

OmniVision Integrated Circuits Group, Inc.

豪威集成電路(集團)股份有限公司

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

CHAPTER 1 GENERAL PROVISIONS

Article 1 To further improve the corporate governance structure of the Company, strengthen the restraint and supervision mechanisms over the corporate governance bodies and management, protect the interests of minority shareholders and stakeholders, and promote the standardized operation of the Company, these terms of reference are formulated in accordance with the provisions of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, the Measures for the Administration of Independent Directors of 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 applicable laws and regulations, as well as the Articles of Association of OmniVision Integrated Circuits Group, Inc. (hereinafter referred to as the **Articles of Association**).

Article 2 The Audit Committee of the Board of Directors is a specialized working body established by the Board of Directors in accordance with resolutions of the shareholders' meeting. Within the scope of its authority, it assists the Board of Directors in carrying out relevant work. Its primary responsibilities include: representing the Board of Directors in supervising and inspecting the operational performance of management, the financial information, and the adequacy, reasonableness, and effectiveness of internal control systems; confirming the Company's related parties, reviewing and recording related party transactions of the Company. It is accountable to the Board of Directors and reports its work to the Board.

Article 3 For the purposes of these Rules of Procedure, the terms “related party” and “related party transactions” shall be determined according to the scope specified in the Related Party Transaction Management Policy of OmniVision Integrated Circuits Group, Inc.

CHAPTER 2 COMPOSITION

Article 4 The Audit Committee shall consist of three directors, who shall be non-executive directors not serving as senior management of the Company, and in principle, must be independent from the day-to-day operational management of the Company. The majority of the Audit Committee members shall be independent directors. At least one of the independent non-executive directors shall meet the requirements of the securities regulatory rules of the place where the Company's shares are listed and possess appropriate professional qualifications or expertise in accounting or related financial management as stipulated in Rule 3.10(2) of the Hong Kong Listing Rules (as amended from time to time).

A former partner of the external audit firm currently responsible for auditing the Company's accounts shall not serve as a member of the Company's Audit Committee within two years from the later of the following dates: (1) the date on which he/she ceased to be a partner of that external audit firm; or (2) the date on which he/she no longer has a financial interest in that external audit firm.

Article 5 Members of the Audit Committee shall be nominated by the chairman of the Board of Directors, one-half or more of the independent directors, or one-third or more of all directors, and elected by the Board of Directors. However, independent directors elected by the Company who are accounting professionals shall be automatically admitted as candidates without being nominated. Where there is only one independent director who is an accounting professional, he/she shall be automatically elected.

Article 6 The Audit Committee shall have one chairperson, who shall be an independent director with professional expertise in accounting and shall be responsible for presiding over the work of the Committee.

Article 7 The term of office of the Audit Committee shall be in congruence with that of the Board. Committee members may be re-elected and re-appointed upon the expiry of their terms of office. If, during the period, any committee member ceases to serve as a director of the Company or any committee member who should have the status of an independent director no longer meets relevant independence requirements for independent directors as stipulated in securities regulatory rules of the place where the Company's shares are listed, his/her qualification as a committee member shall automatically lapse, and the Board shall fill the vacancy in accordance with Articles 3–5 above.

Article 8 The Audit Committee shall establish an internal audit department as its executive body for specific work, which shall be responsible for preparing and implementing internal audit work plans, issuing internal audit reports, and handling other matters as approved by the Audit Committee.

CHAPTER 3 DUTIES AND POWERS

Article 9 The duties and powers of the Audit Committee include those specified by laws, administrative regulations, the provisions of the CSRC, the Articles of Association, and the relevant code provisions of the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules (as amended from time to time).

