

HENG HUP HOLDINGS LIMITED
興合控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(THE “COMPANY”)

**TERMS OF REFERENCE OF THE AUDIT AND RISK COMMITTEE
OF THE BOARD (THE “BOARD”) OF DIRECTORS (THE “DIRECTORS”)
OF THE COMPANY (THE “AUDIT AND RISK COMMITTEE”)**

**Adopted and amended by the Company pursuant to the Board’s resolutions
passed on 14 March 2019 and 22 March 2022**

Purpose

The purpose of the establishment of the Audit and Risk Committee is to assist the Board in fulfilling its oversight responsibilities. This includes to maintain an oversight, and ensure the integrity, of the corporate governance, financial reporting, risk management and internal control, internal audit and external audit, related party transactions, connected transactions and continuing connected transactions and audit reports of the Company and to assess and manage such risks as the Company may be exposed to, including but not limited to the Environment, Social and Governance's ("ESG") risks that can affect Company's long-term business strategy and performance, and the measures taken to mitigate those risks. The Committee acts independently to ensure that the interests of Company's stakeholders are protected in relation to the Company's business and financial reporting, and internal controls.

Membership

1. The Audit and Risk Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three members, all of whom shall be a non-executive director with the majority being the independent non-executive directors.

In this respect, the Board adopts the definition of "independent non-executive director" as set out in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") and any practice notes issued thereto.

2. All members of the Audit and Risk Committee shall be financially literate and be able to understand matters under the purview of the Committee including the financial reporting process.
3. At least one member of the Audit and Risk Committee shall have the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules and any practice notes issued thereto.
4. No alternate director shall be appointed as the member of the Audit and Risk Committee.
5. The term of office and performance of the Audit and Risk Committee and each of its members shall be reviewed by the nomination committee of the Company annually to determine whether the Audit and Risk Committee and its members have carried out their duties in accordance with this Terms of Reference.
6. In the event of any vacancy resulting in the number of members of the Audit and Risk Committee falling below three members, such vacancy must be filled within three months of that event.
7. For engagement of a former key audit partner as member, there is a cooling-off period of at least two years before being appointed as member of the Audit and Risk Committee.
8. Any member of the Audit and Risk Committee with any personal financial interest in any Company matter under consideration by the committee or any potential conflict of interest, shall abstain from voting on such relevant resolutions.

Chairman

1. The chairman of the Audit and Risk Committee shall be appointed by the Board and shall be an independent non-executive director (the “**Chairman**”).
2. The Chairman is responsible for ensuring the overall effectiveness and independence of the Audit and Risk Committee. In particular, the person is responsible for:
 - (a) planning and conducting meetings;
 - (b) overseeing the reporting to the Board;
 - (c) encouraging open discussion during meetings; and
 - (d) developing and maintaining active on-going dialogue with the Chief Executive Officer, the Chief Financial Officer, the other members of management and the external and internal auditors of the Company.
3. The Chairman together with other members should ensure, amongst others, that:
 - (a) the Audit and Risk Committee is fully informed about significant matters related to the Company’s audit and its financial statements and address these matters;
 - (b) the Audit and Risk Committee appropriately communicates its insights, views and concerns about relevant transactions and events to the internal and external auditors;
 - (c) the Audit and Risk Committee’s concerns on matters that may have an effect on the financial audit of the Company are communicated to the external auditors; and
 - (d) there is co-ordination between internal and external auditors.

Notice of meetings

1. Unless otherwise agreed by all the Audit and Risk Committee members, a meeting shall be convened by at least 7 days’ notice.
2. Notice of meeting shall be given to each Audit and Risk Committee member in person verbally or in writing or by telephone or by facsimile transmission or email at numbers or addresses from time to time notified to the company secretary of the Company by such Audit and Risk Committee member or in such other manner as the Audit and Risk Committee members may from time to time determine.
3. Any notice given verbally shall be followed by confirmation in writing before the meeting.
4. Unless otherwise agreed, notice of each meeting confirming venue, time and date, together with an agenda of items to be discussed shall be forwarded to each member of the committee and to any other person required to attend no later than 3 working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time.

Attendance at meetings

1. The quorum for any meeting shall be two members of the Audit and Risk Committee.
2. The members of the Audit and Risk Committee may participate in a meeting from separate locations by means of telephone or video conferencing or other electronic communication equipment which allows those participating to hear or see each other, and shall be entitled to vote or be counted in the quorum accordingly.
3. The Company Secretary of the Company or his/her delegee shall act as secretary to the committee.
4. Resolutions of the Audit and Risk Committee at any meeting shall be passed by a majority of votes of members if more than two members are present and by a unanimous vote if only two members are present.

Frequency of meetings

The Audit and Risk Committee may meet together for dispatch of business, adjourn and otherwise regulate the meetings quarterly or more frequent as deemed necessary, but shall not be less than two times a year, and normally will be attended by the Chief Financial Officer (and the head of the internal audit, if any). The presence of the external auditors will be requested if required.

Minutes of meetings

1. The Company Secretary of the Company shall record, prepare and circulate the minutes of the meetings of the Audit and Risk Committee and ensure that the minutes are properly kept and produced for inspection if required.
2. The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.
3. Without prejudice to any requirement of the Listing Rules, written resolution may be passed and adopted when all members of the Audit and Risk Committee have signified their agreements on the same.

