YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED
裕元工業（集團）有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 00551)

TERMS OF REFERENCE
OF
AUDIT AND RISK MANAGEMENT COMMITTEE

The board (the "Board") of directors (the "Director(s)") of Yue Yuen Industrial (Holdings) Limited (the "Company", together with its subsidiaries, the "Group") resolved to establish an audit committee (the "Committee") on January 28, 1999 and adopted the terms of reference for the Committee. On August 11, 2025, the Board has resolved to rename the Committee as the audit and risk management committee with authority, responsibilities, and specific duties as described below.

Membership

The members of the Committee shall be appointed by the Board. It shall consist of not less than three (3) members appointed from amongst the non-executive Directors, at least one (1) of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The majority of the Committee members must be independent non-executive Directors, who shall meet and maintain the independence requirements from time to time as stipulated under Rule 3.13 of the Listing Rules. The chairman of the Committee (the "Chairman") shall be appointed by the Board and must be an independent non-executive Director.

Former partners of the Company's existing auditing firm are prohibited from acting as a member of the Committee for a period of two (2) years from the date of the person ceasing: (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.

Authority

The Committee is granted the authority by the Board to investigate any activity within its terms of reference and all employees are directed to cooperate as requested by members of the Committee. The Committee is authorised by the Board to obtain outside legal or other independent professional advice as necessary to assist the Committee to perform its responsibilities.

The Committee shall report to the Board any suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention.

**For identification purpose only*

Meetings and Attendance

The Committee should meet not less than twice (2) per year. Additional meetings should be held as the work of the Committee demands.

As necessary and desirable, the Chairman may request that members of management, the head of internal audit and representatives of the external auditor be present at meetings of the Committee. The external auditor shall be invited to attend at least two (2) of the meetings held in a year. Other Board members shall also have the right of attendance. The Committee will have a separate session with the external auditor at least once (1) a year without the presence of the executive Director(s) and management, if so wished by the external auditor.

The company secretary of the Company ("Company Secretary") shall be the secretary of the Committee.

Quorum and Proceedings

A quorum shall be two (2) members and one (1) of them must be an independent non-executive Director. The Chairman shall be responsible for leading the Committee, including scheduling meetings, preparing agendas and making regular reports to the Board.

Unless waived by all members of the Committee on the notice, the duly appointed secretary of the meeting (who should normally be the Company Secretary) shall give seven (7) days (or if agreeable by all members of the Committee, any shorter period) prior notice to the members in writing or verbally or by electronic means for any meeting to be convened and circulate the meeting agenda to the members.

With the consent of all members, resolutions of the Committee can be passed as written resolutions.

Any resolution shall be passed by majority votes of the members of the Committee.

Proceedings of the meetings shall be governed by the provisions of the Bye-laws of the Company unless otherwise specified herein.

Minutes

Full minutes of the Committee meetings should record in sufficient detail the matters considered and decisions reached, including any concerns raised by members of the Committee or dissenting views expressed and should be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary).

Draft and final versions of minutes of the meetings should be sent to all members of the Committee for their comment and records within a reasonable time after the meeting.

Final version of the minutes of the meetings should be sent to all members of the Board as soon as practicable after such minutes have been prepared and finalised. The minutes should be opened for inspection at any reasonable time on reasonable notice by any Director.

Annual General Meeting

The Chairman, or in his absence, another member of the Committee, or failing this his duly appointed delegate shall attend the annual general meeting of the Company and respond to questions from the shareholders of the Company on the Committee's activities at the meetings.

Responsibility

The Committee is to serve as a focal point for communication between other Directors, the external auditors, the internal auditors and the Company's management as their duties relate to financial and other reporting, risk management, internal controls, and the external and internal audits (including any other matters as the Board may deem necessary). The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, by satisfying themselves as to the effectiveness of the Group's risk management and internal controls and as to the sufficiency of the external and internal audits as well as environmental, social and governance.

