



Prinx Chengshan Holdings Limited

浦林成山控股有限公司

(incorporated under the laws of Cayman Islands with limited liability)

(Stock Code: 1809)

Audit and Risk Management Committee

Terms of Reference

Effective date of these terms of reference:

effective on 9 October 2018;

firstly amended on 31 December 2018;

and secondly amended on 30 March 2026

Preamble

1. Prinx Chengshan Holdings Limited (the “**Company**”) was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**HKEx**”) on 9 October 2018.

In compliance with the code of provision of the Corporate Governance Codes issued by the HKEx, an Audit and Risk Management Committee (the “**Audit and Risk Management Committee**”) needs to be established with the terms of reference as set out and adopted herein.

Constitution

2. The Audit Committee was established by resolutions of the board of directors of the Company (the “**Board**”, and each director of the Board, a “**Director**”) on 10 September 2018. It was renamed the Audit and Risk Management Committee by resolutions of the Board of the Company on 30 March 2026.

Membership

3. The members of the Audit and Risk Management Committee shall be appointed by the Board from amongst the non-executive Directors only and shall consist of not less than three members, at least one 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**”). A majority of whom should be independent non-executive Directors. The quorum of an Audit and Risk Management Committee meeting shall be any two members of the Audit and Risk Management Committee one of whom must be independent non-executive Director.
4. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit and Risk Management Committee for a period of two years from the date of his ceasing:
 - (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm, whichever is the later.
5. The chairman of the Audit and Risk Management Committee shall be appointed by the Board and should be an independent non-executive Director.

6. The term of office of a member of the Audit and Risk Management Committee shall be determined by the Board.

Attendance at meetings

7. The chief financial officer, financial controller, the head of internal audit (if any) of the Company and representatives of the external auditors shall normally attend meetings. However, at least once a year the Audit and Risk Management Committee shall meet with the external and internal auditors without the executive Directors present.

Frequency and procedure of meetings

8. Unless otherwise stated herein, the meetings of the Audit and Risk Management Committee are governed by the provisions regulating the meetings and proceedings of Directors in the Company's articles of association.
9. Meetings shall be held not less than twice a year or more frequently if the Audit and Risk Management Committee determines it to be necessary. The external auditors may request a meeting if they consider that one is necessary. Meetings may be conducted by way of telephone or other electronic means.
10. The secretary of the Audit and Risk Management Committee shall be the company secretary of the Company or her appointed delegate.
11. An agenda and any accompanying Committee papers should be sent in full to all members of the Audit and Risk Management Committee in a timely manner and at least three days before the proposed date of a meeting of the Audit and Risk Management Committee (or other agreed period).
12. The Company is obliged to supply the members of the Audit Committee with adequate information, in a timely manner, in order to enable them to make informed decisions. Where more detailed and complete information is requested from the senior management, the respective Director shall make further inquiries if needed. The Board or individual director(s) could contact the senior management individually and independently.

Annual General Meeting

13. The chairman of the Audit and Risk Management Committee shall attend the Company's annual general meeting and be prepared to respond to any shareholder's questions on the Audit and Risk Management Committee's activities.

14. If the chairman of the Audit and Risk Management Committee is unable to attend an annual general meeting of the Company, he shall arrange for another member of the Audit and Risk Management Committee, or failing this, his duly appointed delegate, to attend in his place. Such person shall be prepared to respond to any shareholder's questions on the Audit and Risk Management Committee's activities.

Authority

15. The Audit and Risk Management Committee is authorized by the Board to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Audit and Risk Management Committee. It is also authorised by the Board to investigate any activity mentioned in these terms of reference or otherwise affecting the integrity of the Company.
16. The Audit and Risk Management Committee is authorized by the Board to obtain outside independent professional advice, at the Company's expense, and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Audit and Risk Management Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external auditors who advise the Audit and Risk Management Committee.
17. The Audit and Risk Management Committee is authorized by the Board to review the effectiveness of the Company's and its subsidiaries' internal control systems, covering all material controls, including financial, operational and compliance controls and risk management functions including financial, business, operational and other risks of the Company and its subsidiaries to undertake any related investigations.

