

SHENZHEN HIPINE PRECISION TECHNOLOGY CO., LTD.

深圳西普尼精密科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2583)

Terms of Reference of the Audit Committee of the Board

Chapter 1 General Provisions

Article 1 To enhance the decision-making capabilities of the Board (the “**Board**”) of Directors (the “**Directors**”) of Shenzhen Hipine Precision Technology Co., Ltd. (the “**Company**”), achieve proactive and professional auditing, ensure effective oversight of management by the Board of Directors, and improve the corporate governance structure, the Company hereby establishes an Audit Committee of the Board of Directors and formulates the Terms of Reference for the Audit Committee of the Board of Directors of Shenzhen Hipine Precision Technology Co., Ltd. (the “**Terms of Reference**”), in accordance with the Company Law of the People’s Republic of China (the “**Company Law**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), the Articles of Association of Shenzhen Hipine Precision Technology Co., Ltd. (the “**Articles of Association**”), the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules, the Guidance on the Effective Operation of Audit Committees issued by the Hong Kong Institute of Certified Public Accountants, and other relevant laws, regulations, and normative documents.

Article 2 The Audit Committee of the Board of Directors is a specialized working body of the Board of Directors, with primary functions including reviewing the Company’s financial condition, examining financial information, assessing the authenticity, completeness, and accuracy of financial information, and evaluating the implementation and effectiveness of internal control systems. It is also primarily responsible for communication with external auditors and overseeing their work, supervising internal audit functions, evaluating and improving the Company’s internal control system, providing recommendations thereon, and conducting risk assessments of major investment projects currently undertaken by the Company. The Audit Committee is accountable to the Board of Directors. Proposals put forward by the Audit Committee shall be submitted to the Board of Directors for review and decision.

Chapter 2 Composition

Article 3 The Audit Committee shall consist of a minimum of 3 Directors, all of whom shall be Non-Executive Directors, with the majority being Independent Non-Executive Directors. No Member shall hold any position within the Company other than their directorship that may compromise their independent and objective judgment. At least one Member shall possess the appropriate professional qualifications as stipulated in Rule 3.10(2) of the Hong Kong Listing Rules, or have substantial accounting or relevant financial management expertise under the said Rule 3.10(2). The Chairman (Convener) of the Audit Committee shall be an accounting professional among the Independent Non-Executive Directors.

Article 4 Members of the Audit Committee (the “**Members**”) shall be elected by the Board of Directors.

Members shall be nominated by either the Chairman of the Board of Directors, by 1/3 or more of the entire Board of Directors, or by the Nomination Committee of the Board, and shall be elected by a majority vote of the Board of Directors. Upon approval of the proposal for the election of Members, newly appointed Members shall assume office immediately after the Board meeting.

Article 5 The Audit Committee shall have one Chairman (Convener), who shall be an accounting professional among the Independent Non-Executive Directors, appointed by the Board of Directors and responsible for presiding over the Committee’s work. The Chairman (Convener) shall be elected by the Board of Directors from among the Members of the Committee.

Article 6 The term of office of the Members shall be the same as that of the directors of the incumbent Board of Directors. Members may be reappointed upon the expiration of their terms if re-elected. If a member of the Committee ceases to be a director of the Company during their term of office, or if a member who is required to be an Independent Non-Executive Director ceases to comply with the independence requirements set out in the Hong Kong Listing Rules, he/she shall automatically cease to be a Member. The Board of Directors shall thereafter fill the vacancy in accordance with the provisions of these Rules.

Article 7 A Member of the Audit Committee may resign prior to the expiration of their term. A resigning Member shall submit a written resignation letter to the Board of Directors, which shall make necessary explanations regarding the reasons for resignation and any matters requiring attention from the Company’s Board of Directors. The resignation shall take effect only upon approval by the Board of Directors. If the number of Committee Members falls below the minimum required by the Terms of Reference, the resigning Member shall continue to perform their duties in accordance with the Terms of Reference until a successor is elected and assumes office.

