

Lygend Resources & Technology Co., Ltd.

Terms of Reference of the Audit Committee of the Board

Chapter 1 General Provisions

Article 1 In order to strengthen the decision-making function of the Board (the “**Board**”) of Lygend Resources & Technology Co., Ltd. (the “**Company**”, together with its consolidated subsidiaries, the “**Group**”), enhance internal supervision and risk control, improve corporate governance structure of the Company and regulate the audit work of the Company, the Company establishes the Audit Committee (the “**Committee**”) and formulates these Terms of Reference in accordance with the Company Law of the People’s Republic of China (the “**Company Law**”), the Securities Law of the People’s Republic of China, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange, the Guidelines of Shenzhen Stock Exchange for the Self-regulatory Supervision of Listed Companies No. 1 — Standardized Operation of Listed Companies on the Main Board, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), etc., and the Articles of Association of Lygend Resources & Technology Co., Ltd. (the “**Articles of Association**”).

Article 2 The Committee is a special committee under the Board mainly to exercise the powers and duties of a supervisory committee as prescribed under the Company Law, to consider issues relating to external auditors and their appointment, to oversee the Group’s financial reporting system, risk management and internal control system, to review the Group’s financial information and to review the Company’s policies and practices relating to corporate governance. The terms of reference of the Audit Committee shall be formulated by the Board.

The Committee is accountable to the Board and reports to the Board.

The members of the Committee shall devote sufficient time and effort to perform duties of the Committee with due care and diligence, so as to effectively supervise external audit of the Company efficiently, to guide internal audit of the Company, and facilitate the Company to establish effective internal control and provide truthful, accurate and complete financial reports.

The Company shall provide the necessary working conditions for the Committee and assign special personnel or institutions to undertake the daily work of the Committee, such as liaison, meeting organization, material preparation and file management. The Company’s management and relevant departments shall cooperate with the Committee in the performance of its duties.

Chapter 2 Composition

Article 3 Members of the Committee shall be Directors who do not hold senior management positions in the Company and possess the professional knowledge and experience to perform the duties of the Audit Committee. The Committee shall comprise at least three non-executive Directors, a majority of whom shall be independent directors (independent non-executive directors), with an accounting professional among the independent directors (independent non-executive directors) serving as the convener. An employee representative who is a member of the Board may become a member of the Audit Committee.

Article 4 The members of the Committee shall be nominated by the Chairman of the Board, more than one-half of the independent directors (independent non-executive directors) or more than one-third of the Directors, and shall be elected by the Board.

Article 5 The Committee shall have one chairman (convener), who shall be an accounting professional among the independent directors (independent non-executive directors) and shall be responsible for presiding over the work of the Committee. The chairman of the Committee shall be elected from among the members of the Committee and the appointment shall be subject to the approval of the Board.

Article 6 A former partner of the Company's existing external auditor shall be prohibited from serving as a member of the Audit Committee for a period of two years from the date on which he or she ceases to be a partner of the auditor or to have any financial interest in the existing external auditor, whichever is later.

Article 7 The term of office of the Committee shall be consistent with that of the Board. Each member of the Committee shall be eligible for re-election upon completion of his term of office. During the term of office, if any member ceases to be a Director of the Company, his/her membership shall lapse automatically, and the Board shall appoint a new member in accordance with the Articles of Association and these Working Rules. Where an independent director (independent non-executive director) who is a member tenders his/her resignation or is removed from office due to circumstances under which he/she shall not serve as an independent director (independent non-executive director) pursuant to the Administrative Measures for Independent Directors of Listed Companies and other regulations, resulting in the proportion of independent directors (independent non-executive directors) on the Board or its Audit Committee failing to comply with the provisions of the Administrative Measures for Independent Directors of Listed Companies, these Working Rules and the Articles of Association, or resulting in the lack of accounting professionals among the independent directors (independent non-executive directors), the Company shall complete the by-election within sixty days from the date of occurrence of the aforesaid facts. Where the resignation of an independent director (independent non-executive director) who is a member would result in the proportion of independent directors (independent non-executive directors) on the Board or the Audit Committee failing to meet relevant requirements, the requirements of these Working Rules or the Articles of Association, or result in the absence of an accounting professional among the independent directors (independent non-executive directors), the independent director (independent non-executive director) intending to resign shall continue to perform their duties until the date on which a new independent director is appointed. The Company shall complete the by-election within sixty days from the date of occurrence of the aforesaid facts.

