

HUA HONG SEMICONDUCTOR LIMITED

華虹半導體有限公司

(the “Company”)

(Incorporated in Hong Kong with limited liability)

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE REVISED WITH EFFECT FROM 7 AUGUST 2023

1. MEMBERSHIP

- 1.1 Members of the Audit Committee (the “Committee”) shall be appointed by the board of directors (the “Board”) of the Company. The “external guarantees” referred to in the terms of reference represent guarantees provided by the Company to other persons, including guarantees provided by the Company to holding subsidiaries. Forms of guarantees include guarantee, security, pledge or other forms permitted by laws and regulations.
- 1.2 The Committee must consist of a minimum of three members, all of whom must be non-executive directors. LR 3.21
- 1.3 The majority of the members of the Committee must be independent non-executive directors, at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange (the “Listing Rules”). The members of the Committee are in principle independent of the day-to-day operation and management of the Company, and shall possess professional knowledge and business experience in performing the work duties of the Audit Committee. LR 3.21
App.14
C3.2
- 1.4 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of two years from the date of his ceasing:
 - (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm,whichever is later.

2. CHAIRMAN

- 2.1 The chairman of the Committee (the “Chairman”) shall be appointed by the Board and must be an independent non-executive director with accounting or related financial management expertise. LR 3.21
- 2.2 The Chairman shall convene and chair the meetings of the Committee.
- 2.3 In the absence of the Chairman, the remaining members present shall elect one of themselves to chair the meeting of the Committee.

3. SECRETARY

- 3.1 The secretary of the Company shall be the secretary of the Committee (the “**Committee Secretary**”).¹ The Committee Secretary or, in his/her absence, his/her delegate(s) or any person elected by the members present at the meeting of the Committee, shall attend the meeting of the Committee and take minutes. The Committee is also entitled to from time to time appoint or remove the Committee Secretary.

4. PROCEEDINGS OF THE COMMITTEE MEETINGS

Unless otherwise specified hereunder, the provisions contained in the Company’s Articles of Association (as amended from time to time) for regulating proceedings of the Board’s meetings shall apply to the meetings of the Committee.

4.1 Quorum

- 4.1.1 The quorum for meetings of the Committee shall be at least two-thirds of the membership.
- 4.1.2 The Committee Secretary shall ascertain, at the beginning of the meeting, the existence of any conflict of interest and minute them accordingly. The relevant member of the Committee shall not be counted towards the quorum and he/she must abstain from voting on any resolution of the Committee in which he/she and/or his/her associate(s) has a material interest.
- 4.1.3 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4.2 Frequency of meetings

- 4.2.1 The Committee should meet at least four times per year. Additional meetings should be held as the work of the Committee demands. In addition, the Chairman may convene additional meetings at his discretion.
- 4.2.2 The Committee shall meet with the external auditor of the Company at least twice a year, and shall meet with the external auditor of the Company at least once a year in a separate communication meeting at which no management of the Company is present. The external auditor may request a meeting if they consider necessary.

App. 14
C3.3(e)(i)

4.3 Attendance at meetings

- 4.3.1 Members of the Committee may attend meetings of the Committee either in person or through other electronic means of communication or in such other manner as the members may agree.
- 4.3.2 Where appropriate or required, the chief financial officer, other directors, the head of internal audit (if any), relevant senior management, person(s) invited by a Committee member and representative(s) of the external auditor may attend meetings of the Committee.

¹ The secretary of the Committee would normally be the company secretary, although it could also be any other person duly appointed by the Committee.

4.4 Notice of meetings

4.4.1 A meeting of the Committee may be convened by any of its members or by the Committee Secretary.

4.4.2 Unless otherwise agreed by all the members of the Committee, notice of at least 7 days shall be given for a regular meeting of the Committee. For all other meetings of the Committee, reasonable notice shall be given.

4.4.3 Meeting agenda and all relevant meeting papers shall be sent to all members of the Committee and to other attendees as appropriate at least 3 days before the date of the meeting (or such other period as the members may agree). App. 14
A7.1

4.4.4 Any member of the Committee shall be entitled, by notice to the Committee Secretary, to include other matters relevant to the functions of the Committee in the agenda of a meeting of the Committee.

4.5 Minutes of meetings

4.5.1 The Committee Secretary shall record in sufficient detail the matters considered by the Committee and decisions reached in the meetings, including the names of those present and in attendance and any concerns raised by any member of the Committee and/or dissenting views expressed. App. 14
A1.5

4.5.2 Draft and final versions of minutes of Committee meetings shall be sent to all Committee members for their comment and records within a reasonable time after the meeting. App. 14
C3.1

4.5.3 Minutes of the Committee shall be kept by the Committee Secretary and shall be available for inspection by any member of the Committee or the Board at any reasonable time on reasonable notice. App. 14
A1.4
C3.1

4.6 Written resolutions

4.6.1 Unless otherwise required by the Listing Rules, written resolution may be passed and adopted by the Committee with the consent of all members of the Committee.