Specific Duties

1. Relationship with the Company's Auditors

   The Committee is:

   (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

   (b) 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 review and discuss with the auditor the nature and scope of the audit (including the engagement letter) and reporting obligations before the audit commences. The Committee's review should include an understanding from the external auditors of the factors considered by them in determining their audit scope. The external auditors' fee is to be negotiated with management, and annually analysed for the Committee's review;

   (c) to develop and implement policy on engaging 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 should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

   (d) to consider the performance of the external auditor;

(e) to review with the Company’s management, external auditor and internal auditor, the adequacy of the Company’s policies and procedures regarding risk management and internal control systems;

(f) to evaluate the cooperation received by the external auditor including the factors below:

   (i) the access to all requested records, data and information;

   (ii) obtain the comments of management regarding the responsiveness of the external auditors to the Company’s needs;

   (iii) whether there have been any disagreements between the external auditor and the management (which if not satisfactorily resolved would result in the issue of a qualified report on the Company’s financial statements);

(g) to discuss with the external auditor any relevant recommendations arising from audit. Review the draft management letter including management’s responses to the points raised;

(h) to review the scope and results of internal audit procedures;

(i) to discuss with management the scope and quality of risk management and internal control systems; and

(j) to act as key representative body for overseeing the Company’s relations with the external auditor.

2. Review of Financial Information of the Company

The Committee is:

(a) to have familiarity, through the individual efforts of the Committee’s members, with the financial reporting principles and practices applied by the Company in preparing its financial statements;

(b) to monitor 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 judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:-

   (i) any changes in accounting policies and practices;

   (ii) major judgmental areas;

   (iii) significant adjustments resulting from audit;

   (iv) the going concern assumptions and any qualifications;

   (v) compliance with accounting standards; and

   (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(c) Regarding 2(b) above:-

(i) members of the Committee should liaise with the Board and senior management; and

(ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's employees responsible for the accounting and financial reporting function, compliance officer or auditors.

3. Oversight of the Company's Financial Reporting System, Risk Management and Internal Control Systems

The Committee is:

(a) 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;

(b) to discuss the risk management and internal control systems with the 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 Company's accounting and financial reporting function. The discussion should also cover all material controls, including financial, operational and compliance controls, and should, in particular, consider:

(i) 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;

(ii) the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;

(iii) the extent and frequency of communication of monitoring results to the board (or board committee(s)) for the purposes of assessing the adequacy and the effectiveness of the Company's risk management and internal control systems;

(iv) significant control failings or weaknesses identified during the review of the risk management and internal control systems, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition, and any remedial measures taken to address such control failings or weaknesses;

(v) the effectiveness of the Company's processes for financial reporting and Listing Rules compliance; and

(vi) the adequacy of resources (internal and external) for designing, implementing and monitoring the risk management and internal control systems, including staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, and financial reporting functions, as well as those relating to the Company's ESG performance and reporting.

(c) 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;

(d) 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 Company, and to review and monitor its effectiveness;

(e) to review the Group's financial and accounting policies and practices;

(f) 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;

(g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(h) to report to the Board on the matters in the code provisions in the Corporate Governance Code set out in Appendix C1 to the Listing Rules (and as amended from time to time) and set out in this terms of reference;

(i) to consider other topics, as defined by the Board; and

(j) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

4. Oversight of the Company's ESG matters

The Committee is:

(a) to review and oversee the implementation and results of the ESG policies and code to ensure that they are consistent with the management principles and governance framework for ESG issues, and make recommendations to the Board;

(b) to review the recommendation from ESG Taskforce regarding (i) the environmental and climate objectives; (ii) the appropriate adjustments in accordance with the Group's development strategy and external environment; and (iii) the setting of its objectives and implement the action plan to achieve its objectives, and make recommendations to the Board; and

(c) to review the Company’s annual ESG Report and the disclosures of other related information to ensure proper disclosure and compliance with the Listing Rules and make recommendations to the Board.

5. Others

(a) apprise the Board of significant developments in the course of performing the above duties;

(b) recommend to the Board any appropriate extensions or changes in the duties of the Committee;

(c) report to the Board on a regular basis. At least annually, the Committee should present a report to the Board which addresses the work and findings of the Committee during the year; and

(d) be provided with sufficient resources to perform its duties.

(Revised on August 11, 2025)

(The English version shall always prevail in case of any discrepancies or inconsistencies between the English version and its Chinese translation of these terms of reference.)