GigaDevice Semiconductor Inc.
Terms of Reference of the Audit Committee of the Board of Directors

Chapter 1 General Provisions

Article 1 To strengthen the decision-making capabilities of the Board, conduct pre-audits and professional audits, ensure effective supervision of the management by the Board, and improve the corporate governance structure, the Company hereby establishes the Audit Committee of the Board and formulates these Terms of Reference (hereinafter referred to as these Terms) in accordance with the Company Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, the Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation issued by the Shanghai Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Hong Kong Listing Rules"), the articles of association of GigaDevice Semiconductor Inc. (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 specific working body of the Board. It is primarily responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating internal and external audit work and internal controls, and exercising the functions and powers of the supervisory committee as stipulated in the Company Law, as well as the functions and powers as stipulated in the securities regulatory rules of the place where the shares of the Company are listed.

Article 3 The members of the Audit Committee shall, in principle, be independent of the daily operation and management affairs of the listed company. The members of the Audit Committee shall be diligent and responsible, supervise and evaluate the internal and external audits of the Company in a practical and effective manner, and promote the Company's establishment of effective internal controls and provision of true, accurate and complete financial reports.

Article 4 The Company shall provide the Audit Committee with necessary working conditions and shall assign dedicated personnel or an agency to undertake the routine work of the Audit Committee, including liaison, meeting organization, material preparation, and archive management. When the Audit Committee performs its duties, the Company's management and relevant departments shall cooperate. If the Audit Committee deems it necessary, it may engage intermediary agencies to provide professional opinions, and the relevant expenses shall be borne by the Company.

Chapter 2 Membership

Article 5 The Audit Committee shall consist of at least three directors. Members shall possess the professional knowledge and experience necessary to fulfill their duties as members of the Audit Committee, and all members shall be non-executive directors, of which the majority shall be independent directors. At least one member of the committee shall be an independent director with appropriate professional qualifications as stipulated by the securities regulatory rules of the place where the shares of the Company are listed, or with appropriate expertise in accounting or related financial management.

Article 6 The members of the Audit Committee shall be nominated by the chairman of the Board, or more than half of the independent directors, or more than one-third of all directors, and shall be elected by the Board.

Article 7 The Audit Committee shall have one chairperson, who shall be an independent director of the Company and shall be responsible for presiding over the work of the Committee. The chairperson shall possess professional experience related to accounting or financial management.

Article 8 The term of office of the Audit Committee's members shall be consistent with the term of office of the directors on the Board. The members may be re-elected upon expiration of their term of office. If a member ceases to hold office as a director of the Company during his/her term of office, he/she shall automatically be disqualified as a member of the Audit Committee and the vacancy shall be filled in accordance with these Terms.

Chapter 3 Duties and Powers

Article 9 The duties of the Audit Committee include:

(I) Supervision and evaluation of external audit work

1. being primarily responsible for advising the Board on the appointment, re-appointment and dismissal of the external audit institution, approving the remuneration and engagement terms of the external audit institution, and reviewing any matters concerning its resignation or dismissal;

2. reviewing and monitoring whether the external audit institution is independent and objective and whether the audit procedures are effective, in accordance with applicable standards;

3. developing and implementing policies for engaging the external audit institution to provide non-audit services and report to the Board, identifying matters which it considers require action or improvement and making recommendations; and

4. discussing with the external audit institution the nature and scope of the audit and reporting responsibilities before the commencement of the audit work, and ensuring coordination in cases where more than one audit firm is involved.

(II) reviewing financial information of the Company and its subsidiaries (hereinafter referred to as the Group)

5. monitoring the integrity of the Group's financial statements and annual reports and accounts, interim reports, and quarterly reports (if to be published), and reviewing significant financial reporting judgments contained in these statements and reports. Before submitting relevant statements and reports to the Board, the Audit Committee shall specifically review the following matters:

    i. any changes in accounting policies and practices;

    ii. areas involving significant judgments;

    iii. material adjustments arising from the audit;

    iv. the going concern assumption and any qualified opinions;

    v. compliance with accounting standards; and

    vi. compliance with the Hong Kong Listing Rules and other legal provisions relating to financial reporting;

6. Regarding item 5 above:

    i. contacting the Board and senior management;

    ii. meeting with the Company's external audit institution at least twice a year; and

    iii. considering any significant or unusual items that are or need to be reflected in the reports and accounts, and appropriately considering any matters raised by any officer of the Company responsible for performing the accounting and financial reporting functions, the compliance officer (if any), or the external audit institution;

