

KML Technology Group Limited
高萌科技集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(the “Company”)
(Stock code: 8065)

Terms of Reference – Risk Management Committee

1. Constitution

The board of directors (the “**Directors**”) of the Company (the “**Board**”) has resolved the establishment of the audit committee of the Company (the “**Committee**”) on 20 September 2017 and has adopted the following terms as the terms of reference for the Committee.

2. Membership

2.1 Members of the Committee shall be appointed by the Board from amongst the Board or any other senior management whom the Board consider appropriate for assuming the function of risk management as required under the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (as amended from time to time)(the “**Listing Rules**”).

2.2 The term of each Committee member shall be the same as his/her term as a Director or an employee of the Company and its subsidiaries (the “**Group**”). Subject to the constitutions of the Company and the applicable laws and regulations, any member of the Committee may be re-appointed by the Board and continue to act as a member of the Committee upon the expiry of his/her term of appointment relating thereof.

2.3 A member of the Committee who ceases to be a member of the Board or an employee of the Group shall immediately and automatically cease to be a member of the Committee.

2.4 The chairman of the Committee (the “**Committee Chairman**”) shall be appointed by the Board from time to time. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

3. Committee Secretary

The company secretary of the Company shall act as the secretary of the Committee (the “**Committee Secretary**”). The Committee may, from time to time, appoint any other person with the appropriate qualification and experience as the Committee Secretary. The Committee Secretary or in his/her absence, his/her representative or any one member of the Committee, shall be the secretary of the meeting.

4. Frequency of Meetings

- 4.1 Meetings shall be held not less than one time a year.
- 4.2 The Committee Chairman shall convene a meeting upon request by any member of the Committee.

5. Conduct of Meetings

- 5.1 Unless specified by these terms of reference, meetings and proceedings of the Committee shall be governed by the Company's articles of association regulating the meetings and proceedings of the Directors.
- 5.2 Unless otherwise waived by all members of the Committee, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee no later than 7 working days before the date of the meeting. Supporting papers shall be sent to the Committee members and to other attendees as appropriate, at the same time.
- 5.3 The quorum of the Committee shall be any two members of the Committee. Meetings could be held in person, by telephone or by video conference. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 5.4 Resolutions of the Committee at any meetings shall be passed by a majority of votes of the members of the Committee present. Subject to compliance with the Listing Rules and the applicable laws and regulations, a resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.
- 5.5 The Committee may invite other members of the Board, senior management or other persons to attend any meetings of the Committee as it considers appropriate to assist the Committee to perform its duties.

6. Authority

- 6.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 6.2 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise at meetings of the Committee if it considers this necessary.

- 6.3 Management of the Company is obliged to supply the Committee with adequate information in a timely manner, in order to enable it to make informed decisions. The information supplied must be complete and reliable. Where a member of the Committee requires more information than information provided voluntarily by the management of the Company, the relevant member of the Committee should make additional necessary enquiries. Each member of the Committee shall have separate and independent access to the management of the Company.
- 6.4 The Committee shall be provided with sufficient resources to perform its duties.

7. Duties

- 7.1 The Committee shall assist the Board to oversee the Company's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the Group's risk management and internal control systems has been conducted at least annually and report to shareholders of the Company that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.
- 7.2 The duties of the Committee shall include, without limitation, the following:

Overseeing of the risk management system

- 7.2.1 to review the Group's risk management system, including risk, capital and liquidity management framework, the Group's risk tolerance capability, its risk policies and standards, and relevant risk limits, including the parameters used and the methodology adopted, and the processes used for identifying and assessing risks;
- 7.2.2 to approve risk policies and standards, referring any new material policies/standards or material changes to existing policies/standards/limits to the Board for approval;
- 7.2.3 to discuss the risk management system with the management and ensure that the management has performed its duties to establish an effective system. The contents to be discussed include the Company's resources for risk management, adequacy of qualifications and experiences of the employees, as well as adequacy of training courses and relevant budgets available to the employees;
- 7.2.4 to review material risk exposures of the Group, including market, credit, insurance, operational, liquidity, and economic and regulatory capital risks against the Group's risk measurement methodologies and management actions to monitor and control such exposures;
- 7.2.5 to review the standard for accurate and timely monitoring of material exposures and certain risk types of critical importance;
- 7.2.6 to review the Group's capability to identify and manage new risk types;

- 7.2.7 to review annually the changes, since the last annual review, in the nature and extent of significant risks (including Environmental, Social and Governance (“ESG”) risks), and the Company’s ability to respond to changes in its business and the external environment;
- 7.2.8 to review annually the scope and quality of management’s ongoing monitoring of risks (including ESG risks) and the internal control systems and where applicable, the work of its internal audit function and other assurance providers;
- 7.2.9 to review annually the effectiveness of the Company’s processes for financial reporting and compliance of the Listing Rules;
- 7.2.10 to review annually the extent and frequency of communication of monitoring results to the board (or board committee(s)) which enables it to assess control of the Company and the effectiveness of risk management;
- 7.2.11 to consider other risk management matters defined by the Board;

Overseeing of risk tolerance capability

- 7.2.12 to receive reports and recommendations from the management on the Group’s attitude to and tolerance of risk, including financial and non-financial risks, and conduct study of results of the report;
- 7.2.13 to oversee the Group’s processes and policies for determining its risk tolerance levels, review the management’s measurement and effectiveness of, and compliance with, the Group’s approved risk tolerance levels, policies and standards, and the resultant action in respect of policy breaches;
- 7.2.14 to review the risks inherent in strategic transactions and business plans and provide the Board with input on the risk/reward tradeoffs implicit within those plans;
- 7.2.15 to review the Group’s capability to identify and manage new risk types;

Governance

- 7.2.16 to conduct a regular review of its performance and terms of reference, and monitor to ensure that the Committee is provided with sufficient resources to perform its duties, and that sufficient training is provided to members on appointment and on an on-going basis to enable the Committee to perform its function effectively and in accordance with the relevant professional standards, and recommend any changes it considers necessary to the Board for approval;

Other duties

- 7.2.17 to consider any other risk management matters, as referred to it from time to time by the Board;

7.2.18 to make any recommendations with respect to any of the above and other matters within its terms of reference as the Committee considers necessary or appropriate;

7.2.19 to oversee any investigation of activities within its terms of reference;

7.2.20 at least once a year, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

8. Reporting procedures

8.1 Full minutes of the Committee's meetings should be recorded and kept by the Committee Secretary and shall be available for inspection at any reasonable time on prior reasonable notice by any Director.

8.2 Draft and final versions of minutes of meetings should be sent to all Committee members for their comments and records, within a reasonable time after such meetings.

8.3 The Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless prohibited by applicable laws and regulations.

9. Terms Available

The Committee shall make available these terms of reference on request and by including them on The Stock Exchange of Hong Kong Limited's website and the Company's website.

Second edition, revised and approved by the Board on 8 February 2023

[The Chinese translation is for reference only. In case of any discrepancies between the Chinese translation and the original English text, the original English text shall prevail.]