Without prejudice to any requirements under laws, administrative regulations, the provisions of the CSRC, the Corporate Governance Code, and the Articles of Association, the duties of the Audit Committee shall include the following:

- (I) to propose for appointment, re-appointment, removal or replacement of an external audit institution (as defined in the Hong Kong Listing Rules for the purposes of these Rules), approve the audit fees and terms of engagement of the external audit institution, and deal with any matters relating to the resignation of or dismissal of the external audit institution;

- (II) to review and monitor the independence and objectivity of the external audit institution, as well as the effectiveness of the audit process in accordance with applicable standards, and discuss with the external audit institution the nature and scope of the audit and relevant reporting obligations before the audit commences;
- (III) to develop and implement policy on engaging an external audit institution to supply non-audit services. For this purpose, an external audit institution includes any entity that is under common control, ownership or management with the audit institution or any entity that a reasonable and informed third party, having knowledge of all relevant information, would reasonably conclude as part of the audit institution nationally or internationally;
- (IV) regarding the relationship with the external audit institution, to report to the Board of Directors and make recommendations on any matters where action or improvement is needed;
- (V) to supervise the internal audit system of the Company and its implementation;
- (VI) to coordinate communication between internal auditors and external auditors of the Company;
- (VII) to be responsible for making recommendations to the Board of Directors regarding the appointment and dismissal of the chief financial officer;
- (VIII) to review the Company's financial information and its disclosure, monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and review and provide written review opinions on the financial information, the internal control evaluation reports, and any significant financial reporting judgments contained in them. In reviewing these statements and reports before submission to the Board of Directors, the Audit Committee should focus particularly on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from audit;
 - (d) the going concern assumption and any qualifications;
 - (e) compliance with accounting standards; and
 - (f) compliance with the Hong Kong Listing Rules and legal requirements in relation to financial reporting;
- (IX) regarding item (VII) above:
 - (a) Members of the Audit Committee shall liaise with the Company's Board of Directors and senior management. The Audit Committee shall meet with the Company's external audit institution at least twice annually; and

- (b) The Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and accounts and shall give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external audit institution;
- (X) to review the Company's risk management and internal control systems concerning financial matters, assess and monitor the implementation of internal audit systems across departments; to review the Company's financial controls, and unless expressly addressed by a separate risk committee of the Board, or by the Board itself, to review the Company's risk management and internal control systems;
- (XI) to discuss the risk management and internal control systems with the management to ensure that the management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (XII) to consider major investigation findings on risk management and internal control matters on its own initiative or as delegated by the Board and the management's response to these findings;
- (XIII) where an internal audit function exists, to ensure coordination between the internal and external audit institutions, ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness;
- (XIV) to review the Company's financial and accounting policies, financial condition, as well as financial reporting procedures and practices;
- (XV) to review the external audit institution's management letter, any material queries raised by the external audit institution to the management about accounting records, financial accounts or systems of risk management and control and the management's response;
- (XVI) to ensure the Board will provide a timely response to the issues raised in the external audit institution's management letter;
- (XVII) to act as the key representative body for overseeing the Company's relations with the external audit institution;

- (XVIII) to review arrangements established by the Company whereby employees and other persons who deal with the Company or its subsidiaries (e.g., customers and suppliers) may raise concerns, in confidence, about potential improprieties in financial reporting, risk management, internal control, or other matters. The Audit Committee shall, on a case-by-case basis, establish a whistleblowing policy and system, ensuring that appropriate arrangements are in place for the Company to conduct a fair and independent investigation of such matters and adopt appropriate actions;
- (XIX) to review the Company's significant connected transactions, continuing connected transactions, and asset disposal matters, review the Company's significant investments and external guarantees, and ensure compliance with terms approved by the Company's shareholders;
- (XX) to guide the work of the Company's internal audit working group and evaluate the execution of internal audit systems by each department;
- (XXI) to report to the Board of Directors on the matters in the code provisions under the Corporate Governance Code; to study other topics as defined by the Board of Directors;
- (XXII) where the Board of Directors disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external audit institution, the Company shall include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view;
- (XXIII) to fulfil the Company's corporate governance procedures:
- (a) formulating and reviewing corporate governance policies and practices of the Company and making recommendations to the Board of Directors, including, but not limited to, establishing a whistleblowing policy and system on a case-by-case basis to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions;
 - (b) establishing, reviewing, approving, and updating policies and systems that promote and support anti-corruption laws and regulations as appropriate;
 - (c) proposing to the Board of Directors changes in accounting policies and estimates or correction of significant accounting errors for reasons other than changes in accounting standards;
 - (d) conducting investigation in case of any abnormality found in the operation of the Company; if necessary, engaging accounting firms, law firms and other professional institutions to assist in the work, with the fees to be borne by the Company; and

