

INGENIC SEMICONDUCTOR CO., LTD. TERMS OF REFERENCE FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Chapter I General Provisions

Article 1 In order to enhance the decision-making capabilities of the board of directors, perform pre-audit and professional audit, ensure effective supervision over the senior management by the board of directors and improve the corporate governance structure, Ingenic Semiconductor Co., Ltd. (hereinafter referred to as the “Company”) specifically established the Audit Committee of the board of directors with these terms of reference in compliance with the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Code of Corporate Governance for Listed Companies and the Measures for the Administration of Independent Directors of Listed Companies of the CSRC, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Listing Rules”) and relevant provisions of the Rules of Procedure for the Board of Directors of Ingenic Semiconductor Co., Ltd.

Article 2 The Audit Committee of the board of directors is a specialized working body established by the board of directors in accordance with the resolution of the shareholders’ meeting, which is mainly responsible for reviewing the Company’s financial information and its disclosures, supervising and evaluating the internal and external audits and internal controls, and exercising the powers and functions of the supervisory committee as stipulated in the Company Law and the securities regulatory rules of the place where the Company’s shares are listed.

Chapter II Composition

Article 3 The Audit Committee consists of at least three non-executive directors who do not hold senior management positions in listed companies, of whom more than half shall be independent directors. At least one of the independent directors among the members shall be equipped with appropriate professional qualifications stipulated in the securities regulatory rules of the place where the Company’s shares are listed, or equivalent expertise in accounting or financial management.

Article 4 Member(s) of the Audit 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 the directors, and shall be elected by the board of directors.

Article 5 The Audit Committee shall have a chairman (the convener), who shall be an independent director of the Company possessing the appropriate professional qualifications stipulated in the securities regulatory rules of the place where the Company’s shares are listed, or equivalent expertise in accounting or financial management, and who shall be responsible for presiding over the work of the Committee. The chairman shall be elected by the board of directors.

Article 6 The term of office of the Audit Committee’s members shall be consistent with the term of office of the directors on the board of directors. Members may serve consecutive terms if re-elected upon the expiration of their term. If any member ceases to serve as a director of the Company during his/her term, he/she shall automatically lose his/her membership qualification, and the vacancy shall be filled in accordance with Articles 3 to 5 of these terms of reference.

If a member fails to attend the meetings of the Committee in person for two consecutive times and fails to appoint other members to attend on his/her behalf, such member shall be deemed as failing to perform his/her duties, and the board of directors shall replace him/her.

Article 7 A member may tender his/her resignation to the board of directors before the expiration of his/her terms of office by giving a resignation report to explain the reason for resignation and any matters relating to his/her resignation or which he/she considers necessary to bring to the attention of the board of directors.

The Committee members may be adjusted during their terms of office upon being considered and approved by the board of directors.

Where the resignation of an independent director results in the proportion of independent directors on the Audit Committee failing to meet the requirements of relevant laws, regulations, the securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association, the resigning independent director shall continue to perform his/her duties until a new independent director is elected. The Company shall complete the by-election within sixty days from the date of resignation of such independent director.

Chapter III Duties and Authorities

Article 8 The Audit Committee of the board of directors of the Company is responsible for reviewing the Company's financial information and its disclosures, supervising and evaluating the internal and external audits and internal controls. The following matters shall be submitted to the board of directors for consideration after the approval by a majority of all members of the Audit Committee:

- (I) disclosure of financial information in financial accounting reports and periodic reports, and internal control evaluation reports;
- (II) appointment or dismissal of the accounting firm that undertakes the listed company's auditing business;
- (III) appointment or dismissal of the listed company's chief financial officer;
- (IV) changes in accounting policies, accounting estimates or correction of material accounting errors for reasons other than changes in accounting standards;
- (V) other matters as provided by laws, administrative regulations, CSRC regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

The terms of reference of the Audit Committee of the board of directors of the Company shall include:

- (I) to make recommendations to the board of directors regarding appointment, reappointment and removal of the external accounting firm, approve the remuneration and terms of the external accounting firm, and deal with any matters concerning the resignation of such accounting firm or dismissal of such auditor;

- (II) to review and monitor the external accounting firm's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; the Audit Committee shall discuss with the accounting firm the nature and scope of the audit and reporting obligations before the audit commences;
- (III) to develop and implement policy on engaging an external accounting firm to supply non-audit services. For the purpose of this article, "external accounting firm" includes any entity that is under common control, ownership or management with the firm responsible for audit, or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of such firm responsible for audit nationally or internationally. The Audit Committee should report to the board of directors, identifying and making recommendations on any matters where action or improvement is needed;
- (IV) to monitor the completeness of the financial statements and annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports of the Company, and review significant financial reporting opinions contained therein. Before submitting relevant statements and reports to the board of directors, the Committee shall particularly review the following matters:
 - (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 qualified opinions;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (V) regarding Item (IV) above,
 - (i) the members of the Committee should liaise with the board of directors and the senior management. The Committee must meet at least twice a year with the accounting firm of the Company; 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 should 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 accounting firm;
- (VI) to review the Company'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 Company's risk management and internal control systems;