Duties

18. The duties of the Audit and Risk Management Committee shall include:

18.1 Relationship with the Company's auditors

- 18.1.1 making recommendations to the Board on the appointment, reappointment and/or removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal of that auditor;

- 18.1.2 reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- 18.1.3 developing and implementing policy on the engagement of an external auditor to supply non-audit services, and to report to the Board, identifying and making recommendations on any matters requiring action or improvement;
- 18.1.4 discussing with the external auditor before the audit commences, the nature and scope of the audit, and ensuring co-ordination where more than one audit firm is involved; meeting with the external auditor at least once a year, without the presence of executive management, to discuss their terms of reference and any issues arising from the audit;
- 18.1.5 discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss;
- 18.1.6 reviewing the external auditor's management letter, any material queries raised by the auditor to senior management regarding accounting records, financial accounts or control systems, and senior management's response;
- 18.1.7 ensuring that the Board provides a timely response to the issues raised in the external auditor's management letter;
- 18.1.8 acting as the key representative body for overseeing the Company's relations with the external auditor and being responsible for monitoring the relationship between them;

18.2 Review of financial information of the Company

- 18.2.1 monitoring the integrity of financial statements, annual reports and accounts, interim reports and, if prepared for publication, quarterly reports, and to review significant opinions contained in them. In reviewing these reports and before submission to the Board, the Audit and Risk Management 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 any requirements from the HKEx, including but not limited to the Listing Rules and other legal requirements in relation to financial reporting;
- (vii) consider the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;

18.2.2 in regard to 18.2.1 above:

- (i) liaising with the Board, chief financial officer, financial controller and the person appointed as the Company's external auditor;
- (ii) meeting, at least twice a year, with the Company's auditors;
- (iii) considering any significant or unusual items that are, or may need to be, reflected in such financial statements, reports and accounts and giving due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditors;

18.3 Oversight of the Company's risk management, financial reporting system and internal control procedures

18.3.1 continuously reviewing and monitoring the Company's financial control, internal control and risk management systems; and ensuring that a review of the effectiveness of the risk management and internal control systems of the Company and its subsidiaries is conducted at least annually. Such review shall cover all material controls, including financial, operational and compliance controls, and shall, in particular, include:

- (i) discussing the risk management and internal control systems with senior management to ensure that senior management has performed its duty to establish and maintain effective internal control system;

- (ii) monitoring the scope and quality of the risk and internal control systems, and the work of the internal audit function and other assurance providers by the management on a going basis;
- (iii) identifying and reviewing sustainability-related risks and opportunities that have a potential material impact on the Company, and reporting to the Board;
- (iv) reporting the extent and frequency of monitoring results to the Board (or a committee thereof) to enable the Board to assess the adequacy and effectiveness of the issuer's risk management and internal control systems;
- (v) reviewing the significant control failings or weaknesses identified during 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 issuer's financial performance or condition, and any measures taken to address such control failings or weaknesses;
- (vi) changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
- (vii) the adequacy of the issuer's internal and external resources (including staff qualifications and experience, and training programs) for designing, implementing and monitoring the risk management and internal control systems;
- (viii) considering the findings of major investigations on risk management and internal control matters as delegated by the Board or on its own initiative and the senior management's response to those findings;

18.4 Oversight of the Company's corporate governance functions

18.4.1 reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

18.4.2 reviewing and monitoring the training and continuous professional development of Directors and senior management;

18.4.3 developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors;

18.4.4 developing and reviewing the Company's policies and practices on corporate governance, including policies and practices on bribery, corruption and whistleblowing, to ensure their relevance and effectiveness, and making recommendations to the Board and report to the Board on matters;

18.4.5 reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;

18.4.6 reviewing and monitoring the Company's compliance with the Company's whistleblowing policy; and

18.4.7 considering any other topics, as determined by the Board.

18.5 Risk appetite, tolerance and enterprise risk management framework and policies

18.5.1 reviewing the Group's overall risk appetite and tolerance and making recommendations to the Board;

18.5.2 reviewing the Group's enterprise risk management framework and related policies, and making recommendations to the Board on any material changes to the policies;

18.5.3 reviewing and evaluating the effectiveness of the Group's risk monitoring and mitigation tools, modes and methods, including but not limited to the Group's enterprise risk management framework, risk management-related internal audit function, and business continuity and contingency plans;

18.6 Internal audit function

18.6.1 monitoring and reviewing the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;

18.6.2 considering and approving the terms of reference of the internal audit function, and ensuring that it is provided with sufficient resources and has access to appropriate information to enable it to perform its function effectively and in accordance with relevant professional standards. The Committee shall also ensure that the function has adequate standing and is free from management or other restrictions;

18.6.3 reviewing and evaluating the annual internal audit plan;

18.6.4 promptly reviewing all reports on the Company from the internal audit function;

18.6.5 reviewing and monitoring executive management's responsiveness to the findings and recommendations of the internal audit function;

18.6.6 reviewing with management and the Company's independent auditors the adequacy and effectiveness of the Company's internal controls over financial reporting and disclosure controls and procedures; and

18.6.7 reporting to the Board on the matters set out in these terms of references.

