

RULES OF PROCEDURE FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF SHENZHEN HAN'S CNC TECHNOLOGY CO., LTD.

Chapter 1 General Provisions

- Article 1** In order to strengthen internal oversight and risk control of Shenzhen Han's CNC Technology Co., Ltd. (hereinafter referred to as the **"Company"**), standardize the auditing practices of the Company, the Company has established the Audit Committee of the Board and formulated the Rules of Procedure according to the Company Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange, 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 laws, regulations and normative documents, relevant regulatory rules of the securities regulatory authorities and stock exchanges of the place where the Company's shares are listed (hereinafter collectively referred to as the **"securities regulatory authorities of the place where the Company's shares are listed"**) (hereinafter collectively referred to as the **"securities regulatory rules of the place where the Company's shares are listed"**), as well as the Articles of Association of Shenzhen Han's CNC Technology Co., Ltd. (hereinafter referred to as the **"Articles of Association"**).
- Article 2** As a specialized working body established by the Board, the Audit Committee of the Board (the **"Committee"**) is accountable to the Board and performs its duties in accordance with the Articles of Association and the authority delegated by the Board. Proposals put forward by the Audit Committee shall be submitted to the Board for deliberation and decision.
- Article 3** The Company shall provide the necessary working conditions for the Committee, and assign dedicated personnel or establish a dedicated entity to undertake daily work such as liaison for the Committee, meeting organization, material preparation and file management. When the Committee performs its duties, the Company's management and relevant departments shall provide cooperation.

Chapter 2 Composition

- Article 4** The Committee shall consist of 3 members, who shall be Directors of the Company not holding senior management positions. The members shall be elected by the Board, among whom 2 shall be independent Directors. Committee members shall possess the professional knowledge and experience necessary to perform the duties of the Audit Committee. At least one independent Director in the Committee shall possess the appropriate professional qualifications as stipulated in the Hong Kong Listing Rules, or have appropriate expertise in accounting or relevant financial management.
- Article 5** Shareholders representing more than one-tenth of the voting rights, more than one-third of the Directors, and more than one-half of the independent Directors shall have the right to nominate candidates for the Committee. Committee members shall be elected by more than half of the votes of all Directors, and upon approval of the resolution of election of members, the newly elected members shall assume office immediately after the conclusion of the Board meeting.
- Article 6** One convener shall be appointed for the Committee. The convener shall be an independent Director member with accounting expertise and shall be elected by the Committee.
- Article 7** The term of office of the Committee members shall be the same as that of the Company's Directors and the members may serve consecutive terms if re-elected upon the expiration of their terms. Before the expiration of a Committee member's term, the member shall not be removed from office without just cause, unless there are statutory circumstances that disqualify them from holding the position. If a member is unable to serve as a Director of the Company due to resignation or other reasons, his/her membership shall be terminated automatically when he/she ceases to hold the directorship. The Board shall promptly appoint new members to fill the vacancy.
- Article 8** Committee members may submit their resignation to the Board before the expiration of their terms. The resignation report shall include a necessary explanation of the reasons for resignation and matters that require the attention of the Board of the Company.
- Article 9** If the proportion of independent Directors in the Committee fails to comply with the provisions of the Rules of Procedure due to the resignation or removal of an independent Director, or if there is a lack of accounting professionals among the independent Directors, the Company shall complete the by-election within sixty days from the date on which the aforesaid fact occurs.

Article 10 The provisions regarding Directors' duties under the Company Law and the Articles of Association shall apply to the members of the Committee.

Chapter 3 Duties and Authorities

Article 11 The Committee shall exercise the powers of the Supervisory Board as stipulated in the Company Law in accordance with the provisions of the Articles of Association.

Article 12 The Committee is responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating internal and external audit work and internal control. Its main responsibilities are as follows:

- (I) Supervising and evaluating external audit work, making proposals on the engagement or replacement of external audit firms; providing recommendations to the Board on the remuneration and engagement terms of external audit firms, and handling any issues relating to the resignation or removal of such audit firms. Reviewing and monitoring, in accordance with applicable standards, whether the external audit firm is independent and objective and whether the audit procedures are effective; the Committee shall discuss the nature, scope and relevant reporting responsibilities of the audit with the audit firm prior to the commencement of audit work. Formulating and implementing policies for the appointment of an external audit firm to provide non-audit services. For the purpose of this provision, "an external audit firm" includes any entity that is under common control, ownership or management with the company responsible for auditing, or any entity that a third party, having reasonable knowledge about all relevant information, will determine under reasonable circumstances to be part of the domestic or international business of the company responsible for auditing. The Committee shall report to the Board, and make proposals, on any action or improvement considered to be necessary;
- (II) Supervising and evaluating the internal audit work, be responsible for coordinating the communication between internal audit and external audit as well as the cooperation with external audit work, act as the primary representative between the Company and external audit firms, and be responsible for monitoring the relationship between the two parties;

