

Guangdong Huayan Robotics Co., Ltd.

Terms of Reference of the Audit Committee of the Board of Directors

CHAPTER I GENERAL PROVISIONS

Article 1 In order to regulate the rules of procedure of the Audit Committee of the Board of Directors of Guangdong Huayan Robotics Co., Ltd. (hereinafter referred to as the “**Company**”), and to fully protect the legitimate rights and interests of the Company and the shareholders of the Company, according to the *Company Law of the People’s Republic of China* (hereinafter referred to as the “**Company Law**”), the *Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies*, the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (hereinafter referred to as the “**Hong Kong Listing Rules**”) and other relevant laws, administrative regulations, departmental rules, normative documents, and the provisions of the *Articles of Association of Guangdong Huayan Robotics Co., Ltd.* (hereinafter referred to as the “**Articles of Association**”) and the *Rules of Procedure for the Board of Directors of Guangdong Huayan Robotics Co., Ltd.*, combined with the actual situation of the Company, these terms of reference are formulated.

Article 2 The Audit Committee is responsible for proposing the engagement or replacement of the external audit institution; responsible for the coordination between internal audit and external audit; reviewing the financial information of the Company and its disclosure; supervising and evaluating the internal and external audit work and the internal control and financial reporting processes of the Company, as well as exercising the functions and powers of the board of supervisors stipulated in the *Company Law*.

CHAPTER II COMPOSITION OF THE AUDIT COMMITTEE

Article 3 The Audit Committee shall consist of 3 non-executive directors of the Company, of which independent non-executive directors shall constitute the majority, and at least 1 independent non-executive director shall be a person who possesses appropriate professional qualifications, or possesses appropriate accounting or related financial management expertise as stipulated in Rule 3.10(2) of the *Hong Kong Listing Rules*.

Article 4 The Audit Committee shall have one chairman of the committee, who must be served by an independent non-executive director member and shall be responsible for presiding over the work of the committee. The chairman of the committee shall be elected within the committee, and shall be generated subject to approval reported to the Board of Directors.

Article 5 The term of office of the members of the Audit Committee shall be identical to the term of office of the directors. Upon the expiration of the term of office, a member may be re-elected and re-appointed. If, during the period, a member no longer serves as a director of the Company or is no longer suitable to serve as a member (for instance, a member who should hold the status of an independent non-executive director no longer satisfies the requirements regarding independence under the *Hong Kong Listing Rules*), he or she shall automatically lose his or her qualifications as a member, and the Board of Directors shall make up the shortfall in the number of members within three months in accordance with the provisions of the above Articles 4 to 6 and the *Articles of Association*.

Article 6 The provisions of the *Company Law* and the *Articles of Association* regarding the obligations of directors shall apply to the members of the Audit Committee.

CHAPTER III DUTIES OF THE AUDIT COMMITTEE

Article 7 The specific duties of the Audit Committee:

(I) Relationship with the external audit institution of the Company

1. To propose the engagement, re-engagement, removal or replacement of the external audit institution and to provide recommendations to the Board of Directors on such matters, to approve the remuneration and terms of engagement of the external audit institution, and to handle any issues concerning the resignation of such external audit institution or the dismissal of such external audit institution;
2. To review and monitor whether the external audit institution is independent and objective and whether the audit process is effective in accordance with applicable standards; the Audit Committee should discuss the nature and scope of the audit and the relevant reporting obligations with the external audit institution before the audit work commences;
3. To develop policies on the provision of non-audit services by the external audit institution, and to implement the same. For the purpose of this provision, the external audit institution includes any institution that is under the same control, ownership or management as the company responsible for the audit, or any institution that a reasonable third party possessing all relevant information would reasonably conclude to be a part of the local or international business of the external audit institution responsible for the audit. The Audit Committee should report to the Board of Directors and make recommendations on any matters where action or improvement is necessary;
4. To act as the representative between the Company and the external audit institution, responsible for monitoring the relationship between the two;