Chapter 3 Duties and Powers

Article 8 The main duties and powers of the Committee include:

(I) Relationship with the Company's auditors

- (I) 1. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, approve the remuneration and terms of engagement of the external auditor, and deal with any questions of its resignation or dismissal;
2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
3. to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee shall report to the Board and make recommendations on any matters where action or improvement is needed;

(II) Reviewing the financial information of the Company

to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. Before submitting them to the Board, the Committee shall review the statements and reports, focusing particularly on:

1. any changes in accounting policies and practices, changes in accounting estimates or corrections of material accounting errors;
2. areas involving significant judgment;
3. the adequacy of disclosure, the consistency of the financial statements and their consistency with previous disclosures;
4. significant adjustments arising from the audit;
5. the going concern assumption and any qualifications;
6. compliance with accounting standards;
7. compliance with the securities regulatory rules and legal requirements of the places where the Company's shares are listed in relation to financial reporting.

For the purpose of item (II) above:

1. members of the Committee should liaise with the Board and senior management. The Committee shall meet at least twice a year with the Company's auditors;
2. the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts, and should 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 auditors.

(III) Overseeing the Company's financial reporting system, risk management and internal control systems

1. to review the Company's financial controls and (unless expressly addressed by a separate board risk committee or by the Board itself) to review the Company's risk management and internal control systems;
2. to discuss the risk management and internal control systems with the management and ensure that management has discharged its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
3. to consider, on its own initiative or as delegated by the Board, major investigation findings on risk management and internal control matters and management's response to these findings;
4. where the Company has an internal audit function, to ensure co-ordination between the internal and external auditors; to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company; and to review and monitor its effectiveness. In this regard, the Audit Committee shall:
 - (1) to guide and supervise the establishment and implementation of the internal audit system;
 - (2) to review the Company's annual internal audit plan;
 - (3) to urge the implementation of the Company's internal audit plan;
 - (4) to guide the effective operation of the internal audit department. The internal audit department of the Company is accountable to the Audit Committee and reports its work to the Audit Committee. Various audit reports, rectification plans and the status of rectification of audit issues submitted by the internal audit department to the management shall be submitted to the Audit Committee concurrently;

- (5) to coordinate the relationship between the internal audit department and external audit units such as accounting firms and state audit institutions;
 - (6) to report to the Board the progress and quality of the internal audit work, and the material issues identified.
- 5. to review the Group's financial and accounting policies and practices;
 - 6. to check the management letter issued by the external auditor to the management, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
 - 7. to ensure that the Board provides a timely response to the matters raised in the management letter issued by the external auditor to the management;
 - 8. to act as the key representative body for overseeing the Company's relations with the external auditor;
 - 9. to ensure that proper arrangements are in place for employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that appropriate arrangements are in place for the Company to conduct a fair and independent investigation and take appropriate action on such matters;
 - 10. to report to the Board on the above matters;
 - 11. to study other topics as defined by the Board.

(IV) Other Matters

- 1. to propose the convening of general meetings and to convene and preside over general meetings when the Board fails to perform its duty of convening and presiding over general meetings under the Company Law;
- 2. to put forward proposals to the general meeting;
- 3. to be responsible for other matters as required by laws and regulations, the securities regulatory rules of the place(s) where the shares of the Company are listed and the Articles of Association, as well as those authorized by the Board.

