



NEXCHIP SEMICONDUCTOR CORPORATION
合肥晶合集成电路股份有限公司

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

(Applicable upon the issuance and listing of H Shares)

Chapter 1 General Provisions

Article 1 To strengthen the decision-making function of the Board of Directors of the Company, enable effective oversight of the Company's financial receipts and expenditures and various business operations, fully realize the independence and effectiveness of the Company's internal control system, and protect the rights and interests of all Shareholders and stakeholders, the Company hereby establishes the Audit Committee of the Board of Directors (hereinafter referred to as the "Committee") as a special committee responsible for communication, supervision, and verification regarding the Company's internal and external audit functions.

Article 2 To ensure the regulated and efficient operation of the Committee, the Board of Directors of the Company has formulated these terms of reference in accordance with the Company Law of the People's Republic of China (hereinafter referred to as the "Company Law"), the Corporate Governance Code for Listed Companies, the Shanghai Stock Exchange STAR Market Listed Company Self-Regulatory Guidelines No. 1 – Standardized Operations, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange STAR Market, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Hong Kong Listing Rules"), Appendix C1 to the Hong Kong Listing Rules (hereinafter referred to as the "Corporate Governance Code"), the Articles of Association and other relevant requirements.

Chapter 2 Composition and Responsibilities

Article 3 The Committee shall consist of no less than three Directors. All members shall be non-executive Directors who do not hold management positions in the Company. Independent Directors shall constitute a majority of the Committee, with at least one independent Director being an accounting professional, and at least one independent Director possessing appropriate professional qualifications, or appropriate accounting or related financial management expertise. Each member of the Committee shall possess the professional knowledge and experience necessary to perform the Committee's duties, effectively supervise and evaluate the Company's internal and external audit work, and facilitate the establishment of effective internal controls and the provision of true, accurate, and complete financial reports by the Company.

Article 4 The Committee shall have one convener, who shall be an accounting professional among the independent Directors, responsible for presiding over the work of the Committee.

Article 5 Members of the Committee shall be nominated by the chairman of the Board of Directors, more than half of the independent Directors, or more than one-third of all Directors, and shall be elected by the Board of Directors of the Company.

Employee representatives among the members of the Board of Directors of the Company may serve as a member of the Committee.

Article 6 The term of office of the Committee shall be the same as that of the Board of Directors. Members may be re-elected upon expiration of their terms. If a member ceases to serve as a Director or independent Director of the Company during the term, or is no longer eligible to serve as a member (e.g., a member required to hold independent non-executive Director status no longer meets the independence requirements of the Hong Kong Listing Rules), such member shall automatically lose his/her qualification as a member. To ensure that the composition of the Committee complies with these terms of reference, the Board of Directors shall promptly appoint additional members to fill any vacancy in accordance with Article 5 hereof, and the term of office of the member so appointed shall expire at the end of the term for which such member serves as a Director or independent Director.

Article 7 The secretary to the Board of Directors shall be responsible for the Committee's daily work, including routine liaison, meeting organization, document preparation, and file maintenance. The management and relevant departments of the Company shall cooperate with the Committee in performing its duties.

Article 8 The Committee shall exercise the powers and functions of the board of supervisors as stipulated in the Company Law, which shall include at least the following:

- (I) examining the Company's financial affairs in accordance with the law;
- (II) supervising the performance of duties by Directors and senior management, and proposing the removal of any Director or senior management who violates laws, administrative regulations, the Articles of Association, or a resolution of the general meeting;
- (III) demanding rectification from Directors or senior management when their actions harm the interests of the Company;
- (IV) proposing the convening of an interim meeting of the Board of Directors;
- (V) proposing the convening of an extraordinary general meeting, and convening and presiding over the general meeting if the Board of Directors fails to perform its duty to convene and preside over the general meeting as stipulated in the Company Law;
- (VI) presenting proposals at the general meeting;

- (VII) accepting requests from Shareholders to file lawsuits against any Director or senior management (other than members of the Audit Committee) who have caused losses to the Company in violation of laws, administrative regulations, or the Articles of Association in the performance of his/her duties for the Company;
- (VIII) other powers and functions specified in the Articles of Association.

If the Committee finds that any Director or senior management has violated laws and regulations, any provision of the Shanghai Stock Exchange, or the Articles of Association, it shall notify the Board of Directors or report to the general meeting, and make a timely disclosure. It may also report directly to the regulatory authority.

