

NANJING PANDA ELECTRONICS COMPANY LIMITED
RULES OF PROCEDURE OF THE AUDIT
COMMITTEE OF THE BOARD OF DIRECTORS

(Amended in December 2023)

Chapter I General Provisions

Article 1 In order to improve the governance standard of Nanjing Panda Electronics Company Limited (the “Company”) and regulate the operation of the Audit Committee of the Board of Directors of the Company, the Company has formulated these Rules of Procedure in accordance with the “Company Law”, the “Securities Law”, the “Code of Corporate Governance for Listed Companies”, the “Basic Standards for Enterprise Internal Control”, the listing rules of the places where the Company’s shares are listed, the Articles of Association of the Company and other relevant regulations.

Article 2 The Audit Committee is a specialized committee under the Board of Directors, which shall be accountable and report to the Board of Directors, be responsible for reviewing the Company’s financial information and its disclosure, supervising and evaluating internal and external audit work, evaluating and improving the Company’s internal control system, and reviewing and supervising the risk management procedures.

Members of the Audit Committee must ensure sufficient time and effort for discharge of the duties of the Committee, be diligent and responsible, supervise the external audit of the Company in a practical and efficient way, guide the internal audit of the Company, and procure the Company to establish an effective internal control system and provide true, accurate and complete financial reports.

Chapter II Composition

- Article 3** In principle, members of the Audit Committee must be independent of the Company's daily operations and management affairs, and shall be directors who do not serve as senior management in the Company. The Audit Committee shall be composed of three to five non-executive directors and the majority of the members of the Committee shall be independent non-executive directors. All members of the Audit Committee should possess necessary expertise and business experience to enable them to fulfill the duties of the Audit Committee, and at least one of whom should be an independent non-executive director possessing accounting or financial management expertise.
- The members of the Audit Committee shall participate in relevant training to acquire knowledge in respect of laws, accounting and regulations for listed companies and other professional knowledge required to perform their duties.
- Article 4** The members of the Audit Committee shall be nominated by the Chairman of the Board of Directors, more than half of the independent non-executive directors or one-third of all directors, and shall be elected by the Board of Directors.
- Article 5** The Audit Committee shall have one chairman who shall be an independent non-executive director. The chairman shall be responsible for presiding over the Audit Committee. The chairman shall be nominated by the Chairman of the Board of Directors among the members of the Committee and shall be elected by the Board of Directors. The chairman of the Audit Committee shall be an accounting professional with relevant professional experience in accounting or financial management.
- Article 6** The members of the Audit Committee shall serve for a term of one year. Upon expiration, their terms of office are deemed to be renewed if the Board of Directors has not made any adjustment. The Board of Directors shall assess the independence of and discharge of duties by the members of the Audit Committee on a regular basis, and replace any member who is not suitable to remain in the position when necessary. The Board of Directors has the right to adjust the composition of the Committee at any time. Any member of the Committee who ceases to be a director of the Company during his term shall be automatically disqualified as a member of the Committee. The Board of Directors shall, in accordance with these Rules of Procedure, fill up the number of members of the Committee.
- Article 7** The Audit Committee shall have one secretary-general which is to be served by the secretary to the Board of Directors, who shall be responsible for daily liaison and organization of meetings, etc. The secretary office of the Board of Directors shall assist in daily operations including preparation of materials and management of documentation for the Audit Committee. The Company's management and relevant departments shall cooperate when the Audit Committee performs its duties.

