TERMS OF REFERENCE OF THE AUDIT COMMITTEE

In accordance with the Company Law of the People's Republic of China (hereinafter referred to as the "Company Law"), the code provisions of the Corporate Governance Code issued by The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Stock Exchange") and other laws and regulations, as well as the relevant regulations of the China Securities Regulatory Commission (hereinafter referred to as the "CSRC"), the Company shall establish an Audit Committee, the terms of reference of which are set out herein and adopted accordingly.

1. Organization

To enhance the corporate governance of Jiangsu Xinde Semiconductor Technology Co., Ltd. (hereinafter referred to as the "Company"), regulate the rules of proceedings of the Audit Committee of the Board of the Company, and fully protect the legitimate rights and interests of the Company and its shareholders, the Company hereby establishes the Audit Committee of the Board (hereinafter referred to as the "Committee").

2. Objectives

The primary objectives of the Committee are to be responsible for the relationship with the auditors of the Company, review the financial information of the Company, oversee the financial reporting system and internal control procedures of the Company, and exercise the functions and powers of the board of supervisors as prescribed under the Company Law. The Committee is accountable to the Board.

3. Membership

3.1 The members of the Committee (hereinafter referred to as the "Members", and each a "Member") shall comprise Directors of the Company and shall consist of not less than three members. All the Members shall be non-executive Directors and a majority of them shall be independent non-executive Directors under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). At least one of these independent non-executive Directors shall possess appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

3.2 The term of office of the Committee shall be consistent with that of the Board, and the Members may be re-elected and re-appointed upon the expiry of their terms of office, provided that the consecutive term of office for independent Director Members shall be subject to the term stipulated in the Listing Rules.

If a Member ceases to be a Director of the Company, he/she shall automatically lose his/her qualification as a Member, and the Board shall appoint a new Member to fill the vacancy. If the resignation of a Member results in the number of the Members of the Committee falling below the statutory minimum or results in a lack of an accounting professional, the existing Member shall continue to perform his/her duties until the new Member assumes office.

3.3 The chairman of the Committee shall be appointed by the Board and shall be an independent non-executive Director with accounting expertise.

3.4 A former partner of the current auditing firm of the Company shall be prohibited from acting as a Member for a period of two years from the date of his/her ceasing:

(a) to be a partner of the firm; or

(b) to have any financial interest in the firm, whichever is later.

3.5 The Members shall possess the professional knowledge, working experience and good professional ethics required for their duties, and shall commit sufficient time and efforts to perform their duties in the Committee. They shall perform their duties with due diligence, effectively and comprehensively supervise and evaluate the internal and external audit work of the Company, facilitate the Company to establish effective internal control, and provide true, accurate and complete financial reports.

3.6 The Members shall continuously strengthen their study and training in respect of laws, accounting and regulatory policies to consistently improve their abilities to perform their duties.

4. Secretary

Unless otherwise appointed by the Committee, the company secretary of the Company shall act as the secretary of the Committee. In the absence of a company secretary, the secretary to the Board of the Company shall act as the secretary. If there is no secretary to the Board, any other person nominated by a Member and approved by the Committee shall serve as the secretary of the Committee.

5. Authority and Powers

5.1 The Committee is authorized to request any required information from any employee of the Company, and all employees shall, as directed, cooperate with the Committee to satisfy any of its requests.

5.2 The Committee is authorized by the Board to seek external legal advice or other independent professional advice; if necessary, it may invite external parties with relevant experience and professional knowledge to attend its meetings.

5.3 The Committee is authorized by the Board to review any arrangements which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

5.4 The Committee shall be provided with sufficient resources to perform its duties. Expenses necessarily incurred by the Members in exercising their functions and powers shall be borne by the Company.

6. Duties

The duties of the Committee are as follows:

6.1 Relationship with the Company's auditors

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the Company's external auditors, to approve their remuneration and terms of engagement, and to deal with any issues with regard to their resignation or dismissal;

(b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee shall discuss with the auditors the nature and scope of the audit and related reporting obligations before the audit commences. Where more than one auditing firm is involved, the Committee shall ensure coordination between them;

(c) to develop and implement policies on the engagement of the Company's external auditors to provide non-audit services. For this purpose, "external auditors" 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 knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report and make recommendations to the Board on any matters where action or improvement is needed;

6.2 Review of the Company's financial information

(d) to monitor the integrity 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 judgements contained therein. In reviewing these reports before submission to the Board, the Committee shall focus particularly on:

(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; and

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(e) Regarding (d) above:

(i) The Members shall liaise with the Board and the senior management of the Company. The Committee shall meet, at least twice a year, with the Company's auditors; and

(ii) The Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and shall give due consideration to any matters that have been raised by the Company's accounting and finance personnel or auditors;

(f) to discuss with the external auditors of the Company problems and reservations arising from the interim and final audits, and any other matters the auditors may wish to discuss (in the absence of the management of the Company where necessary);

(g) to review the letters from the Company's external auditors to the management of the Company and the responses of the management;

(h) if the Company's annual reports contain a statement relating to the Company's internal supervision system, to review such statement before it is submitted to the Board for approval;

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

(i) to review the Company's financial reporting and financial controls, and (unless expressly addressed by a separate risk committee under the Board or by the Board itself) review the risk management and internal control systems of the issuer;