Chapter 3 Duties and Authority

Article 8 The Audit Committee shall disclose its functions and powers on the website of The Stock Exchange of Hong Kong Limited and the Company’s website, explaining its role and the authority delegated by the Board of Directors. The major functions and powers of the Committee are:

- (1) To supervise and evaluate the work of the external auditor, conduct an annual review of its performance, and submit a summary report to the Board of Directors on the external auditor’s engagement for the current year; make recommendations to the Board of Directors regarding the appointment, reappointment, dismissal, approval of audit fees and engagement terms of the external auditor, and to handle any matters related to the resignation or dismissal of the external auditor. If the Board of Directors disagrees with the views of the Audit Committee on matters concerning the selection, appointment, resignation, or dismissal of the external auditor, the Company shall disclose in the Corporate Governance Report a statement from the Audit Committee setting out its recommendations, together with the reasons for the Board’s differing opinions;

- (2) To communicate with the external auditor, including reviewing and monitoring, in accordance with applicable standards, the independence and objectivity of the external auditor and the effectiveness of the audit procedures; discuss with the external auditor the nature, scope, methodology, and reporting responsibilities of the audit prior to the commencement of the audit process; negotiate with the external auditor to determine the timetable for the audit of the annual financial report; and supervise the external auditor to ensure the timely submission of the audit report within the agreed timeframe.
- (3) To engage external auditors to provide non-auditing services and formulate policies based on work requirements, and to execute the same. The Audit Committee shall report to the Board of Directors and make recommendations on any matters requiring action or improvement. The “external auditor” shall include any entity that is under common control, management, or common ownership with the external audit firm engaged by the Company, or a third party with reasonable knowledge of all relevant information that would be reasonably considered to be part of the domestic or international practice of the external audit firm engaged by the Company. The Audit Committee shall ensure that the provision of non-audit services by the external auditor does not impair its independence or objectivity. The Audit Committee shall report to the Board of Directors and make recommendations on any matters requiring action or improvement;
- (4) To develop and implement the Company’s policy on engaging an external auditor to supply non-audit services, and to oversee the formulation and implementation of the Company’s internal audit system, and report to the Board of Directors, identifying and making recommendations on any matters where action or improvement is needed; review the Company’s financial information and its disclosure; examine the Company’s accounting policies, financial condition, financial reporting procedures, and financial controls; review the completeness, accuracy, fairness, and truthfulness of the Company’s financial statements and its quarterly reports (if any), interim reports, and annual reports and accounts; and assess the significant judgments related to financial reporting contained in the aforementioned statements and reports. Prior to submitting related statements and reports to the Board of Directors, the following matters shall be reviewed particularly: Any changes in accounting policies, practices, and estimates during the reporting period; areas involving significant judgment; significant adjustments arising from the audit process; the going concern assumption or any qualifications therein; whether the accounting treatments comply with applicable accounting standards and relevant provisions of the Company Law, the Hong Kong Listing Rules, and other applicable laws, administrative regulations, department rules, and normative documents governing financial reporting.

Regarding the key review items specified above, Members of the Audit Committee shall maintain timely communication with the Board of Directors, officers, and internal and external auditors. Members of the Audit Committee shall hold at least two meetings with the external auditor each year, which shall be held in the absence of executive directors (except for those invited by the Audit Committee). Members of the Audit Committee shall investigate significant or unusual matters reflected or required to be reflected in the Company's reports and accounts, and shall give due consideration to any issues raised by the Company's accounting and financial departments, regulatory authorities, compliance officers, or auditors.

- (5) To review the Company's financial controls and policies, internal audit system, internal control system, and risk management system; report to the Board of Directors on matters set out in Article D.3.3 of Appendix C1 Corporate Governance Code to the Hong Kong Listing Rules; to discuss 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 programmes and budget of the issuer's accounting and financial reporting function; to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; (i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the issuer, and to review and monitor its effectiveness; to review the Group's financial and accounting policies and practices; to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response; to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (6) To review and assess the Company's material connected transactions;
- (7) To report on its work to the Board of Directors, including submitting a written report to the Board at least annually on the Committee's activities;
- (8) The Audit Committee shall establish relevant procedures to ensure the impartial and independent investigation and resolution of the following matters:
 1. Receiving and handling complaints concerning the Company's accounting, internal control, or auditing matters, while ensuring their confidentiality;

