

# **Lens Technology Co., Ltd.**

## **Terms of Reference of the Audit Committee under the Board of Directors**

### **Chapter I General Provisions**

**Article 1** In order to strengthen the decision-making function of the board of directors of Lens Technology Co., Ltd. (hereinafter referred to as the “Company”), enhance the internal control capability and further improve the corporate governance structure, the board of directors of the Company (the “Board”) has, in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Securities Law of the People’s Republic of China, the Code on Corporate Governance for Listed Companies, 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 laws, regulations, regulatory documents and the Articles of Association of Lens Technology Co., Ltd. (hereinafter referred to as the “Articles of Association”), these Terms of Reference formulated.

**Article 2** The Audit Committee is a specialised working body under the Board, which is mainly responsible for reviewing the Company’s financial information and disclosure, supervising and assessing the internal and external auditing work and internal control.

**Article 3** Resolutions made by the Audit Committee shall comply with the provisions of the Articles of Association, these Terms of Reference and other relevant laws, regulations and regulatory documents.

**Article 4** The Audit Committee performs its duties in accordance with the terms of reference set out in the Articles of Association and these Terms of Reference and works independently without interference from other departments of the Company.

### **Chapter II Formation and Composition**

**Article 5** The Audit Committee shall consist of at least three non-executive directors who do not hold senior management positions in the Company, of whom a majority should be independent non-executive directors and at least one independent non-executive director should be an accounting professional with professional qualifications in line with the requirements of the rules of the securities regulation of the place where the Company’s shares are listed.

**Article 6** The members of the Audit Committee shall be nominated by the Chairman of the Board, more than one-half of the independent non-executive directors, or more than one-third of all the directors, and elected by the Board.

A former partner of the external auditor responsible for auditing the Company's accounts shall be prohibited from acting as a member of the Audit Committee for a period of two years from the later of the following dates:

- (1) the date on which it ceased to be a partner of that external auditor;
- (2) the date on which it ceased to have a financial interest in the external auditor.

**Article 7** The Audit Committee shall have a chairperson (convenor), who shall be an accounting professional among the independent non-executive directors, and shall be responsible for presiding over the work of the Audit Committee; if two or more members are independent non-executive directors in the accounting profession, the chairperson (convenor) shall be elected from among all the members by more than one-half of all the members of the Audit Committee and shall be reported to the Board for approval.

**Article 8** The chairperson (convenor) is responsible for convening and presiding over the meetings of the Audit Committee, and when the chairperson (convenor) is unable or unavailable to perform his/her duties, he/she shall designate another member to act on his/her behalf; when the chairperson (convenor) neither performs his/her duties nor designates another member to act on his/her behalf, any one of the Committee members may report the relevant situation to the Board of the Company, which will then designate one of the members to perform the duties of the chairperson (convenor). The Board shall appoint a member to perform the duties of the chairperson (convenor).

**Article 9** The term of office of the members of the Audit Committee shall be the same as that of his/her directorship. After the term expires, members can be re-elected.

Before the expiry of the term of office of a member, he/she shall not be removed from office without cause, unless he/she is prohibited from holding office under the provisions of the Company Law, the Articles of Association, the Hong Kong Listing Rules or these Terms of Reference. If any member ceases to serve as a director of the Company during the period due to resignation or other reasons, his/her membership shall be automatically forfeited from the time he/she ceases to be a director. The Board shall add new members in accordance with the Articles of Association and these Terms of Reference.

**Article 10** In the event that the number of members of the Audit Committee is less than two-thirds of the number stipulated in these Terms of Reference, the Board of the Company shall promptly add new members.

The Audit Committee shall suspend the exercise of its powers and functions under these Terms of Reference during any period in which the number of members of the Audit Committee is less than two-thirds of the required number.

**Article 11** The Audit Department under the Audit Committee is the daily office responsible for the daily work liaison and meeting organisation. The secretary of the Board is responsible for the specific coordination between the Audit Committee and the Board.