(III) Reviewing the Company's financial information and its disclosure; this includes monitoring the completeness of the Company's financial statements, annual reports and accounts, half-yearly reports, and quarterly reports, and reviewing the significant opinions related to financial reporting contained in such statements and reports. When submitting the relevant statements and reports to the Board, the Committee shall specifically review the following matters:

1. Any changes to accounting policies and practices;
2. Areas involving significant judgments;
3. Significant adjustments arising from audits;
4. The going concern assumptions and any qualifications;
5. Compliance with accounting standards;
6. Compliance with other securities regulatory rules of the place where the Company's share are listed and legal provisions on financial reporting.

With respect to item 4 above, members of the Committee shall make contacts with the Board and the Company's senior management. The Committee shall meet with the Company's external audit firm at least twice a year; the Committee shall consider any significant or unusual matters reflected or required to be reflected in such reports and accounts, and shall give due consideration to any matters raised by the Company's accounting and financial reporting staff, compliance department, or external audit firm.

(IV) Evaluating the effectiveness of internal control, reviewing and monitoring the effective operation of the Company's financial reporting, internal control and risk management system;

1. Reviewing the Company's financial control, internal control system and risk management system;
2. Discussing with the management about the risk management and internal control system to ensure that the management has fulfilled its duties to establish effective systems; the discussion shall cover the adequacy of the Company's resources and staff qualification and experience related with accounting and financial reporting, as well as the adequacy of training programs received by staff and the relevant budget;

3. Proactively or as assigned by the Board, conducting reviews on the significant findings of matters related to risk management and internal control, and management's responses to such findings;
 4. Ensuring the coordination of work between internal and external audit firms; ensuring that the internal audit function has sufficient resources to operate within the Company and holds an appropriate position; and reviewing and monitoring the effectiveness of the internal audit function;
 5. Reviewing the Company's financial and accounting policies and practices;
 6. Examining the Explanatory Letter of the Audit issued by the external audit firm to management, any significant questions raised by the external audit firm to management regarding accounting records, financial accounts, risk management or control systems, and management's responses thereto;
 7. Ensuring that the Board promptly responds to the matters raised in the Explanatory Letter of the Audit issued by the external audit firm to management;
 8. Reporting to the Board on the matters mentioned above and other matters set out in Code Provision D.3.3 of Appendix C1 to the Hong Kong Listing Rules (and its amendments from time to time);
- (V) Be responsible for supervising and improving the principles, structure and systems of the Company's corporate governance, including:
1. Formulating and reviewing corporate governance policies and practices, and making recommendations to the Board;
 2. Reviewing and monitoring the training and continuing professional development of Directors and senior management;
 3. Reviewing and monitoring the Company's policies and practices regarding compliance with laws and regulatory requirements;
 4. Formulating, reviewing and monitoring the code of conduct and compliance manual (if any) for employees and Directors; and

5. Reviewing the Company's compliance with the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and the disclosures in the Corporate Governance Report.

(VI) Other matters authorized by the Articles of Association and the Board as well as other matters specified in relevant laws, administrative regulations, departmental rules and securities regulatory rules of the place where the Company's share are listed.

Article 13

The following matters shall be submitted to the Board for deliberation only upon approval by more than half of all members of the Committee:

- (I) Disclosure of financial information in financial accounting reports and periodic reports, and the internal control evaluation report;
- (II) Appointment or dismissal of the accounting firm engaged for the Company's audit business;
- (III) Appointment or dismissal of the Company's chief financial officer;
- (IV) Changes in accounting policies or accounting estimates, or corrections of major accounting errors for reasons other than changes in accounting standards;
- (V) Other matters specified by laws, administrative regulations, relevant provisions of the securities regulatory authorities of the place where the Company's share are listed, and the Articles of Association.

Article 14

The Committee shall review the Company's financial accounting reports, provide opinions on their authenticity, accuracy and completeness, focus on major accounting and auditing issues in the Company's financial accounting reports, with particular attention to the possibility of fraud, irregularities and material misstatements related to the financial accounting reports, and supervise the rectification of issues concerning the financial accounting reports.