Article 9 The Committee shall be responsible for reviewing the financial information of the Company and its disclosure, supervising and evaluating the internal and external audit work and internal control. The following matters may only be submitted to the Board for consideration after obtaining the consent of more than half of all members of the Committee:

- (I) disclosure of financial information in the financial accounting reports and periodic reports, and the internal control evaluation reports;
- (II) engagement or dismissal of the accounting firm that undertakes the audit business of the Company;
- (III) appointment or dismissal of the person in charge of finance of the Company;
- (IV) making changes to accounting policies or accounting estimates, or corrections to material accounting errors, for reasons other than changes in accounting standards;
- (V) other matters as stipulated by laws, administrative regulations, rules of the CSRC, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Article 10 The Board of the Company or its Audit Committee shall issue an annual internal control evaluation report based on the evaluation report and relevant information issued by the internal audit department. The internal control evaluation report shall at least include the following:

- (I) statement of the Board on the authenticity of the internal control report;
- (II) the general situation of the internal control evaluation work;
- (III) basis, scope, procedures and methods of internal control evaluation;
- (IV) deficiencies in internal control and their identification;
- (V) the rectification of internal control deficiencies from the previous year;
- (VI) the remedial measures proposed to be taken for internal control deficiencies in the current year;
- (VII) the conclusion on the effectiveness of internal control.

Article 11 The Committee shall report regularly to the Board and its chairman shall report its decisions or recommendations to the Board at the next Board meeting following the Committee's meeting, unless the Committee is prevented from doing so by legal or regulatory restrictions (such as restrictions on disclosure due to regulatory requirements).

Article 12 The Committee is authorized by the Board to act within its terms of reference and may obtain any information it requires from employees of the Company; All employees shall cooperate with requests made by the Committee.

Article 13 If the Committee deems it necessary, it may engage professional advisers to provide professional opinions at the Company's expense.

Article 14 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

Article 15 The Committee shall be provided by the Company with sufficient resources to perform its duties.

Chapter 4 Rules of Procedure

Article 16 Meetings of the Committee are divided into regular meetings and ad hoc meetings, which shall be convened and chaired by the chairman of the Committee. When the convener of the Committee is unable or refuses to perform his/her duties, he/she shall designate an independent non-executive director member to perform the duties on his/her behalf.

Article 17 The Committee shall hold at least one meeting each quarter. The Committee may convene ad hoc meetings as needed. An ad hoc meeting may be held when proposed by two or more members of the Committee, or when the convener of the Committee deems it necessary. For convening regular meetings and ad hoc meetings, the chairman of the Committee shall give at least three days' notice and deliver the full agenda and relevant meeting documents to all members in a timely manner, which shall include at least the following:

- (I) the time and place of the meeting;
- (II) the duration of the meeting;
- (III) the matters to be discussed at the meeting;
- (IV) the contact person and contact details for the meeting;
- (V) the date of the notice of the meeting.

The notice of meeting shall be accompanied by proposals with complete contents.

Article 18 A meeting of the Committee shall be held only if attended by more than two-thirds of its members, and each member shall have one vote; The resolutions adopted at the meetings shall be approved by more than half of all members.

Any Committee member who has an interest in the matter discussed at the meeting shall abstain from discussion and voting. If a valid deliberation cannot be reached due to the recusal of Committee members, the relevant matters shall be directly deliberated by the Board.

Article 19 The Committee meetings may be held in person or by means of communication, and voting shall be conducted by poll.

Article 20 Committee members shall attend meetings in person (including physical attendance and attendance by means of communication) and express clear opinions on the matters under consideration. In the event that a member is unable to attend a meeting in person for any reason, the member may submit a power of attorney signed by him or her and authorize another member to attend the meeting and express opinions on his or her behalf. The power of attorney shall specify the scope and term of authorisation. Each member may accept a proxy from not more than one other member. When an independent director (independent non-executive director) member is unable to attend the meeting in person due to certain reasons, he or she shall delegate another independent director (independent non-executive director) member to attend the meeting on his or her behalf.