(II) Review of the Company's financial information

1. To monitor the integrity of the Company's financial statements as well as annual reports and accounts, semi-annual reports and quarterly reports (if any), and to review significant opinions regarding financial reporting contained in the statements and reports. Before submitting the relevant statements and reports to the Board of Directors, the committee should specifically review the following matters:
 - (1) any changes in accounting policies and practices;
 - (2) areas involving significant judgment;
 - (3) significant adjustments resulting from the audit;
 - (4) the going concern assumptions and any qualified opinions;
 - (5) whether accounting standards have been complied with; and
 - (6) whether the Hong Kong Listing Rules and legal requirements concerning financial reporting have been complied with;

2. Regarding item 1 above:

- (1) members of the committee should communicate with the Board of Directors and senior management. The committee must meet at least twice a year with the external audit institution of the Company; and
- (2) the committee should consider any significant or unusual matters that are, or may need to be, reflected in such reports and accounts, and should give due consideration to any matters raised by the Company's accounting and financial reporting staff, compliance officers or external audit institution;

(III) Supervision of the Company's financial reporting, risk management and internal control systems

1. To review and evaluate the Company's risk management system, financial controls, risk management and internal control systems;
2. To discuss the risk management and internal control systems with the management to ensure that the management has fulfilled its duties in establishing effective systems. The content of the discussion should include whether the Company has adequate resources, staff qualifications and experience in accounting and financial reporting functions, and whether the training courses received by the staff and the relevant budgets are sufficient;
3. To proactively, or upon delegation by the Board of Directors, conduct research on major investigation findings relating to risk management and internal control matters and the management's response to such investigation findings;
4. To ensure that the work of the internal audit institution and the external audit institution is coordinated; to ensure that the internal audit institution has sufficient resources to operate within the Company and holds an appropriate standing; and to review and monitor its effectiveness;
5. To review the Group's financial and accounting policies and practices;
6. To review the Audit Explanation Letter provided by the external audit institution to the management, any significant queries raised by the external audit institution to the management regarding accounting records, financial accounts or control systems, and the responses made by the management;
7. To ensure that the Board of Directors provides a timely response to the issues raised in the Audit Explanation Letter provided by the external audit institution to the management;
8. To report to the Board of Directors on the matters set out above and other matters set out in Code Provision D.3.3 of Appendix C1 to the Hong Kong Listing Rules (and any subsequent amendments thereto);
9. To study other topics defined by the Board of Directors;

10. To review the following arrangements established by the Company: employees of the Company can, in confidence, raise concerns about possible improprieties in financial reporting, internal controls or other matters. The Audit Committee should ensure that appropriate arrangements are in place to allow the Company to conduct fair and independent investigations into such matters and take appropriate actions;

(IV) Other

1. Other duties stipulated in the *Articles of Association*;
2. Laws, regulations, securities regulatory rules of the place where the Company's shares are listed, and other relevant matters authorized by the Board of Directors;
3. The Company should provide the Audit Committee with sufficient resources to enable it to perform its duties.

Article 8 The duties of the Audit Committee in evaluating the effectiveness of internal control shall include the following aspects:

- (I) To evaluate the appropriateness of the design of the Company's internal control system, and to evaluate the Company's financial controls as well as the Company's risk management system;
- (II) To review the internal control self-evaluation report and/or the internal control audit report issued by the external audit institution, and to communicate with the external audit institution regarding the problems discovered and the improvement methods;
- (III) To evaluate the results of the internal control evaluation and audit, and to urge the rectification of internal control defects; to discuss the risk management and internal control systems with the management to ensure that the management has fulfilled its duties.

Article 9 The main duties and authorities of the chairman of the Audit Committee are as follows:

- (I) To convene and preside over the meetings of the Audit Committee;
- (II) To supervise and inspect the execution of the resolutions of the Audit Committee meetings;
- (III) To sign important documents of the Audit Committee;
- (IV) To report work to the Board of Directors of the Company on a regular basis;
- (V) Other functions and powers granted by the Board of Directors.

Article 10 The Audit Committee shall report to the Board of Directors on any measures or improvements it considers necessary to be taken, and shall provide recommendations.

