amended through lawful procedures, the relevant laws and regulations of the State and the Articles of Association shall prevail, and these Terms of Reference shall be immediately amended and submitted to the Board for consideration and approval.

Article 31 These Terms of Reference shall be interpreted by the Board of the Company.

Article 32 These Terms of Reference shall take effect and be implemented from the date on which they are considered and approved by the Board and the overseas listed shares (H Shares) issued by the Company are listed on The Stock Exchange of Hong Kong Limited. Upon implementation of these Terms of Reference, the Company's original Terms of Reference of the Audit Committee of the Board of Directors shall automatically cease to be effective.