Shenzhen Senior Technology Material Co., Ltd.

Terms of Reference of the Audit Committee of the Board of Directors (Applicable upon issuance and listing of H shares)

CHAPTER 1 GENERAL PROVISIONS

Article 1 In order to strengthen the decision-making function of the Board of Directors of Shenzhen Senior Technology Material Co., Ltd. (the "**Company**"), achieve pre-audit and professional audit functions, ensure effective supervision by the Board of Directors over the management, and improve the corporate governance structure of the Company, the Company has established an Audit Committee under the Board of Directors and formulated these Terms of Reference in accordance with the Company Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") and other relevant laws and regulations, as well as the Articles of Association of Shenzhen Senior Technology Material Co., Ltd. (the "**Articles of Association**").

Article 2 The Audit Committee of the Board of Directors is a specialised working body established by the Board of Directors pursuant to resolutions of the general meeting, and is mainly responsible for the communication between the Company's internal and external auditors, supervision and review of the Company's internal control system, review and supervision of the Company's financial and risk management systems, and supervision of the performance of duties by the directors and senior management of the Company.

Article 3 Members of the Audit Committee shall perform their duties diligently and responsibly, effectively supervise and evaluate the Company's internal and external audit work, facilitate the establishment of effective internal controls by the Company and provide true, accurate and complete financial reports.

CHAPTER 2 COMPOSITION

Article 4 The Audit Committee shall comprise three non-executive directors or independent directors who do not hold positions as senior management of the Company, with independent directors constituting the majority (two members). At least one independent director shall possess appropriate professional qualifications or accounting or related financial management expertise and shall satisfy the qualification requirements for financial professionals of audit committees under the rules of the stock exchange in the place where the Company's shares are listed. The term "independent directors" in these Terms of Reference shall have the same meaning as "independent non-executive directors" under the Hong Kong Listing Rules.

Article 5 Members of the Audit Committee shall be nominated by the chairman of the Board of Directors, not less than one-half of the independent directors, or one-third of all directors, and shall be elected by the Board of Directors.

Article 6 The Audit Committee shall have one chairman (convener), who shall be an independent director with accounting expertise and shall be responsible for presiding over the work of the Committee.

Article 7 The term of office of the Audit Committee shall be the same as that of the Board of Directors. Members may serve consecutive terms if re-elected upon expiry of their terms. Where the number of members of the Audit Committee falls below the required number due to resignation, removal or any other reason, the Board of Directors of the Company shall elect new members as soon as practicable in accordance with these Terms of Reference. Where the removal of an independent director results in the proportion of independent directors in the Audit Committee failing to comply with the requirements of laws and regulations or the Articles of Association, or where the Audit Committee lacks an accounting professional, the Company shall complete the by-election within sixty days from the date of occurrence of the aforesaid event.

Article 8 Members of the Audit Committee shall possess the professional knowledge and business experience necessary for performing their duties as members of the Audit Committee.

Article 9 The Audit Committee shall establish a working group responsible for routine liaison work and organisation of meetings.

Article 10 The Company shall establish an internal audit department to supervise and inspect matters relating to the Company's business activities, risk management, internal controls and financial information. The internal audit department shall maintain its independence and shall not be placed under the leadership of the finance department or operate jointly with the finance department. In the course of supervising and inspecting the Company's business activities, risk management, internal controls and financial information, the internal audit department shall be subject to the supervision and guidance of the Audit Committee. Where the internal audit department identifies any material issue or clue, it shall report directly to the Audit Committee immediately.

CHAPTER 3 RESPONSIBILITIES AND AUTHORITIES

Article 11 The principal responsibilities and authorities of the Audit Committee shall include:

(1) to supervise and evaluate the work of the external auditor, make recommendations on the appointment or replacement of the external auditor, provide advice to the Board of Directors on the remuneration and terms of engagement of the external auditor, and handle any issues relating to the resignation or dismissal of such auditor;

(2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and to discuss with the auditor the nature and scope of the audit and relevant reporting obligations before the commencement of the audit;