- (e) reviewing and monitoring the training and continuous professional development of the directors and the senior management members of the Company;
 - (f) supervising the performance of duties to the Company by the directors and senior management members, and proposing dismissal of directors and senior management members who have violated the laws, administrative regulations, the Articles of Association or resolutions passed by the shareholders' meetings; requiring any director and senior management member who acts in a manner which is detrimental to the Company's interests to rectify such act;
 - (g) reviewing and monitoring the Company's policies and practices on compliance with laws and regulatory requirements;
 - (h) formulating, reviewing and overseeing the code of conduct and compliance manual (if any) for employees and directors;
 - (i) reviewing the Company's compliance with the code provisions and disclosure in the Corporate Governance Report.
- (XXIV) other matters as stipulated by laws such as the Company Law, administrative regulations, the provisions of the CSRC, the Corporate Governance Code, and the Articles of Association. The Audit Committee shall, upon approval by a majority of all its members, submit measures or improvements that it deems necessary to the Board of Directors for deliberation.

Article 10 The following matters shall be submitted to the Board of Directors for deliberation upon approval by a majority of all members of the Audit Committee:

- (I) disclosing financial information and internal evaluation reports in financial accounting reports and periodic reports;
- (II) hiring or dismissing accounting firms conducting the Company's audit engagements;
- (III) appointing or dismissing the chief financial officer of the Company;
- (IV) making changes to accounting policies and estimates or corrections of significant accounting errors for reasons other than changes in accounting standards;
- (V) other matters stipulated by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Article 11 The Audit Committee shall be accountable to the Board of Directors. The proposals of the Committee shall be submitted to the Board of Directors for deliberation and decision. The Audit Committee convenes at least one meeting every quarter to consider the work plans and reports submitted by the internal audit department; reports to the Board at least once every quarter on matters including but not limited to progress and quality of internal audit and major problems identified.

CHAPTER 4 DECISION-MAKING PROCEDURES

Article 12 The internal audit department is responsible for making preliminary preparations for decision-making by the Audit Committee and providing written materials relating to the Company, including but not limited to:

- (I) relevant financial reports of the Company;
- (II) half-year and annual internal control examination and supervision reports;
- (III) work reports of the internal and external audit institutions;
- (IV) external audit contract and relevant work reports;
- (V) the Company's information disclosure to the public;
- (VI) audit report regarding the major related party transactions of the Company;
- (VII) other relevant matters.

Article 13 The meetings of the Audit Committee shall discuss the reports or materials provided by the internal audit department, pass resolutions on relevant matters and submit written resolutions and relevant materials to the Board of Directors. Such matters shall include but are not limited to:

- (I) evaluation of the work of the external audit institution, and the appointment and replacement of the external audit institution;
- (II) whether the Company's internal audit system has been effectively implemented, and whether the Company's financial reports are comprehensive and authentic;
- (III) whether the half-year and annual internal control self-evaluation reports are comprehensive and authentic;
- (IV) whether the Company's externally disclosed financial reports and other information are comprehensive and truthful, and whether the Company's significant related party transactions comply with relevant laws and regulations;
- (V) evaluation of the work of the Company's internal finance department, audit department and their respective heads;
- (VI) other relevant matters.

