



Hebei Haiwei Electronic New Material Technology Co., Ltd.

河北海偉電子新材料科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 9609)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

CHAPTER 1 GENERAL PROVISIONS

Article 1 To regulate the rules of procedure for the Audit Committee of the Board of Directors of Hebei Haiwei Electronic New Material Technology Co., Ltd. (hereinafter referred to as the “Company”), and sufficiently protect the legal interests of the Company and its shareholders, these terms of reference are formulated in accordance with the provisions of the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Trial Measures for the Administration on 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, regulatory documents and the Articles of Association of Hebei Haiwei Electronic New Material Technology Co., Ltd. (hereinafter referred to as the “Articles of Association”) and the Rules of Procedures for the Board of Directors of Hebei Haiwei Electronic New Material Technology Co., Ltd. and after taking into account the actual conditions of the Company.

Article 2 The Audit Committee is a specialized committee established under the Board of Directors and is responsible for and reports to the Board of Directors.

Article 3 The Audit Committee is responsible for proposing the appointment or replacement of external auditors, coordinating internal audit and external audit, examining the financial information of the Company and the disclosure thereof, supervising and evaluating the Company’s internal control, and exercising the functions and powers of the supervisory committee as stipulated in the Company Law.

CHAPTER 2 COMPOSITION OF THE AUDIT COMMITTEE

Article 4 The Audit Committee shall comprise three non-executive directors of the Company, the majority of whom shall be independent non-executive directors, and at least one independent non-executive director is a professional in accounting with the qualifications

required under Rule 3.10(2) of the Hong Kong Listing Rules. A former partner of the Company's current external auditor shall not serve as a member of the Audit Committee within a period of two years from the date on which he/she ceases to be a partner of the external auditor or ceases to enjoy the financial benefits of the current external auditor, whichever is later.

Article 5 The members of the Audit Committee shall be nominated by the chairman of the Board of Directors, one half or more of the independent non-executive directors, or one third or more of all directors, and be elected and approved by a majority vote of all directors of the Board of Directors.

Article 6 The Audit Committee has a committee chairman, who must be an independent non-executive director, and he/she is responsible for presiding over the work of the committee. The committee chairman shall be elected within the committee and shall be submitted to the Board of Directors for approval.

Article 7 The term of office of the members of the Audit Committee shall be the same as that of the directors. A member of the committee may serve consecutive terms if re-elected upon the expiry of his/her term of office. During the term of office, if any member no longer serves as a director of the Company or a member who should have the status of an independent non-executive director no longer has the independence stipulated in the Articles of Association, such person will automatically lose his/her membership qualification and the Board of Directors will make up for the number of committee members in accordance with Articles 4 to 6 above.

Article 8 If the number of members of the Audit Committee falls below the required quota, the Board of Directors of the Company shall comply with the notification and announcement requirements of the Hong Kong Listing Rules and promptly appoint new members. Until the number of members of the Audit Committee reaches the required quota, the Audit Committee shall not exercise any of its powers as stipulated in these terms of reference.

Article 9 The Audit Committee shall have a working group set up under it, which is responsible for the daily work of task coordination, organization of meetings, preparation of materials and filing management. The members of the working group are not required to be members of the Audit Committee. When the Audit Committee performs its duties, the Company's management and relevant departments should cooperate.

Article 10 The provisions of the Company Law and the Articles of Association on directors' obligations are applicable to members of the Audit Committee.

CHAPTER 3 RESPONSIBILITIES OF THE AUDIT COMMITTEE

Article 11 The main duties of the Audit Committee include the following:

- (I) to provide advice to the Board of Directors on the appointment, re-appointment, replacement and removal of external auditors, approve the remuneration and terms of employment of external auditors, and address any issues relating to the resignation or dismissal of external auditors;
- (II) to review and monitor whether the external auditors are independent and objective and whether the audit procedures are effective according to applicable standards; the Audit Committee should discuss with the auditors about the nature, scope, methods and relevant declaration responsibilities before the audit work begins;
- (III) to formulate and implement policies regarding the engagement of external auditors to provide non-audit services. For the purpose of this provision, an external auditor includes any organization that is under the same control, ownership or management with the company responsible for the audit, or a third party who is reasonably aware of all relevant information and will be reasonably concluded as being any organization constituting a part of the local or international operations of the company responsible for the audit work. The Audit Committee shall report and make recommendations to the Board of Directors on any matters requiring action or improvement;
- (IV) to review and monitor the truthfulness, completeness and accuracy of the Company's financial statements (including their disclosures) and annual reports and accounts, half-year reports, and review the material opinions on the relevant financial reporting contained in the statements and reports. Before submitting the relevant statements and reports to the Board of Directors, the Audit Committee should review the following matters in particular: whether there have been changes in the Company's accounting policies, practices and estimates during the reporting period, matters involving significant judgments, major adjustments arising from audits, the Company's going-concern assumptions or any qualified opinions, whether the accounting complies with accounting standards and the legal requirements of financial reporting and the Hong Kong Listing Rules;