### **Chapter III Duties and Authorities**

**Article 12** The main responsibilities of the Audit Committee include:

(1) Supervise and assess the work of external audits

1. primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor and considering any issues relating to its resignation or dismissal;
2. review and monitor the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with applicable standards;
3. develop and implement a policy for engaging an external auditor to provide non-audit services and report to the Board, identify and make recommendations on matters where action or improvement is needed; and
4. discuss the nature and scope of the audit and reporting responsibilities with the external auditor prior to the commencement of the audit work and ensure co-ordination where more than one audit firm is involved.

(2) Review the financial information of the Company

5. monitor the integrity of the financial statements and annual reports and accounts, interim reports and quarterly reports of the Company (if prepared for publication), and review the significant financial reporting judgements contained in them. In particular, the Audit Committee shall review the following matters before submitting them to the Board:
  - i. any changes in accounting policies and practices;
  - ii. where important judgements are involved;
  - iii. significant adjustments resulting from the audit;
  - iv. assumptions about the Company's going concern and any qualified opinion;
  - v. compliance with accounting standards; and
  - vi. compliance with the Listing Rules and other legal requirements in relation to financial reporting;

6. for the purposes of sub-paragraph (5) above:
  - i. liaise with the Board and senior management;
  - ii. meet at least twice a year with the Company's external auditor; and
  - iii. consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and give due consideration to any matters that have been raised by the Company's staff responsible for carrying out the accounting and financial reporting function, the compliance officer (if any) or the external auditor;
- (3) Supervise the financial reporting system, risk management and internal control system of the Company
  7. review the Company's financial control systems and, unless there is a separate Risk Committee under the Board or the Board itself explicitly addresses it, review the Company's risk management and internal control systems;
  8. discuss the risk management and internal control systems with the management to ensure that the management has performed its duty to have effective systems in place. This discussion should include the adequacy of the Company's resources, staff qualifications and experience in the accounting and financial reporting function, as well as the adequacy of staff training courses and related budgets;
  9. conduct research into significant findings on risk management and internal control matters and management's response to those findings on its own initiative or as delegated by the Board;
  10. ensure that the work of internal and external auditors is coordinated; the internal audit function is adequately resourced and has appropriate standing within the Company; and the effectiveness of the internal audit function is reviewed and monitored;
  11. review the Company's financial and accounting policies and practices;
  12. review the external auditor's audit status letter to the management, any material queries raised by the external auditor to the management on accounting records, financial accounts or control systems and the management's response;
  13. ensure that the Board responds in a timely manner to the issues raised in the external auditor's audit status letter to management;
  14. report to the Board on the matters contained in these Terms of Reference;
  15. review the arrangements by which employees of the Company may raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters, and ensure that proper arrangements exist for impartial and independent investigation to these matters and for appropriate follow-up action;

16. act as the main representative between the Company and the external auditor and is responsible for monitoring the relationship between the two parties;
  17. develop a whistleblowing policy and system to enable employees and other persons who deal with the Company (e.g. customers and suppliers) to raise their concerns about any possible improprieties about the Company to the Audit Committee, both covertly and anonymously; and
  18. research other topics as defined by the Board.
- (4) Other matters stipulated by other laws and regulations, securities regulation rules of the place where the Company's shares are listed, the Articles of Association, and authorised by the Board.

**Article 13** The Audit Committee shall be responsible to the Board, and the proposals of the Audit Committee shall be submitted to the Board for review and decision. The following matters shall be submitted to the Board for consideration only with the approval of a majority of all members of the Audit Committee:

- (1) disclosure of financial information and internal control evaluation reports in financial and accounting reports and periodic reports;
- (2) hiring or dismissing the accounting firm that undertakes audits of a listed company;
- (3) appointment or dismissal of the financial controller of a listed company;
- (4) changes in accounting policies, accounting estimates or corrections of material accounting errors for reasons other than changes in accounting standards;
- (5) other matters stipulated by laws, administrative regulations, relevant provisions of the securities regulatory authorities of the places where the Company's shares are listed and the rules of the stock exchanges of the places where the Company's shares are listed, as well as the Articles of Association.

Listed companies shall disclose in the annual reports the annual performance of the audit committee, including mainly the convening of the audit committee meetings and the specific performance of its duties.