Delegated Authority

1. The Audit and Risk Committee is a sub-committee of the Board and shall have delegated authority to:
 - a. approve the external audit terms of engagement and the scope of their annual plan;
 - b. implement the external audit tender and selection process;
 - c. seek any necessary external professional advice at Company's expense; and
 - d. investigate any matter within this Terms of Reference.

Duties and responsibilities

1. The duties and responsibilities of the Audit and Risk Committee shall be:

Corporate Governance

- a. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- b. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- c. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- d. to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

Environmental, Social and Governance (ESG)

- a. to ensure sufficient oversight of Company's ESG strategy, in order to improve long-term value for all stakeholders and shareholders of the Company; and
- b. to monitor the disclosures of the ESG as per the requirement of the Rules Governing the Listing of Securities on the Stock Exchange.

Financial Reporting

- a. To review the quarterly and annual financial statements of the Group prepared by the management, where necessary, together with the external auditor, focusing particularly on:
 - Any significant changes to accounting policies and practices;
 - Areas involving significant judgement, estimation or uncertainty and the provisions in the financial statements;
 - Compliance with accounting standards and other legal requirements;
 - Going concern assumption; and
 - Compliance with accounting standards and other legal requirements.

Risk Management and Internal Control

- a. To consider the effectiveness of the internal control system and risk management framework adopted within the Group and to be satisfied that the methodology employed allows identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner that will allow the Company to mitigate losses and maximize opportunities;
- b. To assess processes and procedures to ensure compliance with all laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies;
- c. To ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored;
- d. To cause reviews to be made of the extent of compliance with established internal policies, standards, plans and procedures;
- e. To obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the Group; and
- f. To report to the Board any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

Internal Audit

The Audit and Risk Committee shall be responsible for the following functions:

To review the effectiveness of internal audit function, including the ability, competency and qualification of the internal audit team and/or outsourced internal auditors (if any) to perform its duties;

- a. To review the adequacy of the scope, functions competency and resources, and that it has the necessary authority to carry out its work;
- b. To review and approve the internal audit plan and the internal audit report and, where necessary, ensure that appropriate actions are taken on the recommendations made by the internal audit function;
- c. To receive and review on a regular basis the reports, findings and recommendations of the internal audit team and/or outsourced internal auditors and to ensure that appropriate actions have been taken to implement the audit recommendations;

- d. To ensure the internal audit team and/or outsourced internal auditors has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties;
- e. To review any matters concerning the employment or appointment (and re-appointment) of the in-house and/or the outsourced internal auditors (as the case may be) and the reasons for resignation or termination of either party;
- f. to establish a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence, with the Audit and Risk Committee about possible improprieties in any matter related to the Company;
- g. to formulate, review and update, as appropriate, the policy(ies) and systems that promote and support anti-corruption laws and regulations; and
- h. To request and review any special audit which the Committee deems necessary.

External Audit

The Audit and Risk Committee shall be responsible for the following functions:

- a. To review the external auditors' audit plan, nature and scope of the audit plan, audit report, evaluation of internal controls and co-ordination of the external auditors;
- b. To review the annual performance assessment, including the suitability and independence of the external auditors and make recommendations to the Board, the appointment or re-appointment of the external auditors;
- c. Establish policies and procedures to assess the performance, suitability, objectivity and independence of external auditors that considers, among others:
 - The competence, audit quality and resource capacity of the external auditor in relation to the audit;
 - The nature and extent of the non-audit services rendered and appropriateness of the level of fees; and
 - Obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The assessment on the suitability, objectivity and independence of the external auditors should be conducted annually.

- a. To review any matters arising concerning the appointment and re-appointment, audit fee and any questions of resignation or dismissal of the external auditors;
- b. To review the external auditor's audit report, and management letter and management's response to the management letter;
- c. To review the external auditors' findings arising from audits, particularly any comments and responses in audit recommendations as well as the assistance given by the employees of the Company and its subsidiaries (collectively known as the "Group") in order to be satisfied that appropriate action is being taken; and
- d. To review with the external auditors for the Statement on Risk Management and Internal Control of the Group for inclusion in the Annual Report.

Related Party Transactions/Connected Transactions/Continuing Connected Transactions

- a. To review any related party transactions/connected transactions/continuing connected transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

Audit Reports

The Audit and Risk Committee shall be responsible for the following functions:

- a. Internal and external audit reports together with management's responses to ensure that appropriate and prompt remedial action is taken by the management on major deficiencies in controls or procedures that are identified, including status of previous audit recommendations; and
- b. Findings of internal investigations and related management responses.

Publication of the terms of reference of the Audit and Risk Committee

This Terms of Reference will be posted on the websites of the Company and the Stock Exchange, and will be made available upon request.

Other matters

1. The Audit and Risk Committee shall arrange for periodic reviews of its own performance and, at least annually, review its terms of reference to ensure that it is operating effectively and recommend to the Board any changes it considers necessary.
2. The Board may, subject to compliance with the articles of association of the Company amend, supplement and revoke this Terms of Reference and any resolution passed by the Audit and Risk Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Audit and Risk Committee shall invalidate any prior act and resolution of the Audit and Risk Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.
3. The adoption of, and amendments to, these terms of reference of the Audit and Risk Committee require the approval of the Board to be effective.

Note: If there is any inconsistency between the English and Chinese versions of these terms of reference, the English version shall prevail.

(Adopted and amended by the Company pursuant to the Board's resolutions passed on 14 March 2019 and 22 March 2022.)