For the above-mentioned items that require focused review, members of the Audit Committee need to communicate in a timely manner with the Board of Directors, senior management officers, internal and external auditors, and promptly review letters from the external auditor to the management or any significant questions raised to the management about accounting records and financial statements, etc., and any response from the management, resolve disputes and differences

arising between the management, internal audit department, and the external auditor regarding relevant statements and reports. The Audit Committee members are required to convene meetings with the Company's external auditor at least twice a year. Members of the Audit Committee must study significant or unusual matters that are reflected or required to be reflected in the Company's reports and accounts, and should give due consideration to matters raised by the Company's accounting and finance departments, regulatory authorities or auditors;

- (V) to discuss the issues raised by external auditors after reviewing the Company's semi-annual accounts and auditing annual accounts of the Company;
- (VI) to review the issuer's financial controls, and unless expressly addressed by a separate risk committee under the Board of Directors, or by the Board of Directors itself, to review the issuer's risk management and internal control systems;
- (VII) to discuss the risk management and internal control systems with the management to ensure that the management has performed its duty to have effective systems. The details of discussion should include the adequacy of the issuer's resources, staff qualifications and experience in its accounting and financial reporting functions, as well as the adequacy of training programs and related budgets for staff;
- (VIII) to consider, either on its own initiative or as delegated by the Board of Directors, the significant findings of investigations into risk management and internal control matters, as well as the management's responses to these findings;
- (IX) where the Company maintains an internal audit function, to ensure co-ordination between the internal and external auditors; to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (X) to review the Company's financial and accounting policies and practices;
- (XI) to review the external auditor's Letter of Explanation on the Audit to the management, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and the management's responses;
- (XII) to ensure that the Board of Directors responds promptly to the matters put forward by the external auditor in the Letter of Illustration on Audit to the management;
- (XIII) to report to the Board of Directors on the matters set out in the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules;

- (XIV) The Audit Committee should establish relevant procedures to ensure that the following matters may be investigated and resolved in a fair and independent manner:
1. to receive and handle complaints raised about the Company's accounting, internal control or auditing matters, and ensure their confidentiality;
 2. to receive and deal with complaints or anonymous reports made by employees on possible improprieties in accounting, audit, internal control or other matters, and guarantee confidentiality of such complaints, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate action by the Company;
- (XV) to serve as the primary representative between the Company and the external auditors to monitor their relationship;
- (XVI) to supervise the directors and senior management in the performance of the Company duties and to propose the dismissal of directors or senior management who violate laws, administrative regulations, the Articles of Association or resolutions of the shareholders' meeting;
- (XVII) to demand rectification from directors or any senior management when the acts of such persons are harmful to the Company's interest;
- (XVIII) to propose the convening of extraordinary general meetings; to host the shareholders' general meetings under the circumstances that the Board of Directors cannot perform its duties of convening and presiding over the shareholders' general meeting as specified by the Company Law;
- (XIX) to move a motion at the general meeting;
- (XX) to sue Directors or senior management officers other than members of the Audit Committee in accordance with Article 189 of the Company Law;
- (XXI) matters as required by applicable laws, regulations, the Articles of Association and the Hong Kong Listing Rules and other matters authorized by the Board of Directors of the Company.

Article 12 The main duties and powers of the chairman of the Audit Committee are as follows:

- (I) to convene and preside over meetings of the Audit Committee;
- (II) to supervise and inspect the implementation of the resolutions of the Audit Committee meetings;
- (III) to sign the important documents of the Audit Committee;
- (IV) to report regularly to the Board of Directors;
- (V) other functions and powers conferred by the Board of Directors.

Article 13 The Audit Committee shall report to the Board of Directors on measures or improvements it deems necessary and make recommendations.

