



Axera Semiconductor Co., Ltd.
愛芯元智半導體股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 600)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Chapter 1 General Provisions

Article 1 To strengthen the decision-making capabilities of the board (the “**Board**”) of directors (the “**Directors**”) of the Company, conduct pre-audits and professional audits, and ensure effective supervision of the management by the Board, the Company has hereby established the audit committee of the Board (hereinafter referred to as the “**Audit Committee**” or “**Committee**”) and formulated these Rules of Procedures (hereinafter referred to as these “**Rules of Procedures**”) in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the “**Company Law**”), the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as the “**Hong Kong Stock Exchange Listing Rules**”), and the Articles of Association of Axera Semiconductor Co., Ltd. (hereinafter referred to as the “**Articles of Association**”) and other relevant laws, regulations and normative documents.

Article 2 The Audit Committee of the Board is a specialized working organization established by the Board in accordance with its resolutions. It is accountable to and reports to the Board, and exercises the powers of the supervisory committee as stipulated under the Company Law.

Chapter 2 Composition

Article 3 The Audit Committee shall consist of three members, all of whom shall be non-executive Directors who do not hold senior management positions in the Company. Among them, two shall be independent Directors, and at least one of these independent Directors shall be a person with professional qualifications in accounting and meet the requirements set forth in the Hong Kong Stock Exchange Listing Rules regarding independent Directors possessing appropriate professional qualifications or adequate expertise in accounting or related financial management. The convener (chairman) of the Audit Committee shall be an independent Director. Employee representatives in the Board (who shall be non-executive Directors) may serve as members of the Audit Committee.

Article 4 Members of the Audit Committee are elected from among the Directors and are appointed by the Board. The appointment of members of the Audit Committee shall comply with the requirements of the securities regulatory rules of the place where the Company's shares are listed. A former partner of the external audit institution that is currently responsible for auditing the Company's accounts shall not serve as a member of the Company's Audit Committee within two years from the following date (whichever is later): (1) the date on which he/she ceased to be a partner of the external audit institution; or (2) the date on which he/she ceased to have any financial interest in the external audit institution.

Article 5 The Audit Committee shall have one chairman, who shall be an independent non-executive Director and responsible for presiding over the Committee's work. The chairman shall be elected from among the members and appointed upon approval by the Board.

Article 6 The term of the Audit Committee shall align with that of the Board. Upon the expiration of the term, the Committee members may be re-elected for consecutive terms. If a member ceases to be a Director during the term, that member shall automatically lose his/her position. The Committee shall then fill the vacancy in accordance with the provisions of Article 3 to Article 5 mentioned above.

Article 7 Members of the Audit Committee may resign before the expiry of their term. The resignation of a member shall be governed by the relevant provisions of laws, regulations, the Hong Kong Stock Exchange Listing Rules, and the Articles of Association concerning the resignation of Directors or independent Directors.

Chapter 3 Duties and Powers

Article 8 The Audit Committee shall be responsible for reviewing the Company's financial information and its disclosure, supervising and assessing both internal and external audit and internal control. Its duties and powers are as follows:

(I) To review financial information in financial accounting reports and periodic reports, and internal control evaluation reports, including scrutinizing the completeness of the Company's financial statements, annual reports and accounts, semi-annual reports and quarterly reports (if any), and reviewing significant opinions related to financial reporting contained in the statements and reports. When submitting relevant statements and reports to the Board, the Audit Committee shall specifically review the following matters:

1. Any changes in accounting policies and practices;
2. Matters involving significant judgment;
3. Material adjustments arising from the audit;
4. The going concern assumption and any qualifications;
5. Compliance with accounting standards;

6. Compliance with other securities regulatory rules and laws of the place where the Company's shares are listed regarding financial reporting.

For the purpose of this item, members of the Audit Committee shall liaise with the Board and senior management members of the Company. The Committee shall meet with the Company's external audit institution at least twice annually. 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, the compliance department, or the external audit institution;

- (II) To supervise and evaluate the external audit work, recommend to the Board the engagement or dismissal of the accounting firm responsible for the Company's audit business, provide advice to the Board on the remuneration and terms of engagement of the external audit institution, and address any issues relating to the resignation or dismissal of such audit institution; to review and monitor whether the external audit institution is independent and objective, and whether the audit procedures are effective in accordance with applicable standards; prior to the commencement of the audit work, to discuss with the audit institution on the audit nature and scope, and the relevant reporting responsibilities, and establish and implement the policies regarding the engagement of external audit institutions to provide non-audit services.

For the purpose of this item, "external audit institutions" include any entity under the same control, ownership, or management as the auditing firm, or any other entity that a reasonable third party, fully aware of all relevant information, would reasonably determine to be part of the domestic or international operations of the firm conducting the audit. The Committee shall report to the Board and make recommendations on any actions or improvements it deems necessary, and shall serve as the primary liaison between the Company and the external audit institution, responsible for monitoring their relationship;

- (III) To supervise the performance of duties by Directors and senior management members, and propose the removal of any Director or senior management member who violates laws, administrative regulations, the Articles of Association, or resolutions of the shareholders' general meeting;
- (IV) To propose the convening of extraordinary shareholders' general meetings, and convene and preside over shareholders' general meetings when the Board fails to fulfill its duties of convening and presiding over shareholders' general meetings as stipulated by the Company Law;
- (V) To submit proposals to shareholders' general meetings;
- (VI) To initiate legal proceedings against Directors and senior management members in accordance with Article 189 of the Company Law;