- (VII) to discuss 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, training programmes and budget of the Company's accounting and financial reporting function;
- (VIII) to consider 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 these findings;
- (IX) where an internal audit function exists, to ensure co-ordination between the internal audit function and external accounting firm, 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;
- (X) to review the group's financial and accounting policies and practices;
- (XI) to review the external accounting firm's management letter, any material queries raised by the accounting firm to management about accounting records, financial accounts or systems of control and management's response;
- (XII) to ensure that the board of directors will provide a timely response to the issues raised in the external accounting firm's management letter;
- (XIII) to report to the board of directors on the matters in the code provision of the Corporate Governance Code in the Listing Rules;
- (XIV) to consider other topics, as defined by the board of directors;
- (XV) to review the arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action by the Company;
- (XVI) to act as the key representative body for overseeing the Company's relations with the external accounting firm;
- (XVII) other matters as stipulated by laws, administrative regulations, the CSRC, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

The Audit Committee shall publicly disclose its terms of reference on the website of The Stock Exchange of Hong Kong Limited and the Company's website, explaining its role and the powers delegated to it by the board of directors.

Where the board of directors disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external accounting firm, the Company should 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.

Chapter IV Decision-making Procedures

Article 9 The persons in charge of the internal audit and relevant finance department of the Company are responsible for providing to the Audit Committee relevant written information of the Company in relation to:

- (I) relevant financial system of the Company;
- (II) internal and external audit reports;
- (III) external audit contract, special audit and relevant audit reports;
- (IV) the Company's quarterly, interim and annual reports as well as relevant provisional reports;
- (V) audit reports regarding major connected transactions of the Company;
- (VI) other relevant matters.

Article 10 The Audit Committee shall hold meetings to review the aforementioned reports, and submit relevant written resolution documents to the board of directors for discussion:

- (I) assessment report on the work of the external auditor, and engagement and replacement of the external auditor;
- (II) assessment report on the effective implementation of the internal audit system of the Company as well as the completeness and truthfulness of the Company's financial report;
- (III) assessment report on the objectivity and truthfulness of the financial report and other information disclosed by the Company to the public as well as the compliance of material connected transactions of the Company with relevant laws and regulations;
- (IV) assessment report on the work of the internal financial department and the audit department of the Company as well as their persons in charge;
- (V) such other relevant matters.

Chapter V Rules of Procedure

Article 11 There shall be regular and extraordinary meetings of the Audit Committee that are convened and presided over by the chairman of the Committee. Regular meetings shall be held at least once every quarter, and shall be convened before the publication of the interim financial reports and annual financial reports with five working days' notice to all members. An extraordinary meeting may be proposed by the convener or by two or more members of the Committee. All members shall be notified three days prior to the convening of such meeting, provided that the aforementioned notice period may be waived with the unanimous consent of all members. Where the chairman is unable to attend, he/she may delegate another member to chair the meeting.

Article 12 Meetings of the Audit Committee shall only be held when more than two-thirds of its members are present. Each member of the Audit Committee shall have one vote. The resolutions made at the meeting must be passed by more than half of its members present at such meeting.

Article 13 In principle, meetings of the Audit Committee shall be held on-site. On the basis that all members have the opportunity to fully express their opinions, meetings may also be convened through telecommunications.

Article 14 The secretary to the board of directors shall attend the meetings of the Audit Committee as observers. When necessary, other directors and other senior management of the Company may be invited to attend the meetings as observers.

Article 15 Members of the Audit Committee and persons attending meetings of the Audit Committee as observers shall have a duty of confidentiality for any information which has not been disclosed, and shall not use insider information for the benefits of their own or others.

Article 16 Members of the Audit Committee shall attend meetings of the Audit Committee in person. If members are unable to attend the meeting for some reason, they may appoint other members in writing to attend the meeting, and, if any member has neither attended nor appointed a proxy to attend the meeting, he/she shall be deemed to have waived his/her right to vote at such meeting.

Article 17 The Audit Committee shall be provided with adequate resources in discharging its duties. If necessary, the Audit Committee may engage intermediary institutions to provide advice for its decision-making, with expenses borne by the Company.

Article 18 The procedures for convening meetings of the Audit Committee, voting methods, and the resolutions adopted at such meetings must comply with relevant laws, administrative regulations, the Articles of Association, and these terms of reference.

Article 19 Minutes shall be taken for meetings of the Audit Committee, and the members attending the meeting shall sign on the minutes. The minutes shall be kept by the secretary of meeting officially appointed (usually the company secretary) and the secretary to the board of directors of the Company for at least ten years. The draft and final versions of the meeting minutes shall be distributed to all Committee members within a reasonable period after the meeting. The draft version is provided for members to express their opinions, while the final version serves as the official record.

Article 20 Resolutions and voting results adopted at the meetings of the Audit Committee shall be reported to the board of directors of the Company in writing.

Chapter VI Supplementary Provisions

Article 21 After being considered and approved by a resolution of the board of directors of the Company, these terms of reference shall come into effect from the date on which the H Shares issued by the Company commence listing on The Stock Exchange of Hong Kong Limited.

Article 22 Matters not covered in these terms of reference shall be implemented in accordance with the relevant national laws, regulations, the securities regulatory rules of the place where the Company's shares are listed and the provisions of the Articles of Association. Should these terms of reference conflict with national laws, regulations, the securities regulatory rules of the place where the Company's shares are listed or the articles of association of the Company as lawfully amended in the future, the provisions of the relevant national laws, regulations, the securities regulatory rules of the place where the Company's shares are listed and the articles of association of the Company shall prevail.

Article 23 The board of directors of the Company shall be responsible for the interpretation of these terms of reference.