Article 11 When necessary for the execution of its affairs, the Audit Committee has the right to engage independent consulting advisors, legal advisors and other advisors. The Company must provide financial and funding guarantees deemed appropriate by the Audit Committee, which shall be used to pay the remuneration of the accounting firm for providing financial audit services and related services such as auditing, reviewing and verifying, as well as the remuneration of the advisors engaged by the Audit Committee.

CHAPTER IV ANNUAL REPORT WORKING PROCEDURES OF THE AUDIT COMMITTEE

Article 12 The Audit Committee shall earnestly fulfill its responsibilities and obligations during the process of the preparation and disclosure of the Company's annual report, and shall carry out its work diligently and responsibly.

Article 13 The financial department is responsible for making preliminary preparations for the decision-making of the Audit Committee, and shall provide written materials concerning the relevant aspects of the Company:

- (I) Relevant financial reports of the Company;
- (II) Work reports of the internal and external audit institutions;
- (III) External audit contracts and related work reports;
- (IV) Information disclosed by the Company to the public;
- (V) Major connected transactions of the Company;
- (VI) Other relevant matters.

Article 14 The Audit Committee meeting shall evaluate the reports provided by the financial department, and shall submit the relevant written resolution materials to the Board of Directors for discussion:

- (I) Evaluation of the work of the external audit institution, and the engagement and replacement of the external audit institution;
- (II) Whether the Company's internal audit system has been effectively implemented, and whether the Company's financial reports are comprehensively true;
- (III) Whether the financial reports and other information disclosed externally by the Company are objective and true, and whether the major connected transactions of the Company comply with the provisions of relevant laws and regulations;
- (IV) Evaluation of the work of the Company's financial department, audit department and the responsible persons;
- (V) Other relevant matters.

Article 15 During the audit process of the Company's annual financial report, the Audit Committee shall fulfill the following duties:

- (I) To coordinate the time schedule for the audit work of the accounting firm;
- (II) To review the Company's annual financial information and accounting statements;
- (III) To supervise the implementation of the annual audit of the Company by the accounting firm;
- (IV) To evaluate and summarize the audit work situation of the accounting firm;
- (V) To propose the engagement or replacement of the external audit institution;
- (VI) Other duties required by relevant laws and regulations.

Article 16 The Audit Committee shall, based on the time schedule for the disclosure of the Company's annual report and the actual situation, jointly negotiate with the accounting firm to determine the audit time for the annual financial report.

Article 17 During the period of the preparation and consideration of the annual report, the members of the Audit Committee bear an obligation of confidentiality. Prior to the disclosure of the annual report, illegal and non-compliant behaviors such as the leakage of insider information and insider trading shall be strictly prevented.

Article 18 The person in charge of finance of the Company shall submit in writing to the Audit Committee the audit work arrangements for the current year and other relevant data, including the financial accounting statements prepared by the Company, before the annual auditor enters the site to conduct the audit. The Audit Committee shall review the financial accounting statements prepared by the Company, form a written opinion on the reviewed situation, and submit it to the annual auditor.

Article 19 The Audit Committee shall strengthen communication with the annual auditor after the annual auditor enters the site.

Article 20 After the annual auditor issues a preliminary audit opinion, and before the Board of Directors convenes a meeting to consider the annual report, the Company shall arrange a meeting between the Audit Committee and the annual auditor to communicate the problems discovered during the audit process, and the meeting shall have written records and the signatures of the parties concerned.

Article 21 The Audit Committee shall urge the annual auditor to submit the audit report within the agreed time limit, and shall record the method, frequency, and results of the urging as well as the signature confirmations of the relevant responsible persons in the form of a written opinion.

Article 22 Before the Company convenes a Board of Directors meeting to consider the annual report, the Audit Committee shall vote on the Company's annual financial accounting statements and submit the formed resolution to the Board of Directors for review.

Article 23 The Audit Committee shall submit to the Board of Directors a summary report on the audit work performed by the accounting firm for the current year, and shall submit to the Board of Directors a resolution on the re-engagement or replacement of the accounting firm for the following year. All the aforementioned documents formed by the Audit Committee shall be disclosed in the annual report.