If the Company's Directors or senior management discover that the financial accounting reports published by the Company contain false records, misleading statements or material omissions and report this to the Board, or if the sponsor institution, independent financial adviser or external audit firm points out to the Board that the Company's financial accounting reports contain false records, misleading statements or material omissions, the Committee shall urge the relevant responsible departments of the Company to formulate rectification measures and a rectification timeline, conduct follow-up reviews, supervise the implementation of the rectification measures, and promptly disclose the rectification progress.

Article 15 In guiding and supervising the work of the internal audit department, the Committee shall perform the following primary duties:

- (I) Guiding and supervising the establishment and implementation of the internal audit system;
- (II) Reviewing the Company's annual internal audit work plan;
- (III) Urging the implementation of the Company's internal audit plan;
- (IV) Guiding the effective operation of the internal audit department. The Company's internal audit department shall report its work to the Committee, and all types of audit reports, rectification plans for audit issues and rectification status submitted by the internal audit department to management shall be simultaneously submitted to the Committee;
- (V) Reporting to the Board on the progress and quality of internal audit work, as well as major issues identified, etc.;
- (VI) Coordinating the relationship between the internal audit department and external audit entities such as accounting firms and national audit firms.

Article 16 The Committee is responsible for supervising and evaluating the internal audit work. The internal audit department shall be accountable to the Committee and report its work to the Committee. The Secretary of the Board shall be responsible for the specific coordination work between the Committee and the Board.

Article 17 The Committee shall supervise and direct the internal audit department to conduct inspections on the following matters at least once every six months, produce inspection reports and submit them to the Committee. If the inspections reveal that the Company has committed violations of laws or regulations, operated in a non-standard manner or other such circumstances, the Committee shall promptly report to the Shenzhen Stock Exchange and oversee the Company's public disclosure thereof:

- (I) The implementation of major events of the Company, including the use of raised funds, provision of guarantees, related party transactions, high-risk investments (such as securities investments and derivative transactions), provision of financial assistance, purchase or sale of assets, and external investments;
- (II) Large-scale fund transfers within the Company, and fund transactions with Directors, senior management, controlling shareholders, actual controllers, and their related parties.

The Committee shall, based on the internal audit reports and relevant materials submitted by the internal audit department, issue a written assessment opinion on the effectiveness of the Company's internal control and report to the Board.

Article 18 The Committee shall urge the external audit firm to act with integrity and due diligence, strictly comply with business rules and industry self-regulatory norms, strictly implement internal control systems, conduct verification and validation of the Company's financial accounting reports, fulfill its duty of special care, and issue professional opinions with prudence.

Chapter 4 Decision-making Processes

Article 19 The Secretary of the Board shall coordinate with the internal audit department and other relevant departments to provide the following written materials to the Committee for its decision-making:

- (I) The Company's relevant financial reports;
- (II) Work reports of the internal and external audit firms;
- (III) External audit contracts;
- (IV) Details of information disclosed to the public by the Company;

(V) Audit reports on the Company's material related party transactions;

(VI) Other documents related to the Committee's performance of its duties.

Article 20

The Committee shall review the reports and materials provided by the internal audit department and other relevant departments, and submit the relevant written resolution materials to the Board for discussion, including:

(I) Evaluation of the work of the external audit firm, and the engagement and replacement of the external audit firm;

(II) Whether the Company's internal audit system has been effectively implemented, and whether the Company's financial reports are comprehensive and authentic;

(III) Whether the Company's externally disclosed information (such as financial reports) is objective and authentic, and whether the Company's material related party transactions, use of raised funds, material investments, external guarantees, etc., comply with relevant laws and regulations;

(IV) Evaluation of the work of the Company's internal finance department, audit department (including their heads);

(V) Other relevant matters.

Chapter 5 Rules of Procedure

Article 21

The Committee shall convene at least one meeting per quarter.

The Committee shall convene a meeting with the internal audit department once per quarter to hear the department's report on internal audit work and identified issues, and may discuss and deliberate on other matters within its scope of responsibilities.

An extraordinary meeting of the Committee may be convened if proposed by two or more members, or if the convener deems it necessary; the convener shall not refuse a meeting request made by the aforementioned Directors or members without justifiable reasons.