(j) to discuss the risk management and internal control systems with the management of the Company to ensure that the management has discharged its duties to establish 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;

(k) 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;

(l) where the Company has an internal audit department, to ensure co-ordination between the internal and external auditors of the Company; and to ensure that the internal audit department of the Company is adequately resourced to operate and has appropriate standing within the Company; and to review and monitor its effectiveness;

(m) to review the financial and accounting policies and practices of the Company;

(n) to review the external auditors' management letter, any material queries raised by the auditors to the management about accounting records, financial accounts or systems of control and management's response;

(o) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

(p) to ensure compliance with the laws and regulations applicable to the Company;

(q) to report to the Board on the matters in these terms of reference;

(r) to consider other topics, as defined by the Board;

6.4 Exercise of functions and powers of the board of supervisors prescribed under the Company Law

(s) to inspect the Company's finances;

(t) to supervise the acts of directors and senior management personnel in their performance of duties;

(u) to require directors and senior management personnel to rectify their acts when such acts prejudice the interests of the Company;

(v) to propose the convening of extraordinary meetings of the Board;

(w) to propose the convening of extraordinary general meetings of shareholders, and to convene and preside over shareholders' general meetings when the Board fails to perform its duty of convening and presiding over shareholders' general meetings as prescribed by law;

(x) to put forward proposals at shareholders' general meetings;

(y) to accept requests from shareholders to initiate legal proceedings against directors and senior management personnel (other than the Members of the audit committee) who violate laws, administrative regulations or the Articles of Association in performing their duties, thereby causing losses to the Company;

6.5 Miscellaneous

(z) to review the following arrangements implemented by the Company: employees of the Company can raise concerns about possible improprieties in financial reporting, internal control, risk management or other matters. The Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(aa) to act as the key representative body for overseeing the Company's relations with the external auditors;

(ab) to deal with any other matters delegated by the Board for the Committee to perform its powers and functions;

(ac) to comply with the requirements, guidelines and rules as prescribed in the Articles of Association of the Company or the Listing Rules or any applicable laws from time to time; and

(ad) to perform and report to the Board the matters set out in Code Provision C.3 of Appendix 14 to the Listing Rules.

7. Committee Meetings

7.1 Frequency of meetings

The Committee shall hold at least one meeting every quarter. A meeting may be requested by two or more Members, or by the Company's external auditors if they consider that one is necessary. In addition, the chairman of the Committee may convene additional meetings at his/her discretion.

7.2 Notice of meetings

Unless all Members unanimously agree to waive notice, the secretary of the Committee shall give three days' prior notice to all Members for any meeting to be convened and circulate the meeting agenda to the Members.

7.3 Quorum

A meeting of the Committee shall be valid only if two-thirds or more of the Members are present.

7.4 Means of holding meetings

Meetings may be held in person, by telephone or by video conference. Members may attend meetings by telephone or similar means of communication that allow all Members to communicate with each other. With the unanimous consent of all Members, the Committee may also pass resolutions by way of a written resolution.

The chairman of the Committee shall be responsible for convening and presiding over the Committee meetings. When the chairman of the Committee is unable or refuses to perform his/her duties, an independent non-executive Director Member jointly elected by a majority of the Members shall preside.

Members shall attend the Committee meetings in person and express clear opinions on the matters under deliberation. If a 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, record such opinion in a proxy form, and appoint another Member in writing to attend on his/her behalf.

Each Member may act as a proxy for no more than one other Member, and the proxy form must specify the scope and duration of the authorization. If an independent non-executive Director is unable to attend a meeting for any reason, he/she shall appoint another independent non-executive Director on the Committee as his/her proxy.

7.5 Resolutions

Each Member shall have one vote, and any resolution shall only be valid if passed by a majority vote of the Members attending the meeting. A resolution signed in writing by all Members of the Committee, whether or not a meeting is held, shall be valid and legally effective. Any such resolution may be contained in a single document or may consist of several documents in like form.

7.6 Attendees

The Committee may invite any executive director, external consultant or other person to attend its meetings, but such executive director, consultant or person shall not have voting rights at the meetings.

7.7 Minutes of meetings

Full minutes of the meetings shall be kept by the secretary of the Committee. The minutes shall record in detail the matters considered and decisions reached by the Members at the meetings, which should include any concerns raised by the Members or dissenting views expressed. Members attending the meetings and the recorder of the minutes shall sign the minutes.

7.8 Attendance at meetings

The chief financial officer, the head of the internal audit department of the Company and a representative of the external auditors shall normally attend the meetings of the Committee. However, the Committee must meet with the external and internal auditors of the Company without the presence of the Company's management at least once a year.

8. Reporting

The Committee shall report to the Board on a regular basis. The chairman of the Committee or other Members authorized by the chairman to preside over the Committee meeting shall report to the Board after each meeting of the Committee. The Committee shall report to the Board on the work and results of the Committee during the year at least annually.

9. Availability and Update of the Terms of Reference

These terms of reference shall be updated and amended as necessary in light of circumstances and changes in Hong Kong's regulatory requirements (such as the Listing Rules). Information regarding these terms of reference shall be made available to the public by publication on the websites of the Company and the Stock Exchange.

10. Supplementary Provisions

10.1 Matters not covered in these terms of reference shall be governed by relevant laws, regulations, rules, regulatory requirements and the Articles of Association.

10.2 The right to interpret these terms of reference rests with the Board.