The audit committee proposes to the board of directors of the listed companies a deliberation on matters within its scope of responsibilities, and if the board of directors does not adopt the opinion, the company shall disclose the matter and fully explain the reasons.

**Article 14** In directing and supervising the work of the internal audit department, the Audit Committee shall fulfil the following main responsibilities:

- (1) directing and supervising the establishment and implementation of the internal audit system;

- (2) reviewing the Company's annual internal audit work plan;
- (3) supervising the implementation of the Company's internal audit plan;
- (4) directing the effective operation of the internal audit department, the internal audit department of the Company shall report to the Audit Committee, and all types of audit reports, plans for the rectification of audit issues and the status of rectification submitted by the internal audit department to the management shall be submitted to the Audit Committee at the same time;
- (5) reporting to the Board on the progress and quality of internal audit work, as well as significant issues identified;
- (6) coordinating the relationship between the internal audit department and external auditors such as accounting firms.

**Article 15** The Audit Committee shall review the financial and accounting reports of the listed company, comment on the truthfulness, accuracy and completeness of the financial and accounting reports, focus on significant accounting and auditing issues in the Company's financial and accounting reports, pay particular attention to the possibility of fraud, malpractice and material misstatement in relation to the financial and accounting reports, and oversee the rectification of the issues in the financial and accounting reports.

The Audit Committee makes recommendations to the Board on the engagement or replacement of the external auditors, reviews the external auditor's audit fees and engagement contracts, and shall not be influenced by substantial shareholders, de facto controllers, or directors, supervisors and senior management of the listed company to the extent that it loses its independence of judgement.

The Audit Committee shall urge the external auditors to be honest, trustworthy and diligent, strictly comply with the business rules and industry self-discipline, strictly implement the internal control system, verify and validate the Company's financial and accounting reports, fulfil the obligation of special care and prudently express professional opinions.

**Article 16** The Audit Committee shall co-operate with the Supervisory Committee in its supervisory functions on audit activities. Where the Audit Committee considers that there are significant deficiencies or material risks in the Company's internal control, the Board shall promptly report and disclose the same to the stock exchange where the Company's shares are listed. The Company shall disclose in the announcement the existence of significant deficiencies or material risks in internal control, the consequences that have been or may be caused, and the measures that have been taken or are proposed to be taken.

**Article 17** The Audit Committee shall supervise and instruct the internal audit department to conduct inspections of the following matters at least once every six months, issue inspection reports and submit them to the Audit Committee. In the event that the inspection finds that the listed company has violated the law or has irregular operation, the Audit Committee shall promptly report to the stock exchange where the Company's shares are listed and urge the listed company to disclose the same to the public:

- (1) the implementation of major events such as the use of the Company's fund-raising, the provision of guarantees, connected transactions, high-risk investments such as securities investments and derivatives transactions, the provision of financial assistance, the purchase or sale of assets, and foreign investments;
- (2) the Company's large amount of financial transactions and financial transactions with directors, supervisors, senior management, controlling shareholders, de facto controllers and their related parties.

The Audit Committee shall issue a written assessment on the effectiveness of the Company's internal controls based on the internal audit reports and related information submitted by the internal audit department and report it to the Board.

**Article 18** When the Audit Committee performs its duties, the relevant departments of the Company shall cooperate with it; if necessary, the Audit Committee may engage an intermediary to provide professional advice at the Company's expense.

#### **Chapter IV Notification and Convening**

**Article 19** The meetings of the Audit Committee are divided into regular and ad hoc meetings. The Audit Committee meets at least once a quarter, and may hold ad hoc meetings when the Board of the Company, the chairperson (convenor) deems it necessary, or when proposed by two or more members.

**Article 20** The meetings of the Audit Committee shall in principle be held in the form of on-site meetings. Under the premise of ensuring that all participating members are able to fully communicate and express their opinions, the meetings may be convened and resolutions may be made in accordance with the procedures by means of video, telephone or other means (hereinafter collectively referred to as the "communication voting means") and shall be signed by the participating members when necessary.