Article 22

A notice for a Committee meeting shall be issued 3 days prior to the meeting date (the notice date is included, and the meeting date is excluded). The aforementioned notice period requirement may be waived with the unanimous consent of all Committee members.

Notices for Committee meetings may be delivered via fax, email, telephone, in-person delivery, mail, or other methods. When the notice is delivered by telephone, email or other speedy methods, the parties being notified shall be deemed to have received the notice of the meeting if no written objection is received from them within one day from the date of delivery of the notice.

The meeting notice of the Committee shall include at least the following information:

- (I) The venue and time of the meeting;
- (II) The meeting agenda, matters for discussion, and relevant detailed materials;
- (III) The meeting contact person and their contact information;
- (IV) The date on which the notice is issued.

Article 23 The convener of the Committee shall be responsible for convening and presiding over Committee meetings. If the convener is unable or fails to perform such duties, he/she shall designate another member to act on his/her behalf; if the convener neither performs the duties nor designates another member to act on his/her behalf, the other two members may negotiate to recommend one of them to perform the convener's duties instead.

Article 24 Committee members shall attend Committee meetings in person. If a member is unable to attend in person for any reason, he/she may entrust another member to attend on his/her behalf in writing; independent Director members of the Committee shall attend Committee meetings in person, if unable to do so for any reason, he/she shall review the meeting materials in advance, form a clear opinion, and entrust another independent Director to attend on his/her behalf in writing. A member who neither attends a Committee meeting nor appoints a proxy shall be deemed to have waived his/her voting right at that meeting.

A Committee member who fails to attend two consecutive meetings either in person or by proxy shall be deemed unable to perform his/her duties, and such member shall recommend to the Board that he/she be removed. If a Committee member entrusts another member to attend a meeting and exercise voting rights on his/her behalf, he/she shall submit a power of attorney to the meeting chair. Each member may only accept the entrustment of one member to exercise voting rights on his/her behalf at a time.

A power of attorney shall include at least the following information:

- (I) The name of the principal;
- (II) The name of the proxy;
- (III) The entrusted matters;
- (IV) The instruction on how to exercise the voting rights (i.e. for, against, abstain) in respect of the proposals of the meeting and the declaration about whether the proxy can vote based on his own decision when there is no specific instruction;
- (V) The signature of the principal and the signing date.

Article 25 A Committee meeting may only be convened when more than two-thirds (inclusive) of the members are present. Each member shall have one vote. A resolution adopted at the meeting must be approved by more than two-thirds (inclusive) of all the members.

Article 26 Committee meetings shall be held on-site, with voting conducted by a show of hands or ballot. Under special circumstances where on-site voting is inconvenient, the meeting may be convened by voting through correspondence.

Article 27 Members of the internal audit department may attend Committee meetings as non-voting participants; if necessary, the Committee may invite the Company's Directors and senior management to attend meetings as non-voting participants.

Article 28 If necessary and upon approval by the Board, the Committee may engage intermediary institutions to provide professional opinions for its decision-making, with the associated costs borne by the Company.

Article 29 The convening procedures, voting methods of Committee meetings and the resolutions adopted at meetings must comply with the provisions of relevant laws and regulations, the Articles of Association and the Rules of Procedure. Resolutions that require approval by the Board shall be submitted to the Secretary of the Board after the meeting.

Article 30 Minutes shall be kept for Committee meetings, and members in attendance shall sign the meeting minutes; all documents, reports, resolutions and meeting minutes of the Committee shall be kept as the Company's archives by the Securities Department, with a retention period of not less than ten years. Such documents may be accessed for review with the consent of the convener.

Article 31 All members in attendance at the meeting shall have a confidentiality obligation regarding the matters discussed at the meeting and shall not disclose the relevant information without authorization.

Chapter 6 Supplementary Provisions

Article 32 Matters not covered in the Rules of Procedure shall be implemented in accordance with relevant national laws and regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association. If the Rules of Procedure contravene any laws and regulations promulgated by the state in the future, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association as amended through lawful procedures, the relevant national laws and regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association shall prevail. The Rules of Procedure shall be immediately revised accordingly and submitted to the Board for consideration and approval.

Article 33 The Board of the Company shall be responsible for the interpretation of the Rules of Procedure.

Article 34 The Rules of Procedure shall come into effect on the date when the H Shares issued by the Company are listed on The Stock Exchange of Hong Kong Limited after being reviewed and approved by the Board.

Shenzhen Han's CNC Technology Co., Ltd.