Article 9 The Committee shall be responsible for reviewing the Company's financial information and its disclosure, as well as supervising and evaluating the internal and external audit work and internal controls. The following matters shall be submitted to the Board of Directors for consideration upon the approval of more than half of all members of the Committee:

- (I) disclosing financial reports, financial information contained in periodic reports, and internal control evaluation reports;
- (II) engaging, re-engaging, or dismissing the accounting firm that undertakes the Company's audit work, approving the remuneration and engagement terms of the accounting firm, and handling any issues relating to the resignation or dismissal of such accounting firm;
- (III) appointing or dismissing the financial director of the Company;
- (IV) making changes to accounting policies or accounting estimates, or making corrections to material accounting errors for reasons other than changes in accounting standards;
- (V) other matters as required by laws and regulations, the securities regulatory rules of the place where the Company's Shares are listed, and the Articles of Association, or as delegated by the Board of Directors.

Article 10 The Committee shall oversee the engagement of the external auditor and perform the following duties:

- (I) formulating policies, procedures, and related internal control systems for the selection and engagement of the external auditor based on the authorization of the Board of Directors;
- (II) proposing the initiation of the process for selecting and engaging the external auditor;
- (III) reviewing the selection documents, determining the evaluation factors and specific scoring criteria, and supervising the selection process;

- (IV) reviewing and deciding on the external auditor to be engaged, making recommendations on audit fees, and submitting such matters to the Board of Directors for resolution;
- (V) other matters relating to the selection, engagement, and dismissal of the external auditor as authorized by laws and regulations, the Articles of Association and the Board of Directors.

The Committee's recommendations to the Board of Directors on engaging or replacing the external auditor, as well as its review of the audit fees and engagement terms of the external auditor shall not be subject to improper influence from substantial Shareholders, actual controllers, Directors, or senior management of the listed company.

The Committee shall hold at least one separate meeting each year with the external auditor without the presence of the management. The secretary to the Board of Directors may attend such meeting.

Article 11 The Committee shall supervise and evaluate the audit work of the external auditor, and urge the external auditor to act honestly, diligently, and with due care, strictly comply with business rules and industry self-regulatory standards, rigorously implement internal control systems, verify and validate the Company's financial reports, fulfill the duty of special attention, and prudently express professional opinions. Under the Hong Kong Listing Rules, the supervision and evaluation of the external audit work also include the following duties:

- (I) being primarily responsible for making recommendations to the Board of Directors on the appointment, re-appointment, and removal or replacement of the external auditor, approving the remuneration and engagement terms of the external auditor, and addressing any issues relating to its resignation or dismissal;
- (II) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (III) developing and implementing policies on engaging the external auditor to provide non-audit services and reporting to the Board of Directors, identifying matters that, in the opinion of the Committee, require action or improvement, and making recommendations;
- (IV) before the audit commences, discussing with the external auditor the nature and scope of the audit and reporting responsibilities, and ensuring co-ordination when more than one audit firm is involved;
- (V) reviewing the financial information of the Company and its subsidiaries (hereinafter referred to as the "Group");

(VI) monitoring the integrity of the Group's financial statements and the annual report and accounts, half-year report, and quarterly report (if such quarterly report is intended to be published), and reviewing significant financial reporting judgments contained in those statements and reports. Before submitting such statements and reports to the Board of Directors, the Audit Committee shall specifically review the following matters:

1. any changes in accounting policies and practices;
2. areas involving significant judgments;
3. material adjustments arising from the audit;
4. the going concern assumption and any qualified opinions;
5. compliance with accounting standards; and
6. compliance with the Listing Rules and other legal requirements relating to financial reporting;

(VII) with respect to item 5 above:

1. liaising with the Board of Directors and senior management;
2. meeting with the Company's external auditor at least twice a year; and
3. considering any significant or unusual matters reflected or required to be reflected in the reports and accounts, and giving due consideration to any matters raised by the Company's personnel responsible for accounting and financial reporting functions, the compliance officer (if any), or the external auditor.

The Audit Committee shall regularly (at least annually) submit to the Board of Directors a report assessing the performance of the engaged external auditor and a report on the Audit Committee's performance of its oversight duties over the external auditor.

Article 12 The Committee's duties in supervising and evaluating the internal audit work include the following:

- (I) guiding and supervising the establishment and implementation of the internal audit system;
- (II) reviewing the Company's annual internal audit work plan;
- (III) overseeing the implementation of the Company's internal audit plan;

- (IV) guiding the effective operation of the internal audit department and evaluating its effectiveness. The Company's internal audit department shall report its work to the Audit Committee. All types of audit reports as well as the rectification plans and rectification results for audit issues submitted by the internal audit department to the management shall be simultaneously submitted to the Audit Committee;
- (V) reporting to the Board of Directors on the progress and quality of the internal audit work, as well as any significant issues or leads discovered;
- (VI) coordinating the relationship between the internal audit department and external auditors, state audit authorities, and other external audit entities;
- (VII) ensuring that the internal audit department has sufficient resources to operate within the Company and enjoys an appropriate status.

