



**HUAQIN CO., LTD.**  
**華勤技術股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 3296)**

**Terms of Reference of the Audit and Risk Management  
Committee of the Board of Directors**

**Chapter 1 General Provisions**

**Article 1** In order to strengthen the decision-making function of the board of directors (hereinafter referred to as the “**Board**”) of Huaqin Co., Ltd. (hereinafter referred to as the “**Company**”), perform pre-event audit and professional audit, ensure effective supervision over the management by the Board, improve the corporate governance structure, and enhance the Company’s risk identification and risk prevention abilities, the Company has established a audit and risk management committee (hereinafter referred to as the “**Audit and Risk Management Committee**”) of the Board and formulated these Terms of Reference pursuant to the Company Law of the People’s Republic of China, the Administrative Measures for Independent Directors of Listed Companies, the Code of 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**”), the Articles of Association of Huaqin Co., Ltd. (hereinafter referred to as the “**Articles of Association**”) and other regulations.

**Article 2** The Audit and Risk Management Committee of the Board is a dedicated working body set up by the Board in accordance with a resolution of the shareholders’ general meeting, which is primarily responsible for the communication, supervision and review of the Company’s internal and external audit, compliance management, risk identification, prevention and management, as well as other duties required by applicable laws and regulations.

**Chapter 2 Composition**

**Article 3** The Audit and Risk Management Committee shall consist of three non-executive directors or independent directors who do not hold senior management positions in the Company, including two independent directors. At least one independent director shall be an accounting professional who possesses appropriate professional qualifications or accounting or related financial management expertise as required under the Hong Kong Listing Rules. The term “independent director(s)” in these Terms of Reference shall have the same meaning as “independent non-executive director(s)” in the Hong Kong Listing Rules.

**Article 4** The members of the Audit and Risk Management Committee shall be nominated by the chairperson of the Board, at least half of the independent directors or one-third of all the directors, and shall be elected by the Board.

**Article 5** The Audit and Risk Management Committee shall have one chairperson (convener), who shall be an independent director with accounting expertise, and be responsible for presiding over the work of the committee. The chairperson shall be appointed by the Board from the members of the committee.

**Article 6** The term of office of the members of the Audit and Risk Management Committee shall be the same as that of the directors of the Board. Each member shall be eligible for re-election upon the expiry of his/her term of office. If any member ceases to be a director of the Company during his/her term of office, he/she shall automatically lose his/her qualification as a member of the Audit and Risk Management Committee, and the vacancy in the Audit and Risk Management Committee shall be filled by the committee in accordance with the abovementioned provisions. If the number of members of the Audit and Risk Management Committee falls below the statutory minimum number or there is a lack of an accounting professional due to the resignation of a member of the Audit and Risk Management Committee, the resigning member shall continue to perform related duties until a new member assumes office.

**Article 7** The Audit and Risk Management Committee shall establish an internal audit department as its daily operational body. The Audit and Risk Management Committee shall participate in the appraisal of the person in charge of internal audit.

### **Chapter 3 Duties and Authorities**

**Article 8** The main duties and authorities of the Audit and Risk Management Committee are as follows:

- (I) overseeing and evaluating the work performed by the external auditor, and proposing to engage or replace the external auditor, including:
  - 1. to make recommendations to the Board on the remuneration and terms of appointment for the external auditors and to deal with any matters in relation to the resignation or dismissal of such auditors;
  - 2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; to discuss with auditors the nature and scope of the audit and relevant reporting obligations before the commencement of the audit;
  - 3. to develop and implement policies on engaging an external auditor to provide 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) supervising and evaluating the internal audit work, and to be responsible for the coordination between internal and external audits, severing as the primary representative between the Company and an external auditor, responsible for supervising their relationships;

(III) reviewing the completeness of the Company's financial information and its disclosure, including financial statements and annual reports and accounts, half-year reports and quarterly reports (if proposed to publish), and reviewing significant judgement related to financial reporting contained in them. In reviewing these statements and reports before submission to the Board, the Audit and Risk Management Committee should focus particularly on:

1. any change in the accounting policies and practices;
2. major judgmental areas;
3. significant adjustments resulting from the audit;
4. the going concern assumptions and any qualifications;
5. compliance with the accounting standards; and
6. compliance with the securities regulatory rules of the place where the Company's shares are listed and other legal requirements in relation to financial reporting.