(III) Supervision of the Group's financial reporting system, risk management and internal control systems

7. reviewing the Group's financial control system, and (unless explicitly dealt with by the Risk Committee under the Board or by the Board itself) reviewing the Group's risk management and internal control systems;

8. discussing with the management the risk management and internal control systems to ensure that the management has fulfilled its responsibilities in establishing effective systems. The discussions shall include whether the issuer has adequate resources, staff qualifications and experience in its accounting and financial reporting functions, and whether the training courses and budgets provided to the staff are also sufficient;

9. undertaking, either on its own initiative or upon delegation from the Board, reviews of significant investigation results in relation to risk management and internal control matters and the management's responses to the investigation results;

10. ensuring the work performed by internal and external audit institutions is coordinated; ensuring the internal audit function is adequately resourced and has an appropriate status within the Group; and reviewing and monitoring the effectiveness of the internal audit function;

11. reviewing the Group's financial and accounting policies and practices;

12. reviewing the external audit institution's letter on audit to the management, and any significant inquiries made by the external audit institution to the management in relation to accounting records, financial accounts or control systems, and the management's responses thereto;

13. ensuring that the Board timely responds to the issues raised in the external audit institution's letter on audit to the management;

14. reporting to the Board on matters within the scope of its terms of reference;

15. reviewing arrangements for employees of the Group to confidentially raise concerns regarding potential improprieties in financial reporting, internal control or other matters, and ensuring that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;

16. acting as the primary representative of the Group in its dealings with the external audit institution and overseeing their relationship;

17. establishing a whistleblowing policy and system to allow employees and other parties who have dealings with the Group (such as customers and suppliers) to confidentially and anonymously raise their concerns to the Audit Committee regarding any potential improprieties concerning the Group; and

18. studying other topics as defined by the Board.

(IV) Other duties recommended by laws, regulations, rules, the Listing Rules and the securities regulatory rules of the place where the shares of the Company are listed.

Article 10 The Audit Committee 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 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, re-appointment or dismissal of the accounting firm that undertakes the audit affairs of the Company, approval of the remuneration and terms of appointment of the accounting firm, and handling of any issues relating to the resignation or dismissal of the accounting firm;

(III) appointment or dismissal of the financial controller of the Company;

(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 stipulated by laws, regulations, the securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

Article 11 If the Company engages or changes its external audit institution, the Audit Committee of the Board shall form its review opinions and make suggestions to the Board before the Board considers the relevant proposal.

If the Audit Committee advises the Board on the engagement or change of the external audit institution, the review on the external audit institution's audit fees and engagement terms shall be free from any undue influence by the Company's substantial shareholders, de facto controllers, directors or senior management.

The Audit Committee shall urge the external audit institution to act with honesty, integrity, diligence and conscientiousness, strictly adhere to business rules and industry self-regulatory norms, rigorously implement internal control systems, conduct verification and examination of the Company's financial accounting reports, exercise special care, and prudently express professional opinions.

Article 12 The Audit Committee shall establish an internal audit department to inspect and supervise the establishment and implementation of internal control systems, the truthfulness and completeness of financial information, and others.

The internal audit department shall maintain independence and shall not be subject to the leadership of the finance department, or share office space or administrative functions with the finance department.

The internal audit department shall be accountable to the Audit Committee of the Board and shall report its work to the Audit Committee.

Article 13 The Audit Committee of the Board shall supervise and evaluate the internal audit work, and shall perform the following duties:

(I) to guide and supervise the establishment and implementation of the internal audit system;

(II) to review the Company's annual internal audit work plan;

(III) to urge the implementation of the Company's internal audit plan;

(IV) to guide the effective operation of the internal audit department. The Company's internal audit department shall report its work to the Audit Committee. All types of audit reports submitted by the internal audit department to the management, as well as plans and progress reports for the rectification of audit issues shall be concurrently submitted to the Audit Committee;

(V) to report to the Board on the progress and quality of internal audit work, and on any significant issues identified;

(VI) to coordinate the relationship between the internal audit department and external audit entities, such as accounting firms and national audit institutions.