(3) to formulate and implement policies on the engagement of the external auditor to provide non-audit services. For the purpose of this provision, "external auditor" shall include any entity that is under common control, ownership or management with the audit firm, or any entity that a reasonable and informed third party, having knowledge of all relevant information, would reasonably conclude to be part of the domestic or international business of the audit firm. The Committee shall report to the Board of Directors on any matters in respect of which it considers action or improvement is needed and make recommendations thereon;

(4) to supervise and evaluate the internal audit function, coordinate the internal audit and external audit functions, act as the principal representative between the Company and the external auditor, and monitor the relationship between the two;

(5) to review the Company's financial information and its disclosure, including the integrity of financial statements and annual reports and accounts, half-year reports and quarterly reports (if any) and to review significant financial reporting judgments contained therein. Before submitting such statements and reports to the Board of Directors, the Committee shall, in particular, review the following matters:

1. any changes in accounting policies and practices;

2. major judgmental areas;

3. significant adjustments resulting from the audit;

4. the going concern assumptions and any qualifications;

5. compliance with accounting standards; and

6. compliance with the securities regulatory rules and legal requirements relating to financial reporting in the place where the Company's shares are listed.

For the purpose of this paragraph, members of the Committee shall liaise with the Board of Directors and senior management of the Company. The Committee shall meet with the Company's external auditor 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 auditor;

(6) to supervise and evaluate the Company's internal controls, including:

   1. to review the Company's financial controls, and review the Company's risk management and internal control systems and risk management systems;

   2. to discuss the risk management and internal control systems with management to ensure that management has performed its duties in establishing effective systems. Such discussion shall include the adequacy of resources, staff qualifications and experience, training programmes received by staff and the relevant budget of the Company's accounting and financial reporting functions;

   3. to study major investigation findings on risk management and internal control matters on its own initiative or as delegated by the Board of Directors and management's response to such findings;

   4. where the Company has an internal audit function, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

   5. to review the financial and accounting policies and practices of the Company and its subsidiaries;

   6. to review the external auditor's management letter, any material queries raised by the external auditor to management regarding accounting records, financial accounts or systems of control and management's response;

   7. to ensure that the Board of Directors will provide a timely response to the matters raised in the external auditor's management letter;

   8. to report to the Board of Directors on the matters set out in this Article;

   9. to consider other topics as defined by the Board of Directors;

(7) to co-ordinate the communication among management, the internal audit department and relevant departments and the external auditor;

(8) to monitor the following arrangements established by the Company: employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for fair and independent investigation of such matters and for appropriate follow-up actions;

(9) to deal with such other matters as prescribed by laws and regulations, the Articles of Association and authorised by the Board of Directors.

The Audit Committee shall report to the Board of Directors on any matters in respect of which it considers action or improvement is needed and make recommendations thereon.

Article 12 The following matters shall be submitted to the Board of Directors for consideration after being approved by more than one-half of all members of the Audit Committee:

(1) disclosure of financial information in financial accounting reports and periodic reports, and internal control evaluation reports;

(2) appointment or removal of the accounting firm undertaking the Company's audit services;

(3) appointment or removal of the chief financial officer of the Company;

(4) changes in accounting policies or accounting estimates, or correction of material accounting errors, for reasons other than changes in accounting standards;

(5) other matters prescribed by laws and regulations, the China Securities Regulatory Commission, relevant rules of the Shenzhen Stock Exchange and the Hong Kong Stock Exchange and the Articles of Association.

Article 13 In guiding and supervising the work of the internal audit department, the Audit Committee shall perform the following principal duties:

(1) to guide and supervise the establishment and implementation of the internal audit system;

(2) to review the Company's annual internal audit work plan;

(3) to supervise the implementation of the Company's internal audit plan;

(4) to guide the effective operation of the internal audit department. The internal audit department shall report its work to the Audit Committee, and various audit reports, rectification plans for audit issues and rectification results submitted by the internal audit department to management shall also be submitted to the Audit Committee simultaneously;

(5) to report to the Board of Directors on the progress and quality of internal audit work and major issues identified; and

(6) to co-ordinate the relationship between the internal audit department and external audit entities such as accounting firms.