Chapter III Terms of Reference

Article 8 The Audit Committee is mainly responsible for:

- (I) proposing the appointment, re-appointment and removal of external auditors (i.e. external audit institutions) and making recommendations to the Board of Directors in respect thereof for the Board of Directors to consider; reviewing and approving the remuneration and engagement terms of external auditors, and handling any matters relating to the resignation or dismissal of such auditors; assessing the independence and professionalism of the external auditors, especially the impact on their independence imposed by non-audit services provided by the external auditors, reviewing and monitoring the external auditors' independence and objectivity as well as the effectiveness of the audit process in accordance with applicable standards; discussing and communicating with the external auditors over the audit scope, audit plans, audit methods and significant issues identified during the audit, and discussing with the auditors the nature and scope of the audit and the reporting obligations before the audit commences; monitoring and evaluating whether the external auditors are diligent and responsible;

The Audit Committee shall make recommendations to the Board of Directors on the appointment or replacement of the external audit institutions, review the audit fees and employment terms of the external audit institutions, and shall not be improperly influenced by the substantial shareholders, de facto controllers or directors, supervisors and senior management of the Company.

- (II) coordinating communication among the management, the internal audit department and relevant departments and external auditors: coordinating communication between the management and external auditors in respect of material audit issues, coordinating communication between the internal audit department and external audit units including external auditors and national audit institutions, and providing cooperation in external audit; acting as the key representative body for overseeing the Company's relations with the external auditors and being responsible for coordinating with the domestic and international auditors;

The Audit Committee shall urge the external audit institutions to be honest, trustworthy, diligent and responsible, strictly abide by the business rules and industry discipline regulations, strictly implement the internal control system, check and verify the Company's financial and accounting reports, perform the special care obligations, and prudently express professional opinions.

- (III) developing and implementing the policy on engaging external auditors to provide non-audit services. For this purpose, "external auditors" 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 and would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board of Directors, making recommendations on any matters where action or improvement is needed;

- (IV) Supervising and evaluating internal audit;
 - (a) guiding and supervising the establishment and implementation of the internal audit system;
 - (b) reviewing the Company's annual internal audit plan;
 - (c) supervising the implementation of the Company's internal audit plan;
 - (d) reviewing the internal audit report, assessing the internal audit results and supervising the improvement of material issues, reporting to the Board of Directors on the progress and quality of internal audit and material issues identified;
 - (e) guiding the effective functioning of the internal audit department. The internal audit department of the Company should report to the Audit Committee at least once every quarter on matters including but not limited to the implementation of internal audit plan and issues identified during the internal audit. Audit reports and the plans for and results of improvement of audit issues submitted to the management by the internal audit department shall be submitted to the Audit Committee at the same time, and the internal audit reports shall be submitted to the Audit Committee after the end of each year.
 - (f) the internal audit department of the Company shall report to the Audit Committee in a timely manner if it identifies a material defect or material risk in the internal control.
- (V) Unless otherwise provided by the laws and regulations, the Audit Committee of the Board of Directors shall procure the internal audit department to conduct inspections in respect of the following matters at least once every six months, issue inspection reports and submit such reports to the Audit Committee. Any violation of the laws and regulations or operating irregularities identified during the inspections shall be promptly reported:
 - (a) the implementation of significant events such as the Company's use of proceeds, provision of guarantees, related party transactions, securities investment and derivatives transactions, provision of financial assistance, purchase or sale of assets, and external investments;
 - (b) the Company's substantial capital transactions and the capital transactions with directors, supervisors, senior management, controlling shareholders, de facto controllers and their related parties.

- (VI) Reviewing the quarterly, interim and annual financial reports before submitting to the Board of Directors, including but not limited to reviewing the following contents:
- (a) any changes in accounting policies, accounting system and practices;
 - (b) issues to be judged, accounting estimates, going-concern assumptions and any qualified opinions;
 - (c) compliance with the accounting principles;
 - (d) sufficiency and intelligibility of the information disclosed;
 - (e) consistency of the contents of the financial statements;
 - (f) accounting treatment and disclosure of unusual items occurred in reporting period (i.e. significant and extraordinary items, including but not limited to asset transactions, contingent liabilities and litigations);
 - (g) material auditing adjustment;
 - (h) issues concerned by the auditors and unadjusted auditing differences;
 - (i) compliance with the rules of stock exchanges and relevant laws.