2. Receiving and handling complaints or anonymous reports from employees regarding potential misconduct in accounting, auditing, internal control, or other matters, while ensuring their confidentiality. Reviewing the procedures for Company employees to confidentially raise concerns regarding potential misconduct in financial reporting, internal controls, or other areas, and guaranteeing that appropriate mechanisms are established to enable the Company to impartially and independently investigate such matters and implement suitable follow-up measures.
- (9) The Audit Committee shall exercise the following functions and powers:
1. Supervising the duty-related actions of the directors and officers, and bringing forward proposals on the removal of any director or officer who violates any law, administrative regulation, the Articles of Association or any resolution of the Shareholders' Meeting;
 2. Demanding corrections when the actions of directors or officers harm the Company's interests;
 3. Proposing to convene extraordinary shareholders' meetings, or convening and presiding over shareholders' meetings when the Board of Directors does not do so as prescribed;
 4. Putting forward proposals to the Shareholders' Meeting;
 5. Bring a lawsuit against the directors and officers in accordance with Article 189 of the Company Law;
 6. Raising inquiries or making recommendations on matters resolved by the Board of Directors; conducting investigations upon detection of abnormal operations within the Company; and, when necessary, engaging accounting firms or other professional institutions to assist in its work, with the associated costs borne by the Company; and
 7. Requiring directors and officers to submit reports on the performance of their duties. Directors and officers shall faithfully furnish relevant information and materials to the Audit Committee, and shall not interfere with the Audit Committee in exercising its functions and powers.
- (10) To make recommendations and ensure that the Board of Directors takes effective remedial measures in the event of the Company's non-compliance with the requirements of the Hong Kong Listing Rules regarding the establishment of an audit committee;

- (11) Other matters delegated by the Company's Board of Directors and other matters specified in applicable national laws and regulations; and
- (12) Other relevant requirements pertaining to the duties and authority of the Audit Committee as stipulated from time to time in the Hong Kong Listing Rules.

Chapter 4 Decision-Making Procedures

Article 9 Heads of the Company's internal audit and financial-related departments shall provide written materials on relevant aspects of the Company to the Audit Committee:

- (1) The Company's relevant financial systems;
- (2) Major internal audit reports and external audit reports;
- (3) Contracts with external auditors, special audit engagements, and related review reports;
- (4) The Company's quarterly, interim, and annual financial reports and relevant interim reports;
- (5) Financial and legal data related to major investment projects;
- (6) Review reports on the Company's material connected transactions; and
- (7) Other relevant matters.

Article 10 The Audit Committee shall review the materials specified in Article 9 and formulate relevant written proposals for submission to the Board of Directors for discussion:

- (1) Evaluation of the external auditor's work, and the appointment or replacement of the external auditor;
- (2) Whether the Company's internal audit system has been effectively implemented and whether the financial reports are comprehensive and truthful;
- (3) Whether the financial reports and other information disclosed by the Company are objective and truthful, and whether material connected transactions comply with relevant laws and regulations;
- (4) Evaluation of the work of the Company's internal audit department, including that of its head; and
- (5) Other relevant matters.

Article 11 During the preparation and disclosure of the Company's annual financial reports, the Audit Committee shall adhere to the following Terms of Reference and procedures:

- (1) Promptly after the end of the fiscal year, coordinate with the external auditor responsible for auditing the Company's financial reports for that year (the "**Annual Audit CPA**") to determine the timetable for the audit work of that fiscal year;
- (2) Supervise the Annual Audit CPA to ensure the submission of the audit report within the agreed timeframe;
- (3) Review the financial accounting statements prepared by the Company before the Annual Audit CPA commences on-site work;
- (4) Review the Company's financial accounting statements after the Annual Audit CPA issues a preliminary audit opinion; and
- (5) Convene a meeting of the Audit Committee to review the financial reports, make recommendations on the reappointment or change of the Annual Audit CPA for the following year, and summarize the work performed by the CPA firm in auditing the Company for the current year, thereby producing a formal report.