In respect of this paragraph, members of the Audit and Risk Management Committee should liaise with the Board and senior management of the Company and the Committee must meet, at least twice a year, with the Company's external auditors; the Audit and Risk Management Committee should consider any significant or unusual matters that are, or may need to be reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Company's accounting and financial staff, compliance department and external auditors;

(IV) supervising and evaluating the Company's internal control, including:

1. reviewing the Company's financial controls, and reviewing the Company's risk management and internal control systems and risk management system;
2. discussing the risk management and internal control systems with management to ensure that management has performed 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. studying major investigation findings on risk management and internal control matters, as well as management's response to these findings, as delegated by the Board or on its own initiative;
4. ensuring co-ordination between the internal and external auditors if there is an internal audit function, and also ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
5. reviewing the Company and its subsidiaries' financial and accounting policies and practices;

6. reviewing the external auditor's management letter regarding the audit status, any material queries raised by the auditor to the management about accounting records, financial accounts or monitoring systems and management's response;
  7. ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter regarding the audit status;
  8. reporting to the Board on the matters in this article;
  9. considering other topics as defined by the Board;
- (V) directing and supervising the establishment and implementation of systems related to the Company's risk management, compliance management, internal control, and internal audit;
- (VI) reviewing the Company's risk management strategy and major risk management solutions;
- (VII) exercising the powers of the board of supervisors as stipulated in the Company Law, including:
1. inspecting the Company's finances;
  2. supervising the behavior of directors and senior management personnel in performing their duties, and proposing the removal of directors and senior management personnel who violate laws, administrative regulations, the Articles of Association, or shareholders' general meeting resolutions;
  3. requiring directors and senior management personnel to correct their behavior when it damages the Company's interests;
  4. proposing to convene an extraordinary board meeting;
  5. proposing to convene an extraordinary shareholders' general meeting, and convening and presiding over the shareholders' general meeting when the board fails to perform its duties as stipulated in the Company Law and the Articles of Association;
  6. submitting proposals to the shareholders' general meeting;
  7. accepting requests from shareholders, and directors and senior management personnel (excluding members of the Audit and Risk Management Committee) who violate laws, administrative regulations, securities regulatory rules, or the Articles of Association, causing losses to the Company; shareholders who individually or collectively hold 1% or more of the shares of the Company for 180 or more consecutive days may request the Audit and Risk Management Committee to file a lawsuit with the people's court;
  8. other matters as stipulated in laws, regulations, the regulatory rules of the stock exchange in the place where the Company's shares are listed, the Articles of Association and authorized by the Board.

(VIII) other matters as stipulated in laws, regulations, the Articles of Association, the regulatory rules of the stock exchange in the place where the Company's shares are listed and authorized by the board of directors.

**Article 9** The Audit and Risk Management Committee is accountable to the Board, and its recommendations shall be submitted to the Board for consideration and decision.

#### **Chapter 4 Decision-making Procedures**

**Article 10** The internal audit department shall make preparations for the Audit and Risk Management Committee's decision-making by providing the relevant information of the Company:

- (I) relevant financial reports of the Company;
- (II) internal and external auditors' work reports;
- (III) external audit contracts and relevant work reports;
- (IV) public disclosures of information made by the Company;
- (V) significant related-party transactions report of the Company;
- (VI) risk management work reports of the Company;
- (VII) other matters concerned.

**Article 11** The Audit and Risk Management Committee shall review the reports provided by the internal audit department and submit them for discussion by the Board:

- (I) work appraisal on external auditors, and the engagement and replacement of the external auditors;
- (II) whether the internal audit systems have been effectively implemented and whether the financial reports are true in all aspects;
- (III) whether the financial information disclosed by the Company is objective and true, whether the significant related-party transactions are in compliance with laws and regulations;
- (IV) work appraisal of the financial department and audit department including their persons-in-charge;
- (V) other matters concerned.

**Article 12** The following matters shall be submitted to the Board for deliberation with the approval of more than half of all members of the Audit and Risk Management Committee:

- (I) disclosure of financial information in financial statements and periodic reports, as well as internal control evaluation reports;

- (II) appointment or dismissal of the accounting firm that undertakes the audit engagements of the Company;
- (III) appointment or dismissal of the chief financial officer of the Company;
- (IV) changes in accounting policies or accounting estimates or corrections of material accounting errors for reasons other than changes in accounting standards;
- (V) other matters prescribed by the laws, administrative regulations, the requirements of the China Securities Regulatory Commission, the regulatory rules of the stock exchange in the place where the Company's shares are listed and the Articles of Association.

**Article 13** The Audit and Risk Management Committee reviews the Company's financial accounting reports, provides opinions on the authenticity, accuracy, and completeness of the financial accounting reports, focuses on major accounting and auditing issues, particularly whether there are fraudulent, deceitful acts or significant misreporting related to the financial accounting reports, and supervises the rectification of financial accounting report issues.

Members of the Audit and Risk Management Committee who cannot guarantee the authenticity, accuracy, and completeness of financial information in periodic reports or have objections should vote against or abstain when reviewing periodic reports.

The Audit and Risk Management Committee proposes to the Board to hire or replace external audit institutions, reviews the audit fees and employment terms of external audit institutions, and is not subject to improper influence from major shareholders, actual controllers, directors, or senior management personnel.