Article 21 Members of the Company's internal audit department may attend meetings of the Committee. If the Committee deems it necessary, it may invite the Company's financial personnel, other Directors, senior management, representatives of external auditors, legal advisers and other relevant personnel to attend meetings of the Committee and provide necessary information.

Article 22 Minutes shall be kept for Committee meetings to record the following: the date, time, place, chairman, attendees, agenda of the meeting, and the voting result of each matter. Complete minutes of meetings shall be kept by the secretary to the Board or relevant personnel of the office of the Board. Draft and final versions of the minutes of meetings shall be sent to all members of the Committee for their comment and records respectively within a reasonable time after the meeting. The minutes of the meeting shall record in sufficient detail the matters considered and decisions reached, including any concerns raised or dissenting opinions expressed by the members. The minutes of the meeting shall be signed by the members of the Committee attending the meeting. The minutes of the Committee meetings shall be kept by the Company as company archives and shall be retained for a period of not less than ten years during the existence of the Company.

Article 23 The proposals and voting results of the Committee meetings shall be reported to the Board in writing.

Article 24 All persons attending the meeting shall have an obligation of confidentiality in respect of the matters discussed at the meeting, and shall not disclose relevant information without authorisation.

Article 25 The Committee shall review financial accounting reports of the Company, provide opinions on the truthfulness, accuracy and completeness of the financial accounting reports, focus on material accounting and auditing issues in the financial accounting reports of the Company with particular attention to the possibility of fraud, malpractice and material misstatement related to the financial accounting reports and supervise the rectification of problems in financial accounting reports.

The Committee shall make recommendations to the Board on the appointment or replacement of external audit firms, review the audit fees and terms of engagement of external audit firms, and shall not be subject to undue influence from the Company's substantial shareholders, actual controllers, Directors or senior management.

The Committee shall urge the external auditor to act with honesty, integrity, diligence and responsibility, strictly comply with business rules and industry self-regulatory standards, strictly implement the internal control system, conduct verification and validation of the Company's financial accounting reports, fulfill the special duty of care, and issue professional opinions prudently.

Article 26 The procedures for convening Committee meetings, the voting methods and the resolutions passed at the meetings shall comply with the provisions of relevant laws, regulations, the securities regulatory rules of the place where the shares of the Company are listed, the Articles of Association and these Working Rules.

Chapter 5 Supplementary Provisions

Article 27 Unless the context otherwise requires, the terms used in these Working Rules shall have the same meanings as those used in the Articles of Association.

Article 28 In these Working Rules, the terms “above” and “below” are inclusive of the number, while “more than” is exclusive of the number.

Article 29 These Working Rules have been approved by a resolution of the Board and shall take effect and be implemented from the date on which the Company completes its initial public offering of A-shares and is listed on the Main Board.

Article 30 Matters not covered in these Working Rules shall be handled in accordance with the relevant national laws, regulations, normative documents, the listing rules of the place where the Company's shares are listed and other relevant provisions, as well as the provisions of the Articles of Association. In the event of any inconsistency between these Working Rules and the provisions of relevant laws, regulations, normative documents, the listing rules of the place where the Company's shares are listed and other relevant provisions, as well as the Articles of Association, the provisions of the laws, regulations, normative documents, the listing rules of the place where the Company's shares are listed and other relevant provisions, as well as the Articles of Association, shall prevail, and these Working Rules shall be amended in a timely manner.

Article 31 The Board shall be responsible for the interpretation and amendment of these Working Rules.

Article 32 The Committee shall make its terms of reference available on the Exchange's website and the Company's website, explaining its role and the authority delegated to it by the Board.

Article 33 These Working Rules are written in Chinese. In case of any discrepancy between the version in any other language and the Chinese version, the Chinese version shall prevail.

Lygend Resources & Technology Co., Ltd.
August 2026