The Company's internal audit department shall be accountable to the Committee and shall report its work to the Committee. All types of audit reports as well as the rectification plans and rectification results for audit issues submitted by the internal audit department to the management shall be simultaneously submitted to the Committee.

Article 13 Under the Hong Kong Listing Rules, the Committee's duties also include overseeing the Group's financial reporting system, risk management, and internal control systems, including the following:

- (I) reviewing the Group's financial control system and, unless expressly addressed by a separate risk committee under the Board of Directors or by the Board of Directors itself, reviewing the Group's risk management and internal control systems;
- (II) discussing the risk management and internal control systems with the management to ensure that the management has fulfilled its responsibility to establish effective systems. The discussion shall include whether the issuer has adequate resources, staff qualifications, and experience in its accounting and financial reporting functions, as well as whether the training courses provided to staff and related budgets are sufficient;
- (III) studying the major findings relating to risk management and internal control matters and the management's responses to those findings, either on its own initiative or at the delegation of the Board of Directors;
- (IV) ensuring coordination between the internal and external audit functions, ensuring that the internal audit function has sufficient resources to operate within the Group and enjoys an appropriate status, and reviewing and monitoring the effectiveness of the internal audit function;
- (V) reviewing the Group's financial and accounting policies and practices;

- (VI) reviewing the external auditor's explanatory statement on audit to the management, any material queries raised by the external auditor to the management regarding accounting records, financial accounts, or control systems, and the management's responses;
- (VII) ensuring that the Board of Directors responds promptly to issues raised in the external auditor's explanatory statement on audit to the management;
- (VIII) reporting to the Board of Directors on matters set out in these terms of reference;
- (IX) reviewing arrangements by which employees of the Group may confidentially raise concerns about possible improprieties in financial reporting, internal controls, or other matters, and ensuring that appropriate arrangements exist for fair and independent investigation of such matters and for appropriate follow-up action;
- (X) serving as the principal representative of the Group with the external auditor and monitoring the relationship between them;
- (XI) establishing a whistleblowing policy and system enabling employees and other parties dealing with the Group (such as customers and suppliers) to raise, in confidence and anonymously, concerns to the Audit Committee about any possible impropriety relating to the Group; and
- (XII) studying other topics as defined by the Board of Directors.

Article 14 The Committee shall supervise and instruct the internal audit department to conduct inspections of the following matters at least once every six months, issue inspection reports, and submit those reports to the Audit Committee. If the inspection reveals that the listed company has engaged in any violation of laws or regulations, or any irregular operations, the Committee shall promptly report such findings to the regulatory authority:

- (I) the implementation of major events of the Company such as the use of proceeds, provision of guarantees, related party transactions, securities investments and derivatives transactions, provision of financial assistance, purchase or sale of assets, and external investments;
- (II) large-sum fund transactions of the Company, and fund transactions with Directors, senior management, controlling Shareholders, actual controllers, and their related parties.

If during its routine performance of duties the Audit Committee discovers clues of financial frauds, irregularities in business operations of the listed company, or becomes aware of significant negative public sentiment, major media queries, or receives specific complaints or reports relating to the listed company, the Audit Committee may require the Company to conduct a self-review and instruct the internal audit department to carry out an investigation.

Article 15 The Committee's duties in reviewing the Company's financial reports and expressing opinions thereon include the following:

- (I) reviewing the Company's financial reports and expressing opinions on their truthfulness, completeness, and accuracy;
- (II) focusing on significant accounting and auditing issues in the Company's financial reports, including material accounting error adjustments, material changes in accounting policies and estimates, matters involving important accounting judgments, and matters giving rise to a qualified audit opinion;
- (III) paying particular attention to the possibility of fraud, misconduct, or material misstatement relating to the financial reports;
- (IV) monitoring the rectification of financial reporting issues;
- (V) ensuring that the preparation and disclosure of financial reports comply with the requirements of securities regulatory authorities.

With respect to the above matters, members of the Audit Committee shall liaise with the Board of Directors and senior management. The Audit Committee shall consider any significant or unusual matters reflected or required to be reflected in those financial reports and accounts, and shall give due consideration to any matters raised by the Company's internal audit, finance, and compliance departments or by the external auditor.