Article 14 Except as otherwise provided by laws and regulations, the Audit Committee of the Board shall urge the internal audit department to conduct inspections of the following matters at least once every six months, issue inspection reports, and submit them to the Audit Committee. If the listed company is found to be involved in violations of laws and regulations, non-standard operations, or other similar situations upon inspection, such findings shall be promptly reported to the Shanghai Stock Exchange:

(I) the implementation of major events such as the Company's use of raised funds, provision of guarantees, related party transactions, securities investments and derivatives trading, provision of financial assistance, purchase or sale of assets, and external investments;

(II) the Company's large-amount fund transfers, as well as fund transfers between the Company and its directors, senior management, controlling shareholders, de facto controllers, and their related parties.

Article 15 The Audit Committee shall, based on the internal audit reports and relevant materials submitted by the internal audit department, issue a written evaluation opinion on the effectiveness of the Company's internal controls and report to the Board. If the Board or the Audit Committee believes that the Company's internal controls have significant deficiencies or material risks, or if the sponsor or the accounting firm points out significant deficiencies in the effectiveness of the Company's internal controls, the Board shall promptly report to the Shanghai Stock Exchange and make disclosures. The Company shall disclose in its announcement the significant deficiencies or material risks in its internal controls, the consequences that have occurred or may occur, and the measures that have been or will be taken.

Article 16 The Board of the Company or its Audit Committee shall issue an annual internal control self-evaluation report based on the evaluation report and relevant materials provided by the internal audit department. The internal control evaluation report shall include the following contents:

(I) a statement by the Board on the truthfulness of the internal control evaluation report;

(II) an overview of the internal control evaluation work;

(III) the basis, scope, procedures, and methods of the internal control evaluation;

(IV) deficiencies in internal controls and their identification;

(V) the rectification of internal control deficiencies from the previous year;

(VI) rectification measures to be taken for the internal control deficiencies in the current year;

(VII) conclusion on the effectiveness of internal controls.

The accounting firm shall verify and evaluate the Company's internal control evaluation report in accordance with the relevant provisions of the competent authorities.

Article 17 The Board of the Company or the Audit Committee shall, based on the internal audit work reports and related information of the listed company, evaluate the establishment and implementation of the Company's internal controls, and form an internal control evaluation report. The Board shall form a resolution on the Company's internal control evaluation report while reviewing the annual report and other matters.

Article 18 The Audit Committee shall review the necessity, feasibility, and risk control of the Company's futures and derivatives transactions, and when necessary, may engage a professional institution to issue a feasibility analysis report. The Audit Committee shall enhance evaluation and supervision of the risk control policies and procedures related to futures and derivatives transactions, promptly identify relevant internal control deficiencies, and adopt remedial measures.

Article 19 The Audit Committee shall review the Company's financial accounting reports, provide opinions on the truthfulness, accuracy, and completeness of the financial accounting reports, focus on significant accounting and auditing issues in the Company's financial accounting reports, pay particular attention to the possibility of fraud, misconduct, or material misstatements related to the financial accounting reports, and supervise the rectification of issues concerning the financial accounting reports.

Article 20 When the financial accounting reports issued by the Company contain false records, misleading statements, or material omissions, the Audit Committee shall urge the relevant responsible departments of the Company to develop rectification measures and a timetable, conduct subsequent reviews, supervise the implementation of the rectification measures, and promptly disclose the completion of the rectification.

Article 21 Prior to the audit institution's engagement, the Audit Committee, the financial controller, the secretary to the Board and other relevant responsible persons shall ensure thorough communication with the audit institution to finalize the audit work arrangements. During the audit of the periodic reports, they shall maintain timely communication and discussion to monitor the audit progress. In the event of unforeseen events that prevent the audit from proceeding normally, timely communication and coordination are required to promptly agree on alternative procedures, ensuring the progress of the audit on periodic reports.

Article 22 When disclosing its annual report, the Company shall also disclose the annual fulfillment of duties by the Audit Committee of the Board, primarily including its duty performance and the convening of meetings of the Audit Committee.

Article 23 The Audit Committee of the Board shall, in accordance with the law, examine the Company's finances, supervise the legality and compliance of directors and senior management in fulfilling their duties, exercise other functions and powers stipulated in the Articles of Association, and safeguard the legitimate rights and interests of the Company and its shareholders.

If the Audit Committee discovers that any directors or senior management members have violated laws, regulations, relevant rules of this exchange, or the Articles of Association, it shall inform the Board or report to the shareholders' meeting, and disclose this matter in a timely manner, or it may report directly to the regulatory authorities.