Article 14 The internal audit department shall perform the following principal duties:

(1) to inspect and evaluate the completeness, reasonableness and effectiveness of implementation of the internal control systems of the Company's internal departments, controlling subsidiaries and investee companies over which the Company has significant influence;

(2) to audit the accounting information and other relevant economic information of the Company's internal departments, controlling subsidiaries and investee companies over which the Company has significant influence, as well as the legality, compliance, authenticity and completeness of the financial revenues and expenditures and related economic activities reflected therein, including but not limited to financial reports, profit forecasts, preliminary results announcements and voluntarily disclosed prospective financial information;

(3) to assist in establishing and improving anti-fraud mechanisms, identify key anti-fraud areas, critical procedures and principal contents, and pay attention to and inspect possible fraudulent conduct during the internal audit process; and

(4) to report to the Audit Committee at least once every quarter, including but not limited to the implementation of the internal audit plan and issues identified during the internal audit process.

Article 15 The internal audit department shall establish a working paper system and, in accordance with the relevant laws and regulations, establish corresponding archives management systems to specify the retention periods for internal audit work reports, working papers and related materials.

Article 16 Where the internal audit department identifies any internal control deficiencies during the review process, it shall urge the relevant responsible departments to formulate rectification measures and implementation timetables, and shall conduct follow-up reviews on the internal controls to supervise the implementation of such rectification measures. Where the internal audit department identifies any material internal control deficiencies or material risks during the review process, it shall promptly report the same to the Audit Committee.

Article 17 The Audit Committee shall supervise the internal audit department to conduct inspections on the following matters at least once every six months, issue inspection reports and submit the same to the Audit Committee. Where any illegal or non-compliant operations or irregularities in corporate governance are identified, the Audit Committee shall promptly report the same to the stock exchange and urge the Company to make disclosure:

(1) implementation of major matters of the Company, including use of proceeds, provision of guarantees, connected transactions, high-risk investments such as securities investments and derivatives transactions, provision of financial assistance, acquisition or disposal of assets and external investments;

(2) significant fund transfers of the Company and fund transfers with directors, senior management, controlling shareholders, actual controllers and their associates.

The Audit Committee shall issue written assessment opinions on the effectiveness of the Company's internal controls based on the internal audit reports and relevant materials submitted by the internal audit department, and report the same to the Board of Directors.

Article 18 The Audit Committee shall be accountable to the Board of Directors.

Article 19 The Audit Committee shall review the Company's financial and accounting reports and provide opinions on the truthfulness, accuracy and completeness of such reports, with a focus on major accounting and auditing issues in the Company's financial and accounting reports, in particular on whether there are any possibilities of fraud, misconduct or material misstatements relating to the financial and accounting reports, and shall supervise the rectification of issues relating to the financial and accounting reports.

Article 20 The Audit Committee shall make recommendations to the Board of Directors on the appointment or replacement of the external auditor, review the audit fees and engagement contracts of the external auditor, and shall not be improperly influenced by the Company's substantial shareholders, actual controllers, directors or senior management.

Article 21 The Audit Committee shall supervise the external auditor to act honestly and in good faith and perform its duties diligently, strictly comply with business rules and industry self-regulatory standards, strictly implement internal control systems, review and verify the Company's financial and accounting reports, fulfil its special duty of care, and prudently issue professional opinions.

CHAPTER 4 DECISION-MAKING PROCEDURES

Article 22 The working group shall be responsible for the preparatory work for the decision-making of the Audit Committee and shall provide the Committee with written materials relating to the following matters of the Company:

(1) relevant financial reports of the Company;

(2) work reports of the internal and external audit institutions;

(3) external audit engagement contracts and related work reports;

(4) information relating to the Company's external disclosures;

(5) audit reports on the Company's material connected transactions (if any); and

(6) other relevant matters.

Article 23 The Audit Committee shall review and evaluate the reports provided by the working group and submit the relevant written resolutions to the Board of Directors for consideration:

(1) evaluation of the work of the external auditor, and appointment and replacement of the external auditor;

(2) whether the Company's internal audit system has been effectively implemented and whether the Company's financial reports are comprehensive and true;

(3) whether information such as the Company's externally disclosed financial reports is objective and true, and whether the Company's material connected transactions comply with the relevant laws and regulations;

(4) evaluation of the work of the Company's internal finance department and audit department, including their respective persons in charge; and

(5) other relevant matters.