18.7 Whistleblowing

The Committee shall establish procedures for:

18.7.1 the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;

18.7.2 the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

18.7.3 the documentation and testing of key internal controls over financial reporting required to give assurance that the internal control system is operating effectively, sufficient to allow management to make any required certifications pursuant to the Sarbanes-Oxley Act and the rules and regulations thereunder;

18.7.4 The Committee shall review the whistleblowing policy for employees of the Company and persons who deal with the Company to raise concerns, in confidence and anonymity, about possible improprieties in any matter related to the Company, including but not limited to improprieties in financial reporting and internal control. The Committee shall ensure that such arrangements allow for the proportionate and independent investigation of such matters and appropriate follow-up action.

Other functions authorized by the Board

19. Oversight of the Company's continuing connected transaction

The Audit and Risk Management Committee has the following functions to safeguard the annual review of the continuing connected transactions:

- 19.1 hold meetings every six months to review the reports on continuing connected transactions;
- 19.2 power to request further information with respect to our Group's continuing connected transactions to be provided by the senior management of our Company as it deems to be appropriate for its review;
- 19.3 authority to appoint any financial or legal advisor as the Audit and Risk Management Committee considers necessary for its review; decision-making in relation to the continuance or discontinuance of any of our Group's continuing connected transactions in accordance with the results of its review;
- 19.4 the Committee's approval being a condition precedent to the convening of a Board meeting to approve any new continuing connected transactions or the renewal of any continuing connected transactions, as the case may be; formation of its own opinion regarding the enforcement of the continuing connected transaction agreements and disclosure of such opinion in our Company's annual report for each financial year;
- 19.5 initiation of legal proceedings against the respective connected persons in the event any of the connected transaction agreements has been materially breached; and
- 19.6 the power to require alterations, modifications or changes to the terms of the continuing connected transactions in whatever manner as our Independent Non-executive Directors see fit to ensure all connected transactions are carried out on an arm's length basis.

Post-audit review activities

20. In connection with or following the completion of its review of the external audit and internal audit, the Audit Committee or its chairman may in their discretion meet with the external auditor, internal auditors, chief financial officer or financial controller to discuss any changes required in the audit plans for future periods and any other appropriate matters regarding the audit process.

Failure to reach an agreement regarding external auditors

21. Where the Board has taken a different view from the Audit and Risk Management Committee regarding the selection, appointment, resignation or dismissal of the external auditors, the Audit and Risk Management Committee shall submit a statement to the Company explaining its recommendation, which statement will be disclosed by the Company in accordance with the applicable provisions of the Listing Rules and the Corporate Governance Code.

Reporting procedures

22. Full minutes of the Audit and Risk Management Committee's meetings should be kept by the secretary of the Audit and Risk Management Committee. The minutes shall be available for inspection at any reasonable time on reasonable notice by any Director.
23. Minutes of meetings of the Audit and Risk Management Committee should record in sufficient detail the matters considered by the Audit and Risk Management Committee and decisions reached, including any concerns raised by the Directors, members or dissenting views expressed. Draft and final versions of minutes of such meetings should be sent to all members of the Audit and Risk Management Committee for their comment and records respectively, in both cases within a reasonable time after such meetings.
24. Without prejudice to the generality of the duties of the Audit and Risk Management Committee set out above, the Audit and Risk Management Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on doing so.

Provision of terms of reference

25. The Audit and Risk Management Committee should provide these terms of reference upon request and upload it to the HKEx's website and the Company's website to explain the duties of the Audit and Risk Management Committee and the authority the Board has granted to it.

Approval of disclosure statements

26. The Audit and Risk Management Committee shall be responsible for approving all disclosure statements in relation to the Audit and Risk Management Committee, including but not limited to relevant disclosure statements in annual reports, interim reports and information uploaded on the HKEx's website and the Company's website.

Review of terms

27. The Audit and Risk Management Committee shall review these terms of references annually, and may consider and submit to the Board any proposed changes that the Audit and Risk Management Committee deems appropriate or advisable.