Article 14 The Audit Committee shall make available its terms of reference explaining its role and the authority delegated to it by the Board of Directors on the website of The Stock Exchange of Hong Kong Limited and the Company's website.

Article 15 Where the Board of Directors disagrees with the Audit Committee's opinion on the selection, appointment, resignation or dismissal of the external auditors, the Company shall include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board of Directors has taken a different view.

Article 16 The Audit Committee shall be provided with sufficient resources to discharge its duties.

Article 17 The Audit Committee has the right to engage independent consultants, legal advisers and other advisers as and when necessary to carry out its affairs. The Company must provide such financial and funding assurances as the Audit Committee deems appropriate to pay for the remuneration of accounting firms providing financial auditing services and related services such as audit, review and verification, as well as the remuneration of consultants engaged by the Audit Committee.

CHAPTER 4 WORKING PROCEDURES OF THE AUDIT COMMITTEE ON ANNUAL REPORT

Article 18 The Audit Committee shall earnestly perform its duties and obligations in the preparation and disclosure process of the Company's annual report, and perform its work diligently.

Article 19 Within 90 days after the end of each accounting year, the management of the Company shall report to the Audit Committee on the production and operation conditions of the Company during the year and the progress of significant matters such as investment and financing activities, and the chief financial officer of the Company shall report to the Audit Committee on the financial position and operating results for the current year. The Audit Committee shall conduct on-site studies on the relevant material issues.

Article 20 The finance department is responsible for making preliminary preparation work for decision-making by the Audit Committee, and provides written information on relevant aspects of the Company:

- (I) relevant financial reports of the Company;
- (II) the work reports of internal and external audit firms;
- (III) external audit contracts and relevant work reports;
- (IV) disclosure of information to the public by the Company;
- (V) significant connected transactions of the Company;
- (VI) other relevant matters.

Article 21 The Audit Committee will comment on the report provided by the finance department and submit the relevant materials of written resolutions to the Board of Directors for discussion:

- (I) evaluation on work performance, engagement and replacement of external auditors;
- (II) whether the internal audit system of the Company has been effectively implemented and whether the financial report of the Company is comprehensive and true;

- (III) whether the Company's disclosure of information, such as financial report, to external parties is objective and true, and whether the Company's significant connected transactions have complied with the requirements of relevant laws and regulations;
- (IV) appraisal on the work of the Company's finance department, audit department and the persons in charge;
- (V) other relevant matters.

Article 22 In the process of auditing on the annual financial report of the Company, the Audit Committee shall perform the following duties:

- (I) to coordinate the time schedule of audit work of the accounting firm;
- (II) to review the Company's annual financial information and accounting statements;
- (III) to supervise the performance of the Company's annual audit by the accounting firm;
- (IV) to evaluate and summarize the audit work performed by the accounting firm;
- (V) to make proposal on the engagement or replacement of the external auditor;
- (VI) other duties as required by relevant laws and regulations.

Article 23 The Audit Committee shall, in accordance with the Company's annual report disclosure schedule and actual situation, jointly determine the audit time of the annual financial report through consultation with the accounting firm, and the time of on-site audit work shall not be later than 20 working days before the disclosure date of the Company's annual report.

Article 24 During the preparation and review periods of the annual report, members of the Audit Committee are obliged to maintain confidentiality. Prior to the disclosure of the annual report, there should be strict prevention against the leakage of inside information, insider dealing and other acts in violation of laws and regulations.

Article 25 The chief financial officer of the Company shall submit to the Audit Committee in writing the arrangement of audit work for the current year and other relevant materials, including the financial accounting statements prepared by the Company, before on-site audit work is commenced by the auditor of the annual audit. The Audit Committee shall review the financial accounting statements prepared by the Company, and form written opinions on the review results for submission to the auditor conducting the annual audit.

Article 26 The Audit Committee shall strengthen communication with the auditor of annual audit after it commences on-site audit work.

Article 27 After the auditor of annual audit has issued the preliminary audit opinion and before convening the Board meeting to review the annual report, the Company should arrange a meeting between the Audit Committee and the auditor of annual audit to communicate on the problems discovered during the auditing process. The meeting should have written records signed by the parties involved.

Article 28 The Audit Committee shall supervise the auditor of annual audit to submit the audit report within the agreed time limit, and record the manner, frequency and results of the supervision in the form of written opinions, and they shall be signed by the relevant responsible person for confirmation.