- (VII) To require Directors and senior management members to submit reports on the performance of their duties. Directors and senior management members shall provide relevant information and materials truthfully and shall not obstruct the Audit Committee from exercising its powers;
- (VIII) To propose to the Board any changes to the accounting policies or accounting estimates, or correction of material accounting errors, except where such changes are due to modifications in accounting standards;
- (IX) To examine the effectiveness of the Company's financial control systems and risk management framework:
1. To review the Company's financial oversight, internal control systems, and risk management policies;
 2. To discuss risk management and internal control systems with the management to ensure that the management has fulfilled its responsibilities in establishing effective systems. The discussion should include an assessment of whether the Company has sufficient resources, qualified personnel, and experience in accounting and financial reporting functions, as well as whether adequate training programs and budget allocations are in place;
 3. To review, proactively or upon the Board's appointment, significant findings from investigations relating to risk management and internal controls, and evaluate the management's responses thereto;
 4. To ensure coordination between the work of the internal and external audit institutions; to confirm that the internal audit function has adequate resources and appropriate standing within the Company; and to review and monitor the effectiveness of the internal audit function;
 5. To review the Company's financial and accounting policies and practices;
 6. To examine the Management Letter issued by the external audit institution, any major concerns raised by the external audit institution regarding accounting records, financial accounts, risk management, or monitoring systems, and the management's responses thereto;
 7. To ensure that the Board timely responds to matters raised in the Management Letter issued by the external audit institution;
 8. To report to the Board on the above matters, as well as on any other matters as set out in Code Provision D.3.3 of Appendix C1 to the Hong Kong Stock Exchange Listing Rules (and such provision as amended from time to time);
- (X) To make investigations if any abnormal circumstances during the Company's operations are identified; where necessary, to engage professional institutions such as accounting firms and law firms for assistance, with the costs to be borne by the Company;

(XI) Other matters as stipulated by laws, regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, and granted by the Board.

The Audit Committee shall exercise its powers in compliance with the relevant provisions of the Company Law, the Articles of Association, and these Rules of Procedure, without prejudice to the legitimate rights and interests of the Company or its shareholders.

Article 9 The following matters shall be submitted to the Board for consideration only upon 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) Engagement or dismissal of the accounting firm responsible for the Company's audit business;
- (III) Appointment or removal of the Company's Chief Financial Officer;
- (IV) Changes to accounting policies or accounting estimates, or correction of material accounting errors, except where such changes are due to modifications in accounting standards;
- (V) Other matters as stipulated by laws, administrative regulations, China Securities Regulatory Commission (hereinafter referred to as the "CSRC"), the securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association.

Article 10 The Audit Committee shall be responsible to the Board. After reviewing matters specified in Article 8 and Article 9 of these Rules of Procedure, the Audit Committee shall form a resolution on the meeting of the Audit Committee and submit it together with the relevant proposals to the Board for review and decision.

Article 11 The Audit Committee may designate relevant departments and personnel to assist its work as needed.

Chapter 4 Rules of Procedure

Article 12 The Audit Committee shall convene a meeting at least once a quarter. Extraordinary meetings may be convened upon the proposal of two or more members or if the convener deems it necessary.

All Committee members shall be notified at least three (3) days prior to the scheduled meeting. However, this notice requirement may be waived in special or emergency situations. Meetings shall be convened and chaired by the Committee chairman. If the chairman is unable to attend, he/she may delegate another Committee member (an independent Director) to chair the meeting.

Article 13 A meeting of the Audit Committee may be held only when two-thirds or more of the Committee members are present. Resolutions of the Audit Committee shall require the approval of more than half of its members.

Each member shall have one vote in Audit Committee resolutions.

Article 14 Provided that all attending members can fully communicate and express their opinions, the meeting may be convened on site or by correspondence, or by simultaneously employing both on-site and correspondence methods. Voting shall be conducted by ballot.

Article 15 If necessary, other Directors and senior management members of the Company may also be invited to attend meetings of the Audit Committee as observers.

Article 16 The Company shall provide the Audit Committee with necessary working conditions. If necessary, the Audit Committee may engage intermediary institutions to provide professional advice for its decision-making, with expenses borne by the Company.

Article 17 The procedures for convening meetings of the Audit Committee, voting methods, and the resolutions adopted at such meetings must comply with relevant laws, regulations, the securities regulatory rules of the place where the Company's shares are listed, the Articles of Association, and these Rules of Procedures.

Article 18 Minutes shall be taken for meetings of the Audit Committee, and the Committee members attending the meeting shall sign the minutes. The minutes shall be kept by the Secretary to the Board. 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. The Directors may, upon providing reasonable notice, access the meeting minutes at a reasonable time.

Article 19 Proposals and voting results adopted at the meetings of the Audit Committee shall be reported to the Board in writing.

Article 20 All attending Committee members shall have a duty of confidentiality regarding the matters discussed at the meeting and shall not disclose any related information without authorization.

Chapter 5 Supplementary Provisions

Article 21 These Rules of Procedures shall be formulated, revised and interpreted by the Board.

Article 22 For matters not covered in these Rules of Procedure, the provisions of the then-effective national laws and regulations, the Hong Kong Stock Exchange Listing Rules, and the Articles of Association shall apply. If any provision of these Rules of Procedure conflicts with the then-effective national laws and regulations, the Hong Kong Stock Exchange Listing Rules, or the Articles of Association as amended through lawful procedures, the provisions of the then-effective national laws and regulations, the securities regulatory rules of the place where the Company's shares are listed, and the Articles of Association shall prevail. In such cases, these Rules of Procedure shall be promptly amended accordingly and submitted to the Board for review and approval.

Article 23 These Rules of Procedure shall, upon review and approval by the Board, take effect and be implemented from the date on which the Company's H shares issued in its initial public offering are filed with the CSRC and listed and traded on The Stock Exchange of Hong Kong Limited.