Article 16 The Committee's duties in supervising and evaluating the Company's internal controls shall include at least the following:

- (I) assessing the appropriateness of the design of the Company's internal control system;
- (II) reviewing the internal control self-assessment report;
- (III) reviewing the internal control audit report issued by the external auditor, and communicating with the external auditor on identified issues and improvement measures;
- (IV) evaluating the results of internal control assessments and audits, and urging the rectification of internal control deficiencies;
- (V) evaluating the Company's financial controls and risk management systems;
- (VI) discussing the risk management and internal control systems with the management to ensure that the management has fulfilled its responsibility to establish effective systems;
- (VII) studying major findings relating to risk management and internal control matters, and management's responses to those findings, either on its own initiative or at the delegation of the Board of Directors;

- (VIII) reviewing the external auditor's explanatory statement on audit to the management, any material queries raised by the external auditor to the management regarding accounting records, financial accounts, or control systems, and management's responses, and ensuring that the Board of Directors responds promptly to issues raised in the external auditor's explanatory statement on audit to the management;
- (IX) ensuring that the Company establishes appropriate channels for employees to report or raise concerns about possible improprieties in financial reporting, internal controls, or other matters in a confidential manner, and periodically reviewing such arrangements to enable the Company to conduct fair and independent investigations into such matters and take appropriate action.

Article 17 The duties of the Committee to coordinate communication among the management, the internal audit department, relevant departments, and the external auditor include:

- (I) coordinating communication between the management and the external auditor on major audit issues;
- (II) coordinating communication between the internal audit department and the external auditor, and facilitating cooperation on the external audit work.

Article 18 The Committee shall report to the Board of Directors and make recommendations on any actions or improvements it considers necessary and on matters set out in the Corporate Governance Code (as amended from time to time), and shall study other topics as defined by the Board of Directors.

Article 19 If the Committee deems it necessary, it may engage an intermediary to provide professional advice at the Company's expenses.

Article 20 The terms of reference of the Audit Committee shall be published on the websites of The Stock Exchange of Hong Kong Limited and the Company, explaining the role of the Audit Committee and the powers delegated to it by the Board of Directors.

Article 21 If the Board of Directors disagrees with the Audit Committee's view on the selection, appointment, resignation, or removal of the external auditor, the Company shall disclose a statement from the Audit Committee setting out its recommendations and the reasons for the Board of Directors' differing views in accordance with the securities regulatory rules of the place where the Company's Shares are listed.

Chapter 3 Rules of Procedure

Article 22 The Audit Committee shall hold meetings at least once each quarter. The Board of Directors, the convener of the Committee, or two or more members shall have the right to propose the convening of an extraordinary meeting of the Committee.

Article 23 A notice shall be given to all members 3 days prior to the date of meeting of the Committee together with relevant materials and information. The meeting shall be convened and presided over by the convener. If the convener is unable to attend the meeting or refuses to perform his/her duties, he or she shall designate a member who is an independent Director to act on his/her behalf. In case of an urgent meeting is required to be convened due to special reasons, the above notification period can be exempt, but the convener shall make an explanation at the meeting. The notice of meeting may be delivered in writing by hand, facsimile, registered mail or e-mail. In urgent case, the notice can be given by telephone, and such notice shall at least include the time and venue of the meeting, the manner to convene the meeting, as well as an explanation on the urgency to convene the meeting as soon as possible, and a supplementary written notice shall be delivered after the meeting.

Article 24 A Committee meeting may only be held if more than two-thirds of the members are present. Members shall attend the meeting in person and express clear opinions on the matters under consideration. If a member is unable to attend the meeting in person for any reason, he/she may appoint another member in writing to attend, express opinions, and vote on his/her behalf. The power of attorney shall clearly state the scope and term of authorization, and shall be signed by the appointing member. Each member may accept appointment from no more than one other member. When a member who is an independent Director is unable to attend the meeting in person for any reason, he/she shall appoint another member who is an independent Director to attend on his/her behalf.

Article 25 In principle, meetings of the Committee shall be convened by way of onsite meetings. If all Directors present at the meeting can fully communicate and express their opinions, the meeting may be held by means of telephone conference, video conference, or written transmission and signature when necessary.

Article 26 Votes may be made by a show of hands or by poll at a meeting of the Committee. Each member shall have one vote. Resolutions adopted at a meeting must be approved by a majority of all members. If a valid deliberation opinion cannot be formed due to the recusal of members of the Committee, such matter shall be submitted directly to the Board of Directors for consideration. Any dissenting opinions of the members who voted against the resolution shall be filed for record.