For the purpose of the above sub-paragraphs (a) to (i):

- (1) members of the Audit Committee should liaise with the Board of Directors and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
- (2) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, chief auditor or auditors.

(VII) Reviewing and commenting on the Company's financial reports;

- (a) reviewing the financial reports of the Company and giving opinions as to the truthfulness, accuracy and completeness of the financial reports;
- (b) emphasising on the material accounting and auditing issues in the financial reports of the Company, including adjustments to material accounting errors, material changes in accounting policies and estimates, matters involving material accounting judgments, matters resulting in non-standard unqualified audit report and other matters;

- (c) paying special attention to the possibility of fraud, corrupt practices and material misstatement in relation to the financial reports;
 - (d) supervising the improvement of the issues relating to financial reports. The Audit Committee shall urge the relevant responsible departments of the Company to formulate rectification measures and the timing of rectification, conduct follow-up reviews, supervise the implementation of the rectification measures and disclose the completion of the rectification in a timely manner.
- (VIII) Discussing the issues raised after the quarterly, interim and annual financial account audit and any doubts arising therefrom, as well as the issues that the auditors wish to discuss;
 - (IX) Reviewing the audit statement sent by the auditors and the responses of the relevant staff of the Company;
 - (X) In the event that employees of the Company raise concerns about possible improprieties in financial reporting, internal control or other matters, the Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions;
 - (XI) Reviewing the Company's financial control, internal control and risk management systems;
 - (XII) Assessing the effectiveness of internal control
 - (a) assessing the appropriateness of the design of the Company's internal control system and discussing the internal control system with the management of the Company to ensure that the management has performed their duties to set up an effective internal control system. The discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
 - (b) reviewing the internal control self-assessment report;
 - (c) reviewing internal control audit reports issued by external auditors, and communicating with external auditors on the issues identified and the methods for improvement;
 - (d) assessing the internal control evaluation and audit results, and supervising the improvement of internal control deficiencies.
 - (e) the Audit Committee shall issue evaluation opinions in writing in respect of the effectiveness of the internal control of the Company based on the internal audit report and relevant information submitted by the internal

audit department, and report to the Board of Directors. In the event that the Board of Directors considers that there is a material defect or material risk in the internal control of the Company, or that the sponsor or external auditors identify a material defect in respect of the effectiveness of the internal control of the Company, the Board of Directors shall report and make disclosure in a timely manner.

The Company shall disclose in an announcement the material defect or material risk identified in the internal control, consequences which have been or may be caused, as well as measures which have been or are intended to be taken.

- (XIII) Considering major investigation findings on internal control matters as delegated by the Board of Directors or on its own initiative and management's response to these findings;
- (XIV) Ensuring coordination between the internal and external auditors of the Company. Ensuring that internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- (XV) Reviewing the financial and accounting policies and practices of the Company and its subsidiaries;

Where the Company changes its accounting policy, in addition to making disclosure in accordance with the relevant regulations in a timely manner after being considered and approved by the Board of Directors, the Company shall also disclose the opinions of the Board of Directors, the Audit Committee and the Supervisory Committee as to whether the change in accounting policy is in compliance with the relevant regulations. Where consideration by the general meeting is required, the special opinion issued by the accounting firm shall also be disclosed.

- (XVI) Reviewing the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or control systems and management's response;
- (XVII) Ensuring that the Board of Directors will provide a timely response to the issues raised in the external auditor's management letter;
- (XVIII) Reviewing and supervising existing or potential risks of the Company;
- (XIX) Inspecting the Company's compliance with laws and regulations;
- (XX) Reporting to the Board of Directors on any matter contained in this Article;
- (XXI) Considering other topics as defined by the Board of Directors;

(XXII) Other matters as authorized by the Board of Directors of the Company or stipulated under applicable laws and regulations.