Article 24 The Audit Committee must pay close attention to the situation where the Company changes the accounting firm during the annual report audit period. In principle, the Company shall not change the annual accounting firm during the annual report audit period; if a change is genuinely required, the Audit Committee shall meet with the predecessor and the proposed successor accounting firms, make a reasonable evaluation of the practice quality of both parties, express an opinion based on its judgment of the sufficiency of the Company's reasons for the change, and after the resolution is passed by the Board of Directors, a Shareholders' Meeting shall be convened to make a resolution, and the replaced accounting firm shall be notified to attend the meeting and state its opinions at the Shareholders' Meeting. The Company shall fully disclose the resolution of the Shareholders' Meeting and the stated opinions of the replaced accounting firm.

CHAPTER V RULES OF PROCEDURE OF THE AUDIT COMMITTEE

Article 25 Audit Committee meetings are divided into regular meetings and extraordinary meetings. Regular meetings shall be held at least once every quarter, and all members shall be notified 5 days prior to the convening of the meeting; an extraordinary meeting may be convened upon the proposal of more than 1/2 of the members or the convener, and all members shall be notified 3 days prior to the convening of the meeting. Extraordinary meetings are proposed to be convened by the members of the Audit Committee. With the written consent of more than half of all members, the aforementioned notice period may be exempted.

Article 26 The Audit Committee meeting shall be convened and presided over by the convener. When the convener is unable to or refuses to perform his or her duties, he or she shall designate or entrust another independent non-executive director member to perform the duties on his or her behalf.

Article 27 The meeting notice shall include at least the following contents:

- (I) Time, place, and method of convening the meeting;
- (II) Duration of the meeting;
- (III) Topics that need to be discussed at the meeting;
- (IV) Contact person and contact information of the meeting;
- (V) Date of the meeting notice.

Article 28 The Audit Committee meeting shall only be held when more than 2/3 of the members are present; each member has one voting right; resolutions made at the meeting must be passed by more than half of all members.

Article 29 Members of the Audit Committee shall attend the meetings in person and express clear opinions on the matters under consideration. When a member is unable to attend the meeting in person for any reason, he or she may entrust another member to attend the meeting on his or her behalf and express opinions. An independent non-executive director member may only entrust another independent non-executive director member to attend the meeting. Each member may accept the entrustment of a maximum of 1 member.

Article 30 A member who entrusts another member to attend the meeting on his or her behalf and exercise the voting right shall submit a power of attorney to the presider of the meeting, and the power of attorney shall be submitted to the presider of the meeting no later than before the voting takes place at the meeting.

Article 31 The power of attorney shall be signed by the principal and the proxy, and shall include at least the following contents:

- (I) Name of the principal;
- (II) Name of the proxy;
- (III) Delegated matters;
- (IV) Instructions on exercising the voting right on the meeting topics (for, against, abstain);
- (V) Validity period of the authorization;
- (VI) Date of signature of the power of attorney.

Article 32 If a member of the Audit Committee neither attends the meeting in person nor entrusts another member to attend the meeting on his or her behalf, he or she shall be deemed to have failed to attend the relevant meeting. If a member fails to attend the meeting for two consecutive times, he or she shall be deemed unable to properly perform his or her duties, and the Board of Directors of the Company may revoke his or her position as a member.

Article 33 The voting method for the Audit Committee meeting shall be by a show of hands or by poll.

Article 34 Audit Committee meetings may be held in the form of on-site meetings and communication meetings. The forms of communication meetings include telephone conferences, video conferences, and written resolution meetings, etc.

Article 35 When an Audit Committee meeting is convened by means of a written proposal, the written proposal shall be delivered to all members by means of fax, express delivery, or delivery by a designated person. After the members vote on the proposal, they shall send the original copies back to the Company for archiving. If the number of members who sign and agree meets the quorum specified in these terms of reference, the proposal shall become a committee resolution.