In the course of performing its supervisory duties, the Audit Committee may propose the removal of directors or senior management who violate laws, regulations, these guidelines, other rules of this exchange, the Articles of Association, or resolutions of the shareholders' meeting.

Article 24 The Audit Committee shall make public on the websites of The Stock Exchange of Hong Kong Limited and the Company its terms of reference, giving an explanation of its role and the powers delegated to it by the Board.

Article 25 If the Board disagrees with the Audit Committee's opinions on the selection, appointment, resignation or dismissal of the external audit institution, the Company shall disclose a statement from the Audit Committee explaining its recommendation, as well as the reasons for the Board’s disagreement, in accordance with the securities regulatory rules of the place where the shares of the Company are listed.

Chapter 4 Rules of Procedure

Article 26 Meetings of the Audit Committee shall be convened and presided over by the chairperson. A meeting of the Audit Committee shall be convened before the announcement of the Company's interim financial report and annual financial report, and all committee members shall be notified five days prior to the meeting. The chairperson of the Audit Committee, or two or more committee members may jointly propose to convene a meeting of the Audit Committee, and the chairperson shall convene an extraordinary meeting within 10 days after receiving the proposal. If the chairperson is unable to attend the meeting, he/she may delegate any other committee member to preside over the meeting.

In urgent situations where a meeting of the Audit Committee needs to be convened as soon as possible, with the consent of all members, a meeting notice may be issued at any time via telephone or other oral means, provided that the convener shall provide an explanation at the meeting.

Article 27 The Audit Committee shall hold at least one meeting each quarter, and an extraordinary meeting may be convened upon proposal by two or more members, or when deemed necessary by the convener. A meeting of the Audit Committee shall be held only when more than two-thirds of the members are present.

Article 28 Each member of the Audit Committee shall have one vote; resolutions adopted at the meeting must be approved by a majority of all members.

Article 29 Voting at meetings of the Audit Committee may be conducted by a show of hands or by ballot; meetings may also be conducted through telecommunications.

Article 30 The secretary to the Board shall attend meetings of the Audit Committee, and other directors and senior management members of the Company may be invited to attend when necessary.

Article 31 Members of the Audit Committee and persons attending meetings of the Audit Committee shall have the obligation to keep confidential for any information which has not been disclosed, and not to use the insider information for the benefits of their own or others.

Article 32 Meetings of the Audit Committee shall be attended in person by the members of the Audit Committee. If a member is unable to attend for any reason, he/she may appoint another member in writing to attend on his/her behalf. A member who neither attends a meeting of the Audit Committee nor appoints a representative to attend shall be deemed to have waived the right to vote at that meeting.

Article 33 Where necessary, the Audit Committee may engage intermediaries to provide advice for its decision-making, and the related expenses shall be borne by the Company.

Article 34 The procedures for convening meetings of the Audit Committee, the voting methods, and the resolutions adopted at the meeting shall comply with relevant laws, administrative regulations, securities regulatory rules of the place where the shares of the Company are listed, the Articles of Association, and these Terms.

Article 35 Meetings of the Audit Committee shall have minutes, which shall be signed by the members attending the meeting and the minute-taker. The meeting minutes shall be kept by the Office of the Board and the officially appointed meeting secretary (typically the secretary of the Company) for a period of no less than 10 years. Draft and final versions of the meeting minutes shall be circulated to all committee members within a reasonable period after the meeting. The draft is for members to provide feedback, and the final version is for their record.

Article 36 The review opinions passed at meetings of the Audit Committee shall be submitted in writing to the Board of the Company. If the Audit Committee provides review opinions to the Board of the Company regarding matters within its scope of responsibilities, and the Board does not adopt these opinions, the Company shall disclose the matters and fully explain the reasons.

Chapter 5 Supplementary Provisions

Article 37 For the purpose of these Terms, the term "above" includes the given number, while the term "more than" excludes the given number.

Article 38 These Terms shall take effect upon approval by the Board and from the date on which the Company's H shares are listed on The Stock Exchange of Hong Kong Limited.

Article 39 For matters not expressly provided for in these Terms, or if any provision herein conflicts with national laws, administrative regulations, or securities regulatory rules of the place where the shares of the Company are listed, such laws, administrative regulations, and securities regulatory rules of the place where the shares of the Company are listed shall prevail.

Article 40 The power of interpretation of these Terms shall rest with the Board of the Company.

GigaDevice Semiconductor Inc.
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