Article 29 Before the Company convenes the Board meeting to consider the annual report, the Audit Committee shall vote on the Company's annual financial statements and submit the resolutions to the Board of Directors for review.

Article 30 The Audit Committee shall submit to the Board of Directors a summary report on the audit work conducted by the accounting firm for the current year, and submit to the Board of Directors a resolution on the re-appointment or replacement of the accounting firm for the next year. The above documents produced by the Audit Committee shall be disclosed in the annual report.

Article 31 The Audit Committee must focus attention on the circumstances in which the Company changes its engagement with an accounting firm during the audit period of its annual report. In principle, the Company shall not change the engagement with an accounting firm for annual audit during the audit period of the annual report. If any change of engagement is necessary, the Audit Committee shall conduct a meeting with the existing accounting firm and the proposed accounting firm to be engaged to conduct a reasonable evaluation of their quality of practice, and shall express its opinion based on its judgment on the adequacy of the reasons for the change of engagement by the Company. After a resolution is passed by the Board of Directors, a general meeting of shareholders shall be convened for approving the resolution, and the accounting firm to be replaced will be notified to attend the meeting for stating its opinions at the general meeting. The Company shall fully disclose the resolutions of the general meeting and the opinions of the replaced accounting firm.

CHAPTER 5 RULES OF PROCEDURE FOR THE AUDIT COMMITTEE

Article 32 The Audit Committee meetings shall be classified into regular meetings and extraordinary meetings, and shall be held at least once every quarter (including regular meetings or extraordinary meetings). Regular meetings shall be convened at least twice a year and notified to all members five days before the date of convening the meeting. An extraordinary meeting may be convened by more than half of the committee members or by the convener, and shall be notified to all members three days before the date of convening the meeting. Extraordinary meetings shall be convened upon the proposal of a member of the Audit Committee. The aforesaid notice period may be waived with written consent from more than half of all members.

Article 33 Meetings of the Audit Committee shall be convened and presided over by the convener. If the convener is unable or refuses to perform his/her duties, he/she shall designate or appoint another member who is an independent non-executive director to perform his/her duties on his/her behalf.

Article 34 A notice of the meeting shall include at least the following:

- (I) time, location and form of the meeting;
- (II) duration of the meeting;
- (III) agenda to be discussed at the meeting;
- (IV) contact person and contact information of the meeting;
- (V) date of notification of the meeting.

Article 35 A meeting of the Audit Committee shall be held only by the presence of more than two-thirds of the members. Each committee member shall have one vote. A resolution made at the meeting must be passed by more than half of all the members.

Article 36 The members of the Audit Committee shall attend the meetings in person and clearly express their opinions on the matters to be considered. If a member is unable to attend the meeting in person for some reasons, he/she may appoint another member to attend the meeting and express opinions on his/her behalf. For a member who is an independent non-executive director, he/she may only appoint another independent non-executive director to attend the meeting. Each member may only accept appointment from one other member.

Article 37 If another member is appointed as proxy to attend the meeting and exercise voting right, a power of attorney should be submitted to the chairman of the meeting. The power of attorney should be submitted to the chairman of the meeting no later than the voting at the meeting.

Article 38 The power of attorney shall be signed by the appointer and the appointee and shall include at least the following:

- (I) name of the appointer;
- (II) name of the proxy;
- (III) matters entrusted;
- (IV) instructions on the exercise of voting right on the topics of the meeting (for, against, abstain);
- (V) validity of the authorization;
- (VI) date of signature of the power of attorney.

Article 39 Any member of the Audit Committee who does not attend the meeting in person or appoint another member to attend on his/her behalf shall be deemed as having not attended the relevant meeting. If a member fails to attend two consecutive meetings, he/she is deemed to be unable to perform his/her duties and powers properly, and the Board of Directors of the Company may remove him/her from his/her position as a member.

Article 40 Voting at Audit Committee meetings shall be performed by show of hands or by poll.

Article 41 Meetings of the Audit Committee may be held either by means of on-site meetings or by means of communication meetings. Communication meetings include teleconferences, video conferences and written resolution meetings.

Article 42 When a meeting of the Audit Committee is convened by way of written resolutions, the written resolution shall be sent to all members by fax, express courier or personal delivery. After the members have voted on the resolution, the original resolution shall be mailed back to the Company for filing. If the number of members who have signed and given consent meets the required number of members stipulated in these terms of reference, the resolution shall become the resolution of the committee.