Article 14 The Audit Committee's working procedures for auditing of annual financial reports are as follows:

- (I) the schedule for auditing of annual financial reports shall be determined through consultation by the Audit Committee and the accounting firm responsible for 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 statements prepared by the Company before commencement of the annual audit by the certified public accountants, and shall issue written opinions in principle;
- (IV) after commencement of the annual audit by the certified public accountants, the Audit Committee shall strengthen communication with the accountants for annual audit. Upon issue of the preliminary audit opinions by the certified public accountants for annual audit, the Audit Committee shall review the Company's financial statements again and shall issue written opinions in principle;
- (V) upon completion of the financial accounting audit report, the Audit Committee shall vote on whether to approve the report and submit a resolution to the Board of Directors for review after it is made;
- (VI) while submitting the financial report to the Board of Directors, the Audit Committee shall submit to the Board of Directors a summary report of the current year's audit work of the Company performed by the accounting firm, and a resolution regarding the reappointment or change of the accounting firm for the following year. If the Board of Directors disagrees with the Audit Committee's opinions on the selection, appointment, resignation, or dismissal of the external audit institution, the Corporate Governance Report set out in the annual report shall include a statement from the Audit Committee elaborating on its recommendations, as well as the reasons for the dissenting opinions of the Board of Directors.

CHAPTER 5 RULES OF PROCEDURES

Article 15 The meetings of the Audit Committee shall be classified into regular meetings and interim meetings. Regular meetings shall be convened at least four times a year, or once a quarter. Interim meetings shall be convened upon proposal by the members of the Audit Committee. All members shall be notified three days prior to the meeting and provided with relevant materials and information. Meetings shall be presided over by the chairperson. If the chairperson is unable to attend, he/she may appoint another member (independent director) to preside over the meeting. Independent director members shall attend meetings in person. If unable to do so for any reason, they must review the meeting materials in advance, form a clear opinion, and delegate another independent director member to attend on their behalf in writing.

Article 16 A meeting of the Audit Committee may be held only when two-thirds or more of the committee members are present. Each committee member shall have one vote. Resolutions adopted at such meeting must be approved by a majority of all committee members.

Article 17 Meetings of the Audit Committee may be conducted in person, via electronic communication, or through a combination of both. Voting shall be conducted by registered ballot.

Article 18 Members of the internal audit department may attend meetings of the Audit Committee as observers. If necessary, the directors and senior management members of the Company may also be invited to attend as observers.

Article 19 If necessary, the Audit Committee may engage intermediary institutions to provide professional advice for its decision-making, with expenses borne by the Company.

Article 20 The procedures for convening meetings of the Audit Committee, voting methods, and the resolutions adopted at such meetings must comply with relevant laws, regulations, the securities regulatory rules of the place where the Company's shares are listed, the Articles of Association, and these terms of reference.

Article 21 Minutes shall be kept for meetings of the Audit Committee. The attending committee members shall sign the meeting minutes. The independent director committee members shall sign to confirm the meeting minutes, and shall have their opinions recorded in the meeting minutes. The meeting minutes shall be kept by the Company's Secretary to the Board, and the retention period shall not be less than 10 years.

Article 22 The proposals and voting results adopted at meetings of the Audit Committee shall be reported to the Company's Board of Directors in writing.

Article 23 All attending committee members shall have a duty of confidentiality regarding the matters discussed at the meeting and shall not disclose any related information without authorization.

CHAPTER 6 SUPPLEMENTARY PROVISIONS

Article 24 The chairperson of the Audit Committee or (if the chairperson is absent) another member of the Audit Committee or (if both of the aforementioned are absent) a duly authorized representative shall attend the annual shareholders' meetings of the Company and be prepared to respond to questions regarding the work and duties of the Audit Committee at the annual shareholders' meetings.

Article 25 These terms of reference shall come into effect upon consideration and approval by the Board of Directors, and shall be implemented from the date when the Company's H shares are listed and traded on the Stock Exchange of Hong Kong Limited.

The Board of Directors shall be responsible for the interpretation of these terms of reference.

Article 26 For matters not covered herein, or in the event of any inconsistency between these terms of reference and the relevant national laws, regulations, rules, the securities regulatory rules of the place where the Company's shares are listed, and the provisions of the Articles of Association, the relevant national laws, regulations, rules, the securities regulatory rules of the place where the Company's shares are listed, and the provisions of the Articles of Association shall prevail.