CHAPTER 5 RULES OF PROCEDURE

Article 24 Meetings of the Audit Committee shall comprise regular meetings and extraordinary meetings. Regular meetings shall be convened at least four times each year and at least once each quarter. Extraordinary meetings may be convened upon proposal by two or more members or where the chairman (convener) considers it necessary. Notice shall be given to all members three days prior to the meeting, provided that such notice period may be waived with the consent of all members of the Audit Committee. Meetings shall be chaired by the chairman (convener). Where the chairman (convener) is unable to attend the meeting, he/she may appoint another member (being an independent director) to chair the meeting.

Article 25 Meetings of the Audit Committee shall only be held with the attendance of not less than two-thirds of the members. Where a member is unable to attend a meeting for any reason, he/she may appoint another member in writing to attend on his/her behalf. Independent director members shall attend meetings of the special committee in person. Where an independent director member is unable to attend a meeting in person for any reason, he/she shall review the meeting materials in advance, form a clear opinion and appoint another independent director in writing to attend on his/her behalf. Each member shall have one vote. Resolutions passed at a meeting must be approved by more than one-half of all members.

Article 26 Meetings of the Audit Committee shall in principle be held on-site. Subject to ensuring that all participating directors are able to fully communicate and express their opinions, meetings may, where necessary, be held by video conference, telephone or other means. Voting at meetings of the Audit Committee may be conducted by a show of hands, by poll or by written resolutions.

Article 27 Members of the audit working group may attend meetings of the Audit Committee. Where necessary, directors, the secretary to the Board of Directors and other senior management of the Company may also be invited to attend the meetings.

Article 28 Where necessary, the Audit Committee may engage intermediary institutions to provide professional advice for its decision-making, and the expenses incurred shall be borne by the Company.

Article 29 The convening procedures, voting methods and resolutions passed at meetings of the Audit Committee shall comply with the relevant laws, administrative regulations, rules, normative documents, the Articles of Association and these Terms of Reference.

Article 30 Minutes shall be kept for meetings of the Audit Committee, and the opinions of the independent directors shall be recorded in the minutes. Members attending the meeting shall sign the minutes. The minutes shall be kept by the secretary to the Board of Directors of the Company for a period of ten years.

Article 31 Resolutions passed and voting results at meetings of the Audit Committee shall be reported to the Board of Directors of the Company in writing.

Article 32 Where the Audit Committee submits review opinions to the Board of Directors of the Company on matters within its terms of reference and such opinions are not adopted by the Board of Directors, the Company shall disclose such matters and fully explain the reasons therefor.

Article 33 Members attending meetings shall be subject to confidentiality obligations in respect of matters discussed at the meetings and shall not disclose relevant information without permission.

Article 34 Where the Audit Committee fails to convene meetings normally, abnormal circumstances arise during meetings or there is any dispute regarding the validity of resolutions, the Company shall promptly disclose relevant information, including the relevant matters, the claims of all parties to the dispute, the current status of the Company and other information that would assist investors in understanding the actual situation of the Company, together with a specific legal opinion issued by lawyers.

CHAPTER 6 SUPPLEMENTARY PROVISIONS

Article 35 These Terms of Reference shall take effect upon approval by the Board of Directors and upon the issuance of H shares by the Company and the listing of such H shares on The Stock Exchange of Hong Kong Limited.

Article 36 Any matters not covered by these Terms of Reference shall be implemented in accordance with the relevant laws of the State, administrative regulations, rules, normative documents and the Articles of Association. In the event that these Terms of Reference are inconsistent with any laws of the State, administrative regulations, rules, normative documents promulgated in the future or the Articles of Association as amended through lawful procedures, the relevant laws of the State, administrative regulations, rules, normative documents and the Articles of Association shall prevail, and these Terms of Reference shall be amended promptly and submitted to the Board of Directors for consideration and approval.

Article 37 The right of interpretation of these Terms of Reference shall vest in the Board of Directors of the Company.

Board of Directors of
Shenzhen Senior Technology Material Co., Ltd.
June 2025