**Article 21** In the case of a communication vote means, a member of the Audit Committee shall be deemed to be present at the meeting and agreed to the contents of the resolutions of the meeting by signing the resolutions of the meeting.

**Article 22** In principle, notice of an Audit Committee meeting shall be given 3 days prior to the meeting, together with relevant materials and information. Notice of the meeting may be given in writing, by telephone, by e-mail or by other expeditious means and is deemed to have been received by the person to be notified if no written objection is raised within 2 days from the date of notification.



**Article 23** If there are special circumstances that require the Audit Committee to make an immediate resolution, the convening of an ad hoc meeting of the Audit Committee for the purpose of the Company's interests may be exempted from the time and manner of notification in the preceding paragraph.

**Article 24** Other persons designated by the secretary of the Board to give notice of meetings of the Audit Committee shall give notice of such meetings in accordance with the deadlines set forth in the preceding article.

**Article 25** The notice of the meeting of the Audit Committee shall include at least the following:

- (1) time and place of the meeting;
- (2) agenda to be discussed at the meeting;
- (3) contact person and contact information of the meeting;
- (4) date of notification of the meeting.

## **Chapter V Decision-making Procedures**

**Article 26** The meetings of the Audit Committee shall be held with the attendance of more than two-thirds of its members. Other directors of the Company may attend the meetings of the Audit Committee, and directors who are not members of the Audit Committee shall not have the right to vote on the proposals of the meetings.

**Article 27** A member of the Audit Committee may attend the meeting in person or may entrust another member in writing to attend the meeting and exercise the right to vote on his/her behalf. Each member of the Audit Committee may only entrust one other member to exercise the right to vote on his/her behalf at any one time, and an entrustment of two or more members to exercise the right to vote on his/her behalf shall be invalid.

**Article 28** If a member of the Audit Committee entrusts another member to attend the meeting and exercise the right to vote on his/her behalf, he/she shall submit a written power of attorney to the presiding officer of the meeting. The power of attorney shall be submitted to the presiding officer before the meeting.

**Article 29** The power of attorney shall include at least the following:

- (1) name of the appointer;
- (2) name of the proxy;
- (3) matters entrusted;
- (4) instructions to exercise the right to vote (for, against or abstain) on the issues of the meeting;



- (5) validity of the authorisation;
- (6) date of signature of the power of attorney.

The power of attorney shall be signed by the appointer and the proxy.

**Article 30** A member of the Audit Committee who neither attends the meeting in person nor delegates another member to attend the meeting on his/her behalf shall be deemed to be absent from the meeting. A member of the Audit Committee who is absent from two consecutive meetings shall be deemed to be incapable of properly performing his/her duties, and the Board may revoke his/her membership.

**Article 31** Resolutions of the Audit Committee shall be valid only if passed by a majority of all the members. Each member of the Audit Committee shall have one vote.

**Article 32** After the presiding officer of the Audit Committee meeting announces the opening of the meeting, the members of the Audit Committee shall consider the contents of the proposals corresponding to the agenda of the meeting one by one in order.

**Article 33** The members of the Audit Committee shall be free to speak and discuss the agenda items of the meeting during its consideration but shall take care to maintain order at the meeting. Speakers shall not use language of personal attacks or other insulting or threatening language. The presiding officer has the right to determine the duration of the discussion.

**Article 34** The Audit Committee meeting adopts the rule of centralised deliberation and sequential voting on the agenda items under consideration, that is, after all the members of the Audit Committee have finished deliberating on all the proposals, all the participating members shall vote on the proposals one by one in accordance with the order of consideration of the proposals.

**Article 35** The Audit Committee may, if it deems necessary, convene other persons concerned with the proposals of the meeting to attend the meeting and introduce the situation or express their opinions, but non-members of the Audit Committee shall not have the right to vote on the proposals.

**Article 36** The finance department and the audit department of the Company are responsible for making preparations for the Audit Committee's decision-making and providing written information on relevant aspects of the Company:

- (1) relevant financial reports of the Company;
- (2) work reports of internal and external auditors;
- (3) external audit contracts and related work reports;
- (4) disclosure of information by the Company to the public;
- (5) audit reports on material connected transactions of the Company;

(6) other relevant data and information.