Article 12 The Chairman of the Audit Committee or, in their absence, another Member of the Audit Committee (who must be an Independent Non-Executive Director) shall attend the annual Shareholders' Meeting of the Company and respond to shareholders' questions regarding the Audit Committee's activities and responsibilities.

Chapter 5 Rules of Proceedings

Article 13 The meetings of the Audit Committee shall be convened and chaired by its Chairman. A meeting of the Audit Committee shall be held prior to the publication of the Company's interim and annual financial reports, and all Members shall be notified at least three days before the meeting. If the Chairman is unable to attend, any other Member designated by the Chairman shall chair the meeting. The advance notice period may be waived with the unanimous consent of all Members.

Under any of the following circumstances, a Member of the Committee may propose to convene an extraordinary meeting and the Chairman of the Committee shall convene such a meeting within ten days after receiving the proposal:

- (1) When the Board of Directors deems it necessary;
- (2) When the Audit Committee deems it necessary; or
- (3) When proposed by two or more Members.

Article 14 An Audit Committee meeting shall not be held unless attended by more than two-thirds of the Members. Each Member of the Audit Committee shall have one vote. Resolutions adopted at the meeting must be approved by a majority of all Members.

Article 15 Meetings of the Audit Committee shall be conducted by a show of hands or ballot vote. Extraordinary meetings may be held by means of communication-based voting, provided that Members are ensured full opportunity to express their opinions.

Article 16 The Secretary to the Board of Directors shall attend meetings of the Audit Committee. Other directors, supervisors, officers, or Members of the audit working group may be invited to attend when necessary. Non-members of the Audit Committee shall not have voting rights on proposals at the meeting.

Article 17 Members of the Audit Committee and all attendees at its meetings shall maintain confidentiality regarding undisclosed information and shall not use insider information for their own benefit or that of others.

Article 18 Meetings of the Audit Committee shall be attended by its Members in person. If a Member is unable to attend for any reason, he/she may appoint another Member in writing to attend on their behalf. If a Member fails to attend a meeting of the Audit Committee, does not appoint a proxy to attend, and does not submit a written opinion prior to the meeting, he/she shall be deemed to have waived their voting rights for that meeting.

Article 19 If necessary, the Audit Committee may engage external professional institutions to provide advice to support its decision-making, with the associated costs borne by the Company.

Article 20 The procedures for convening meetings, the voting methods, and the resolutions adopted by the Audit Committee must comply with applicable laws and administrative regulations, the Hong Kong Listing Rules, the Company's Articles of Association, and the Terms of Reference.

Article 21 Meetings of the Audit Committee shall be recorded in meeting minutes or memoranda. Members present and the minute-taker shall sign the minutes or memoranda. The meeting minutes shall be kept by the Office of the Board of Directors. The retention period shall be at least ten years.

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

Article 23 If a Member of the Audit Committee has a direct or indirect interest in a matter under discussion, that Member shall abstain from voting.

Chapter 6 Supplementary Provisions

Article 24 In these Terms of Reference, the term “or above” shall be inclusive of the number itself, while the term “lower”, “over” shall be exclusive of the number itself.

Article 25 These Terms of Reference shall become effective and be implemented from the date of the Company’s initial public offering of H Shares and their listing and trading on the Main Board of The Stock Exchange of Hong Kong Limited, following their approval by the Board of Directors.

Article 26 Matters not expressly provided for in these Terms of Reference, or any provision hereof that is inconsistent with national laws, administrative regulations, normative documents, the relevant regulatory rules of the stock exchange where the Company’s shares are listed, or the Company’s Articles of Association as amended through due procedures, shall be governed by the provisions of such applicable laws, administrative regulations, normative documents, regulatory rules, and the Articles of Association. These Terms of Reference shall be promptly amended accordingly.

Article 27 The authority to interpret the Terms of Reference resides with the Company’s Board of Directors.

The Terms of Reference is written in Chinese. If there is any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.