Article 9 The following matters shall be submitted to the Board of Directors for consideration upon the consent of more than half of all members of the Audit Committee:

- (1) disclosure of financial information and internal control evaluation reports in financial and accounting reports and periodic reports;
- (2) appointment or dismissal of accounting firms that undertake auditing business for the listed company;
- (3) appointment or dismissal of the chief financial officer of the listed company;
- (4) change of accounting policies and accounting estimates, or correction of significant accounting errors due to reasons other than changes in accounting standards;
- (5) other matters stipulated by laws, administrative regulations, the China Securities Regulatory Commission, and the Articles of Association.

Article 10 The Board of Directors may, as it deems necessary, authorize the Audit Committee to deal with the specific matters, and the Audit Committee may, as it deems necessary, require the Board of Directors to authorize them to deal with the specific matters. The Audit Committee shall report and make recommendation to the Board of Directors in respect of the measures to be taken or matters to be improved as considered necessary by the Audit Committee.

Article 11 The Audit Committee shall be accountable to the Board of Directors. The resolutions made by the Audit Committee shall be submitted to the Board of Directors for consideration and approval before implementation. The Audit Committee shall coordinate with the audit carried out by the Audit Committee.

Chapter IV Decision-Making Procedure

Article 12 The Audit Committee shall have the right to take actions within their terms of reference and have the right to ask for any information needed from any subordinated functional departments, branches, subsidiaries and holding companies of the Company:

- (1) Relevant financial reports of the Company;
- (2) Work reports of the internal and external audit organizations;
- (3) External audit contract and relevant working data;
- (4) The information disclosed by the Company;

- (5) Audit reports on significant related party transactions of the Company;
- (6) Work reports on the comprehensive risk management supervisory evaluation and internal control evaluation of the Company;
- (7) Other information as deemed necessary by the Audit Committee.

Article 13

The Audit Committee shall report its decisions or recommendations to the Board of Directors, except those that cannot be reported due to legal or regulatory restrictions. The Audit Committee shall assess matters discussed at meetings and submit the relevant written resolutions to the Board of Directors for discussion:

- (1) Assessment on the performance of the external audit organization, and employment and replacement of external audit organization;
- (2) The implementation of the Company's internal audit practices and the truthfulness and integrity of the Company's financial reports;
- (3) The truthfulness and objectivity of the financial report disclosed by the Company and the Compliance of the Company's significant related party transactions with the relevant laws and regulations;
- (4) Assessment on the performance of the financial and audit departments of the Company, including the persons in charge;
- (5) Other related matters.

Chapter V Rules of Procedure

Article 14

The meetings of the Audit Committee are divided into regular meetings and extraordinary meetings. The meetings shall be presided over by the Chairman. Where the chairman is unable to attend, he may authorize other members (independent non-executive directors) to preside. The Audit Committee shall convene at least four regular meetings a year and a meeting every quarter, and notify all the members three (3) days before convening date for the meeting.

The Audit Committee may convene extraordinary meetings when necessary. An extraordinary meeting may be convened upon proposal by more than two members of the Audit Committee or if deemed necessary by the convener of the Audit Committee.

The auditors engaged by the Company may, as they deem necessary, require convening an Audit Committee's meeting.

Article 15

The Audit Committee's meeting can only be convened with the attendance of two-thirds or more of the members. Each member of the Committee shall be entitled to one vote and the resolutions adopted at the meeting shall be approved by the majority of all the members. If a valid deliberation cannot be reached

due to abstention of the members of the Audit Committee, relevant matters shall be directly considered by the Board of Directors.

Article 16 In the Audit Committee's meetings, members may vote by show of hands or by poll and, the Audit Committee may accept written resolutions in lieu of holding a meeting. The written resolutions may become effective only with the approval of the majority of all the members of the Committee.

The members of the Audit Committee should attend meetings in person and give their explicit opinions on the matters being considered. A member who, due to certain reasons, is unable to attend a meeting in person may submit a power of attorney signed by the member appointing other member to attend the meeting and give opinions on his behalf. The power of attorney shall expressly state the scope and duration of the authorization. Each member cannot act on behalf of more than one member at the same time. A member who is an independent director and is unable to attend a meeting in person shall appoint another member who is also an independent director to attend the meeting on his behalf.