Article 36 When the Audit Committee convenes a meeting, it may, if necessary, invite other directors and senior management personnel of the Company to attend the meeting as non-voting delegates. If necessary, the Audit Committee may engage intermediary institutions to provide professional opinions for its decision-making, and the expenses shall be borne by the Company, while the Board of Directors should ensure that the Audit Committee is provided with sufficient resources to perform its duties.

Article 37 The Audit Committee meeting shall have meeting minutes, which shall include any concerns raised by the directors or dissenting views expressed. The preliminary draft and the final finalized draft of the meeting minutes shall be sent to all attending members within a reasonable period of time after the meeting. The preliminary draft is for expressing opinions, and the final finalized draft is for record-keeping purposes. After the meeting, meeting summaries to be reported to the Board of Directors and meeting resolutions shall be formed and reported to the Board of Directors (unless restricted from making such reporting due to legal or regulatory restrictions). All attending members shall sign the meeting summaries and resolutions. Attending members who hold dissenting views on the meeting resolutions shall indicate so on the meeting minutes or meeting summaries. The meeting minutes shall be preserved by the Secretary of the Board of Directors of the Company, and during the existence of the Company, the preservation period shall not be less than 10 years.

Article 38 The meeting minutes shall include at least the following contents:

- (I) Date, place, method of the meeting, and the name of the convener;
- (II) Names of the persons attending the meeting, with special notes for those attending upon entrustment by others;
- (III) Meeting agenda;
- (IV) The voting method of each resolution matter or proposal and the voting results stating the number of votes for, against, or abstained;
- (V) Other matters that should be explained and recorded in the meeting minutes.

Article 39 For the proposals passed and the voting results at the Audit Committee meeting, the committee members or the Secretary of the Board of Directors of the Company shall notify the Board of Directors of the Company no later than the day following the effective date of the meeting resolution (unless unable to make such reporting due to legal or regulatory restrictions).

Article 40 If any member of the Audit Committee has a conflict of interest with the matter discussed at the meeting, he or she shall recuse himself or herself from the consideration and voting.

Article 41 All persons attending the meeting have an obligation of confidentiality regarding the matters discussed at the meeting, and shall not disclose the relevant information without authorization.

Article 42 The Audit Committee should report to the Board of Directors on the actions or improvements it considers necessary to be taken, and make recommendations on the steps that can be taken.

CHAPTER VI ANNUAL GENERAL MEETING

Article 43 The chairman of this Committee must attend the annual general meeting of the Company, and prepare to answer any questions raised by the shareholders regarding matters related to the duties of the Audit Committee.

Article 44 If the chairman of this Committee is unable to attend the annual general meeting of the Company, he or she must arrange for another member of this Committee to attend the general meeting. Such person must be prepared to answer shareholders' questions concerning the work of this Committee at the annual general meeting.

CHAPTER VII SUPPLEMENTARY PROVISIONS

Article 45 Unless otherwise specified, the terms used in these terms of reference shall have the same meanings as such terms in the *Articles of Association*.

Article 46 The terms "above" and "within" referred to in these terms of reference include the given number; "exceeding" and "below" do not include the given number.

Article 47 For matters not covered in these terms of reference, the Company shall implement them in accordance with the provisions of relevant laws, regulations, or normative documents (including the listing rules of the place where the Company's shares are listed), as well as the *Articles of Association*, the resolutions of the Shareholders' Meeting of the Company, or other relevant rules and systems; if these terms of reference conflict with the provisions of relevant laws, regulations, or normative documents (including the listing rules of the place where the Company's shares are listed) or the *Articles of Association*, they shall be implemented in accordance with the provisions of the relevant laws, regulations, or normative documents (including the listing rules of the place where the Company's shares are listed) and the *Articles of Association*.

Article 48 These terms of reference shall be formulated and amended by the Shareholders' Meeting, and the Shareholders' Meeting shall be responsible for their interpretation.

Article 49 These terms of reference shall be considered and approved by the Shareholders' Meeting of the Company and shall become effective and implemented from the date on which the overseas listed foreign shares (H shares) initially publicly offered by the Company are listed and traded on The Stock Exchange of Hong Kong Limited.