The Audit and Risk Management Committee should urge external audit institutions to be honest, trustworthy, diligent, and responsible, strictly follow business rules and industry self-discipline norms, strictly implement the internal control system, check and verify the Company's financial accounting reports, perform the special care obligations, and prudently express its professional opinions.

## **Chapter 5 Rules of Procedure**

**Article 14** The Audit and Risk Management Committee shall meet at least once every quarter, and may convene extraordinary meetings when two or more members propose or the convener deems it necessary.

Notice of the Audit and Risk Management Committee shall be given to all members 3 days prior to the meetings. The meeting shall be presided over by the chairperson. If the chairperson is unable to attend the meeting, another Committee Member may be entrusted to preside over the meeting. Where an extraordinary meeting needs to be convened in an emergency, the notice of meeting may be sent by telephone or by other verbal means, but the chairperson shall make explanations at the meeting.

**Article 15** The meeting of the Audit and Risk Management Committee shall be held only with the presence of more than two-thirds of the members. Each member of the Committee has one vote; and resolutions of the Committee must be adopted by the affirmative votes of more than half of the Committee's members.

Members of the Audit and Risk Management Committee who have an interest in the matters being discussed at the meeting shall abstain from the vote. The abstention system for meetings of the Audit and Risk Management Committee is as follows:

- (I) When a member of the Audit and Risk Management Committee or his/her immediate family members, or any company controlled by a member of the Audit and Risk Management Committee or his/her immediate family members has direct or indirect interests in the matters to be discussed at meetings of the Audit and Risk Management Committee, such member shall disclose the nature and extent of such interests to the Audit Committee as soon as possible.
- (II) In the event of the circumstances described in the preceding article, the interested member shall explain the situation in detail and make it clear that he/she shall abstain from voting at the meeting of the Audit and Risk Management Committee. However, if other members of the Audit Committee unanimously agree, after consideration, that such interests would have no material influence on matters to be voted on, the interested member may vote.

Where the Board of the Company considers it is improper for the interested member in the preceding article to vote, it may revoke the voting results of the relevant resolution and request a re-vote on the relevant resolution by non-interested members.

- (III) A meeting of the Audit and Risk Management Committee shall consider and resolve on proposals without counting the interested members toward the quorum. If the minimum quorum of the meeting of the Audit and Risk Management Committee is not present after the recusal of interested members, all members (including the interested members) shall resolve upon the procedural matters regarding whether to submit the resolution to the Board of the Company for approval, and the Board of the Company shall consider such resolution accordingly.
- (IV) Minutes of meetings of the Audit Committee and resolutions passed at the meetings shall clearly state that the interested members are not counted toward the quorum and have not voted on such resolutions.

**Article 16** The voting may be made by a show of hands or by poll at the meetings of the Audit and Risk Management Committee. An extraordinary meeting may be convened by means of voting by correspondence.

**Article 17** Where the Audit and Risk Management Committee deems necessary, it may invite the directors and senior management of the Company to attend its meetings.

**Article 18** The Audit and Risk Management Committee may, if necessary, engage intermediaries to provide professional advice for its decisions at the cost of the Company.

**Article 19** The convening procedures and voting methods of meetings of the Audit and Risk Management Committee and the resolutions passed at the meetings shall meet the laws, regulations, securities regulatory rules of the place where the Company's shares are listed, the Articles of Association and the provisions of these Terms of Reference.

**Article 20** The Audit and Risk Management Committee shall maintain the minutes of meetings. All members attending the meetings shall sign on the minutes of meetings, which shall be kept by the Board office of the Company for at least ten years.

**Article 21** The resolutions passed at a meeting of the Audit and Risk Management Committee and the voting results thereof shall be submitted in writing to the Board of the Company.

All members attending a meeting of the Audit and Risk Management Committee are obligated to keep confidential the matters discussed thereat, and shall not disclose any relevant information without authorization.

## **Chapter 6 Supplementary Provisions**

**Article 22** These Terms of Reference shall be approved by a resolution of the Board and be implemented from the date on which H shares are issued by the Company and are listed on The Stock Exchange of Hong Kong Limited. Any amendment to these Terms of Reference shall also be approved by a resolution of the Board.

**Article 23** Matters not covered by these Terms of Reference shall be implemented in accordance with the provisions of the relevant laws and regulations of the State, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association. If these Terms of References contravene any laws and regulations promulgated by the State, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association as amended through lawful procedures, the relevant laws and regulations of the State, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association shall prevail. These Terms of Reference shall be immediately amended accordingly and submitted to the Board for consideration and approval.

**Article 24** These Terms of Reference shall be interpreted by the Board of the Company.

Huaqin Co., Ltd.

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