Article 17 The Audit Committee may invite the Company's directors, supervisors, internal auditors, financial staff, executives, legal advisers, external auditors or other relevant persons to attend its meetings and provide necessary information. The Supervisory Committee of the Company has the right to send its members to attend any meeting of the Audit Committee.

The Audit Committee at least annually hold meetings with the auditors without the presence of the executive directors and management. The secretary to the Board of Directors may attend these meetings as an observer.

Article 18 The Audit Committee may seek professional opinions from external legal or other independent experts and, if necessary, invite the outside persons with relevant experience and professional knowledge to attend its meetings and engage intermediaries to provide professional opinions. All the expenses incurred thereby shall be borne by the Company.

Article 19 The convening procedure, the method of voting and the resolutions passed at the meetings of the Audit Committee, shall comply with the requirements of the laws, regulations, the Articles of Association of the Company and these Rules of Procedure.

Article 20 There shall be minutes of the meetings of the Audit Committee and the members attending the meeting shall sign on the minutes. The meeting minutes shall be kept by the secretary-general of the Audit Committee of the Company. The secretary-general of the Audit Committee shall send the draft and final version of the meeting minutes to all the Committee members within a reasonable period after the meeting for their comments and records, respectively; but the approval of the Chairman of the Audit Committee is required before circulating such meeting minutes.

- Article 21** The resolutions adopted at the Audit Committee’s meetings shall be submitted in writing to the Board of Directors of the Company.
- Article 22** All persons present at the meetings are obliged to keep all the items discussed in the meeting confidential and shall not disclose any relevant information without permission.
- Article 23** If a member of the Audit Committee is interested in any matter being considered at a meeting, such member shall abstain from deliberation on such matter.

Chapter VI Information Disclosure

- Article 24** The Company shall disclose the information on the members of the Audit Committee, including composition, professional background and working experience, and any change in the members of the Audit Committee.
- Article 25** While disclosing its annual report, the Company shall disclose the information on the discharge of duties by the Audit Committee on the website of the stock exchanges of the places where the Company’s shares are listed, mainly including the information on the discharge of duties and convening of meetings of the Audit Committee.
- Article 26** In case of material matters contravening the information disclosure standards under the listing rules of the stock exchanges of the place of listing found in the process of discharge of duties by the Audit Committee, the Company shall promptly disclose such matters and the rectification thereof.
- Article 27** The Audit Committee has the right to consider and give its opinions on the matters within its terms of reference to the Board of Directors. For the opinions not adopted by the Board of Directors, the Company shall make a disclosure and give sufficient reasons.
- Article 28** The Company shall disclose the Audit Committee’s special opinions on material matters of the Company in accordance with laws, administrative regulations, departmental regulations, the listing rules of the stock exchanges of the places where the Company’s shares are listed and relevant regulatory requirements.

Chapter VII Supplementary Provisions

Article 29 The power of interpretation of the Rules of Procedure shall be vested in the Board of Directors of the Company.

Article 30 Any matters not mentioned in these Rules of Procedure shall be carried out in accordance with the relevant State laws, administrative regulations, departmental regulations, the Articles of Association of the Company and the Listing Rules of Shanghai Stock Exchange and of Hong Kong Stock Exchange.

In the event of any conflict between these Rules of Procedure and any laws, regulations or departmental regulations subsequently promulgated by the State or the amended Articles of Association of the Company or the Listing Rules as amended from time to time, the latter shall prevail.

Article 31 These Rules of Procedure shall become effective from the date of approval by the Board of Directors.

Board of Directors of Nanjing Panda Electronics Company Limited
December 2023

Note: These Rules of Procedures were originally drafted in Chinese; the English translation is for your reference only. In case there is any discrepancy between the Chinese and English version, the Chinese version shall always prevail.