5. RESPONSIBILITIES AND AUTHORITIES OF THE COMMITTEE

5.1 The responsibilities and authorities of the Committee shall include such responsibilities and authorities set out in the Listing Rules (as amended from time to time) and other code provisions prescribed by the securities regulatory authorities and stock exchanges in the place where the shares are listed.

5.2 The Committee is authorised by the Board to investigate into any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

5.3 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to invite the attendance of third parties with relevant experience and expertise if it considers this necessary.

5.4 Without prejudice to applicable laws and regulations and any requirements released by the securities regulatory authorities and stock exchanges in the place where the shares are listed, the duties of the Committee include the following:

5.4.1 Relationship with the Company's auditor

- (a) to act as the key representative body for overseeing the Company's relations with the external auditor, and to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of their resignation or dismissal; App. 14
C3.3(a)
C3.7(b)
- (b) to review and monitor the external auditor's independence and objectivity, whether the external auditor fulfill its duties diligently, 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 reporting obligations before the audit commences; and App. 14
C3.3(b)
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonably informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed; App. 14
C3.3(c)

5.4.2 Review of the Company's financial information

- (a) to monitor the authenticity, integrality and accuracy of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on: App. 14
C3.3(d)
L(d)(iv)
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards;

- (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
 - (vii) whether there is a possibility of fraud, malpractice or material misstatement in relation to financial reports; and App. 14
C3.3(e)
 - (viii) supervise the rectification of the issues in financial reports.
- (b) regarding (a) above:
- (i) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditor; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and must give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor;

5.4.3 Oversight of the Company's financial reporting system, risk management and internal control systems

- (a) to review the Company's financial controls, internal control and unless expressly addressed by a separate Board committee, or by the Board itself, risk management systems; App. 14
C3.3(f)
L(d)(iv)
- (b) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, employee training programmes and budget of the Company's accounting and financial reporting function; App. 14
C3.3(g)
- (c) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; App. 14
C3.3(h)
- (d) where an internal audit function exists, 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; App. 14
C3.3(i)
- (e) to review the Group's financial and accounting policies and practices; App. 14
C3.3(j)
- (f) to review the external auditor's management letter given to management, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response; App. 14
C3.3(k)

- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; App. 14
C3.3(l)
- (h) to report to the Board on the matters set out herein; App. 14
C3.3(m)
- (i) to consider other topics, as defined by the Board; App. 14
C3.3(n)
- (j) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and App. 14
C3.7(a)
- (k) establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the Committee about possible improprieties in any matter related to the Company.

5.4.4 Others

- (a) to review and supervise the training and continued professional development of and performance of duties by directors and senior management, to formulate and review manuals (if any) on the performance of duties and compliance by employees and directors and to supervise the implementation of such manuals (if applicable), and to discuss with the management, the internal auditor and the external auditor the nature and impact of frauds involving senior management, frauds that result in material misstatements of financial statements, and frauds involving management or other employees who hold significant positions in the internal control system. App. 14
D3.1
 - (b) to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and App. 14
A1.6
C3.6
 - (c) to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company's constitution or imposed by legislation. App. 14
F1.4
A7.2
- 5.5 The Committee shall be provided with sufficient resources to perform its duties and shall have access to independent professional advice, at the Company's expense, if necessary. App. 14
C3.5
- 5.6 All members of the Committee shall have access to the advice and services of the company secretary, and separate and independent access to the Company's senior management for obtaining necessary information. App. 14
D2.2
- 5.7 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.

6. REPORTING RESPONSIBILITIES

- 6.1 The Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements). The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

7. ANNUAL GENERAL MEETING

- 7.1 The Chairman or in his/her absence, another member of the Committee or failing this, his/her duly appointed delegate, shall attend the Annual General Meeting of the Company and be prepared to respond to questions at the Annual General Meeting on the Committee's work and responsibilities.

Supplementary Provisions

Any outstanding matters not covered by the terms of reference shall be subject to the relevant requirements including applicable laws, regulations, normative documents released by the securities regulatory authorities and stock exchanges in the places where the shares are listed, and the Articles of Association of Hua Hong Semiconductor Limited. In case where the terms of reference are in conflict with any applicable laws, regulations, normative documents released by the securities regulatory authorities and stock exchanges in the places where the shares are listed, as amended, or the Articles of Association of Hua Hong Semiconductor Limited amended pursuant to legal procedures, and relevant policies of the Company, the terms of reference shall be revised in a timely manner, which shall be presented to the Board for review and approval.

Upon review and approval by the Board, the terms of reference shall be effective and implemented from the date of the Company's initial public offering of its RMB ordinary shares and the listing of its RMB ordinary shares on the STAR Market of the Shanghai Stock Exchange.

The Board shall have the right to interpret and amend the terms of reference.