Article 27 The deliberation opinions adopted at a meeting of the Committee shall be submitted in writing to the Board of Directors.

Article 28 If the Committee deems it necessary, it may invite representatives of the external auditor, the Company's internal audit personnel, financial personnel, legal counsel, and other relevant persons to attend the meeting and provide necessary information.

Article 29 Written minutes shall be kept for meetings of the Committee. Attending members and other participants shall sign the minutes. Attending members shall have the right to request that explanatory notes regarding their statements made at the meeting be included in the minutes. The Committee meeting minutes, together with the attendance register of the attending members and powers of attorney for proxy attendance, shall be kept as corporate records by the Board Office and the duly appointed meeting secretary (usually the secretary to the Board of Directors) for a period of ten years. The draft and final versions of the

minutes shall be sent to all members within a reasonable period after the meeting, with the draft provided for members for their comments and the final version for record purposes. The minutes shall be properly kept by the secretary to the Board of Directors, and shall be made available for inspection by any Director upon reasonable notice in any reasonable timeframe.

Article 30 Resolutions adopted and voting results of the meetings of the Audit Committee shall be reported in writing to the Board of Directors.

Article 31 Members attending the Committee meeting and other participants shall have a duty of confidentiality with respect to matters discussed at the meeting and shall not disclose relevant information without authorization.

Article 32 If a member of the Committee has an interest in a matter to be discussed at the meeting, such member shall recuse himself/herself.

Chapter 4 Annual Report Work Procedures

Article 33 During the audit of the Company's annual financial report, the Committee shall perform the following duties:

- (I) coordinating the audit schedule with the external auditor;
- (II) reviewing the Company's annual financial information and accounting statements;
- (III) supervising the implementation of the annual audit of the Company by the external auditor;
- (IV) evaluating and summarizing the performance of the external auditor's audit work;
- (V) proposing the engagement or replacement of the external auditor;
- (VI) other duties as required by the China Securities Regulatory Commission, the Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited, and the securities regulatory rules of the place where the Company's Shares are listed.

Article 34 The Committee shall, based on the Company's annual report disclosure schedule and actual circumstances, coordinate with the external auditor responsible for the Company's annual report audit to determine the timing of the annual financial report audit.

Article 35 After determining the audit schedule with the external auditor, the Committee shall promptly notify the financial director of the Company. Before the external auditor commences its on-site work, the Company shall prepare its annual financial and accounting statements and submit them to the Committee for preliminary review, and the Committee shall issue a written opinion.

Article 36 After the external auditor commences its on-site work, the Committee shall maintain timely communication with the external auditor. After the external auditor has issued its preliminary audit opinion, the Committee shall review the Company's financial and accounting statements once again and form a written opinion.

Article 37 The Committee shall monitor the progress of the audit of the Company's annual financial report and, from time to time, urge the external auditor to submit the audit report within the agreed timeframe, and shall document the methods, frequency, and results of such urging, along with the confirmation signature of the responsible person, in the form of a written opinion.

Chapter 5 Information Disclosure

Article 38 The Company shall simultaneously disclose the Audit Committee's annual performance report on the website of the Shanghai Stock Exchange when disclosing its annual report. Such disclosure shall mainly include the Audit Committee's performance of its duties and the convening of its meetings.

Article 39 If any significant issue discovered by the Audit Committee during the performance of its duties meets the information disclosure standard stipulated in the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange STAR Market, the Company shall promptly disclose such issue and the status of its rectification.

Article 40 If the Audit Committee submits a deliberation opinion to the Board of Directors on matters within its scope of duties and the Board of Directors does not adopt such opinion, the Company shall disclose the matter and fully explain the reasons.

Article 41 The Company shall disclose any special opinions issued by the Audit Committee on major matters of the Company in accordance with laws, administrative regulations, departmental rules, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange STAR Market, and relevant normative documents.

Chapter 6 Supplementary Provisions

Article 42 In these terms of reference, the meaning of "independent Director" is consistent with the meaning of "independent non-executive Director" in the Hong Kong Listing Rules. Unless otherwise specified, terms used in these terms of reference shall have the same meanings as defined in the Articles of Association.

Article 43 For matters not covered in these terms of reference, or conflicts between these terms of reference and the provisions of relevant laws, regulations, rules, normative documents, the securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association, the provisions of such laws, regulations, rules, normative documents, the securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association shall prevail.

Article 44 Subject to the consideration and approval by the Board of Directors of the Company, these terms of reference shall take effect from the date on which the H Shares issued by the Company are listed on The Stock Exchange of Hong Kong Limited.