**Article 37** Members attending the meeting shall deliberate on the proposals and fully express their individual opinions in a serious and responsible manner; members shall be responsible for the results of their individual votes.

**Article 38** Voting at both regular and ad hoc meetings of the Audit Committee shall be by secret ballot, with the voting options of for, against and abstain. For the same proposal, each participating member can only choose to for, against or abstain from one of the votes, and any multiple choices or non-choices will be deemed as abstained.

If a resolution is made at a meeting of the Audit Committee by facsimile or other communication means, the result of the vote shall be effective after it has been signed by all the members participating in the meeting.

The presiding officer of the meeting shall count the votes on each proposal and announce them on the spot, and the recorder of the meeting shall record the results of the votes.

**Article 39** Meetings of the Audit Committee shall be recorded by the secretary of the Board or such other person as the secretary of the Board may designate.

## **Chapter VI Resolutions and Minutes of Meetings**

**Article 40** The resolution of the Audit Committee shall be formed upon the announcement by the presiding officer of the meeting after each proposal has obtained the required number of valid votes. The resolutions of the Audit Committee shall become effective after they are signed by the members present at the meeting, and no amendment or change shall be made to the resolutions of the Audit Committee that have become effective without following the legal procedures stipulated in the laws and regulations, the Articles of Association, and these Terms of Reference.

**Article 41** The members of the Audit Committee or the secretary of the Board of the Company shall inform the Board of the Company of the resolutions of the meeting no later than the day following the day on which the resolutions of the meeting become effective.

The written documents of the resolutions of the Audit Committee shall be kept by the Company as its corporate archives for the duration of its existence, which shall not be less than ten years.

**Article 42** If a resolution of the Audit Committee violates laws, regulations or the Articles of Association, resulting in serious losses to the Company, the members participated in the resolution shall be jointly and severally liable to the Company for compensation. However, if it is proved that the member expressed his/her disagreement at the time of voting and it is recorded in the minutes of the meeting, he/she may be exempted from responsibility.

**Article 43** The meetings of the Audit Committee shall be recorded in writing and shall be signed by the members present and by the person taking the minutes. Members present at a meeting have the right to request that a descriptive entry be made in the minutes of their statements at the meeting.

The minutes of the Audit Committee meetings shall be kept by the Company as its corporate archives for the duration of its existence, which shall not be less than ten years.

**Article 44** The Minutes of the meeting of the Audit Committee shall include at least the following:

- (1) date and place of the meeting and the name of the chairperson (convenor);
- (2) names of the persons attending the meeting, with special mention of those who have been delegated to attend the meeting;
- (3) agenda of the meeting;
- (4) main points of the members' speeches;
- (5) manner and result of the voting on each resolution or proposal (the voting result shall indicate the number of votes in favour, against or abstentions);
- (6) other matters that shall be stated and recorded in the minutes of the meeting.

**Article 45** Members of the Audit Committee are under a duty of confidentiality with respect to information about the Company that comes to their knowledge until such information is made public.

## **Chapter VII Supplementary Provisions**

**Article 46** Matters not covered in these Terms of Reference shall be implemented in accordance with relevant laws and regulations of the State, relevant provisions of the securities regulatory rules of the place where the Company's shares are listed and the provisions of the Articles of Association. In the event of any inconsistency between these Terms of Reference and the relevant laws and regulations, the relevant provisions of the securities regulatory rules of the place where the Company's shares are listed and the provisions of the Articles of Association, these Terms of Reference shall be implemented in accordance with the relevant laws and regulations, the relevant provisions of the securities regulatory rules of the place where the Company's shares are listed and the provisions of the Articles of Association.

**Article 47** Capitalised terms used in these Terms of Reference shall have the same meanings as those used in the Articles of Association unless otherwise required in these Terms of Reference.

**Article 48** The Board of the Company shall be responsible for the interpretation of these Terms of Reference.

**Article 49** These Terms of Reference, after being considered and approved by the Board, shall take effect from the date of listing of the Company's H shares in the initial public offering on The Stock Exchange of Hong Kong Limited.

**Lens Technology Co., Ltd.**