Article 43 At a meeting convened by the Audit Committee, other directors, senior management officers of the Company may also be invited to attend the meeting as non-voting delegates when necessary. If necessary, the Audit Committee may engage an intermediary to provide professional advice for its decision-making, and the expenses shall be borne by the Company.

Article 44 Minutes of the Audit Committee meetings shall be kept. The first draft and final version of the minutes of meetings shall be dispatched to all members present at the meeting within a reasonable period of time after the meeting for expression of opinions on the first draft and for record purpose with the final version, and a summary of the minutes shall be compiled after the meeting, which together with the resolutions passed, shall be submitted to the Board of Directors (except such submission is prohibited by law or regulatory restriction). Members who have attended the meeting shall sign on the minutes of meeting and the resolutions. Members with dissenting views on the resolutions should be specified in the minutes of meeting or summary of minutes. The minutes of meetings shall be kept by the secretary to the Board of Directors of the Company, and shall be kept for at least 10 years during the existence of the Company.

Article 45 The minutes of meeting shall include at least the following:

- (I) the date, place, method of convening the meeting and the name of the convener;
- (II) the names of the attendees with specific notes on whether a proxy is entrusted for the meeting;
- (III) the agenda of the meeting;
- (IV) the voting method of each resolution or proposal and the voting results indicating the number of votes for, against or abstention;
- (V) other matters need to be indicated and recorded in the meeting minutes.

Article 46 The resolutions passed and the voting results of the Audit Committee meetings shall be notified to the Board of Directors of the Company by the members of the committee or the secretary to the Board of Directors of the Company no later than the day after the effective date of the resolutions of the meeting (except it is not possible to do so due to legal or regulatory restrictions).

Article 47 Members of the Audit Committee who have interests in matters discussed at the meeting shall abstain from deliberation and voting.

Article 48 All attendees are obliged to keep confidential the matters discussed at the meeting and shall not disclose relevant information without authorization.

Article 49 The Audit Committee should report to the Board of Directors on actions or improvements it deems necessary and make recommendations on the steps that may be adopted.

Article 50 The Audit Committee is responsible for reviewing the Company's financial information and its disclosure, supervising and conducting evaluation of internal and external auditing work and internal controls. The following matters shall be submitted to the Board of Directors for deliberation only after obtaining the approval of a majority 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 the accounting firm that undertakes audits of a listed company;
- (3) appointment or dismissal of the financial controller of a listed company;
- (4) changes in accounting policies, accounting estimates or corrections of material accounting errors for reasons other than changes in accounting standards;
- (5) other matters stipulated by laws, administrative regulations, the CSRC's provisions, regulatory rules of the place where the Company's shares are listed, and the Articles of Association.

CHAPTER 6 ANNUAL GENERAL MEETING

Article 51 The chairman of the committee is required to attend the annual general meeting of the Company and be prepared to answer any questions raised by shareholders on matters relating to the duties of the Audit Committee.

Article 52 If the chairman of the committee is unable to attend the annual general meeting of the Company, he/she must make arrangement for another member of the committee to attend the general meeting. Such person shall be prepared to answer questions raised by shareholders regarding the work of the Committee at the annual general meeting.

CHAPTER 7 SUPPLEMENTARY PROVISIONS

Article 53 Unless otherwise specified, terms used herein shall have the same meaning ascribed thereto under the Articles of Association.

Article 54 The terms “above” and “within” mentioned in these terms of reference include the original number; “exceeds” and “less than” do not include the original number.

Article 55 Any matters not covered by these terms of reference shall be dealt with in accordance with the provisions of the relevant laws, regulations or regulatory documents (including the listing rules of the place where the shares of the Company are listed), and the Articles of Association, the resolutions of the Company’s general meetings or other relevant rules and regulations; if these terms of reference are inconsistent with the provisions of the relevant laws, regulations or regulatory documents (including the listing rules of the place where the shares of the Company are listed) or the Articles of Association, the provisions of the relevant laws, regulations or regulatory documents (including the regulatory rules of the place where the shares of the Company are listed) and the Articles of Association shall prevail for implementation.

Article 56 The Board of Directors shall be responsible for the formulation and amendment of these terms of reference, as well as their interpretation.

Article 57 These terms of reference, after being considered and approved by the Board of Directors of the Company, shall take effect from the date of listing and trading of the overseas listed foreign shares (H Shares) on The Stock Exchange of Hong Kong Limited upon initial public offering of the Company for implementation.