

BASiC Semiconductor Co., Ltd.
Terms of Reference of the Audit Committee of the Board of Directors

CHAPTER 1 GENERAL PROVISIONS

Article 1 To regulate the deliberation procedures of the Audit Committee of the Board of Directors of BASiC Semiconductor Co., Ltd. (hereinafter referred to as the “Company”), and to fully protect the lawful rights and interests of the Company and its shareholders, these Terms of Reference are formulated in accordance with the provisions of the Company Law of the People’s Republic of China (hereinafter referred to as the Company Law), the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as the Hong Kong Listing Rules) and other relevant laws, administrative regulations, departmental rules, regulatory documents, and the Articles of Association of BASiC Semiconductor Co., Ltd. (hereinafter referred to as the Articles of Association) and the Rules of Procedure for the Board of Directors of BASiC Semiconductor Co., Ltd., and in light of the actual circumstances of the Company.

Article 2 The Audit Committee shall be responsible for proposing the appointment or replacement of the external audit institution; coordinating internal audit and external audit; reviewing the Company’s financial information and its disclosure; supervising and assessing internal and external audit work and the Company’s internal control and financial reporting processes; and exercising the powers and functions of the Board of Supervisors as stipulated in the Company Law.

CHAPTER 2 COMPOSITION OF THE AUDIT COMMITTEE

Article 3 The Audit Committee shall consist of three non-executive directors of the Company, a majority of whom shall be independent non-executive directors. At least one independent non-executive director shall possess appropriate professional qualifications or accounting or related financial management expertise as stipulated in Rule 3.10(2) of the Hong Kong Listing Rules. A former partner of the Company’s incumbent external audit institution shall not serve as a member of the Audit Committee within two years from the later of the date on which he/she ceased to be a partner of the external audit institution, or the date on which he/she ceased to have any financial interest in the incumbent external audit institution.

Article 4 The Audit Committee shall have one chairman, who shall be an independent non-executive director member and shall be responsible for presiding over the work of the Committee. The chairman of the Committee should be elected from the committee members and should become effective after the result is reported to and approved by the Board.

Article 5 The term of office of the committee members should be consistent with the term of the directors. Upon the expiration of his/her term, a member may serve a consecutive term if re-elected. If, during the term of office, any member no longer serves as a director of the Company or a member who should have the status of an independent non-executive director no longer has the independence stipulated in the Articles of Association, such person will automatically lose his/her membership qualification and the Board of Directors will make up for the number of committee members in accordance with Articles 4 to 6 above within three months.

Article 6 The Audit Committee shall establish a working group to be specifically responsible for daily matters of the Audit Committee such as liaison, meeting organization, preparation of materials and archives management. The members of the working group are not required to be members of the Audit Committee. When the Audit Committee performs its duties, the Company's management and relevant departments shall provide cooperation.

Article 7 The provisions of the Company Law and the Articles of Association concerning directors' obligations shall apply to members of the Audit Committee.

CHAPTER 3 DUTIES OF THE AUDIT COMMITTEE

Article 8 The primary duties of the Audit Committee shall include the following:

- (I) To make recommendations to the Board of Directors on the appointment, reappointment, replacement and removal of the external audit institution; to approve the remuneration and terms of engagement of the external audit institution; and to handle any matters relating to the resignation or dismissal of the external audit institution;
- (II) To review and monitor, in accordance with applicable standards, whether the external audit institution is independent and objective and whether the audit procedures are effective. The Audit Committee shall, prior to the commencement of audit work, discuss with the audit institution the nature, scope and methodology of the audit and the relevant reporting responsibilities;
- (III) To formulate and implement policies governing the engagement of the external audit institution for the non-audit services. For the purposes of this provision, external audit institution includes any entity under common control, ownership or management with the firm responsible for the audit, or any third party which a reasonable and informed third party, having knowledge of all relevant information, would reasonably conclude to be part of the local or international business of the firm responsible for the audit. The Audit Committee shall report to the Board of Directors on any matters requiring action or improvement and make recommendations;
- (IV) To review and monitor the Company's financial statements (including their disclosures) as well as the annual report and accounts and interim report, with respect to their authenticity, completeness and accuracy, and to review significant opinions on financial reporting contained in such statements and reports. Before submitting such statements and reports to the Board of Directors, the Audit Committee shall, in particular, focus on the following matters: whether there have been changes in accounting policies and practices during the reporting period; matters involving significant judgments; major audit adjustments arising from the audit; the assumption of going concern or any qualified opinions; whether the accounting treatment complies with accounting standards; and whether there is compliance with laws and regulations relating to financial reporting and the Hong Kong Listing Rules;

In relation to the significant matters to be reviewed above, members of the Audit Committee shall liaise in a timely manner with the Board of Directors and the senior management members, and internal and external audit institutions, and shall promptly review the letters issued by the external audit institution to management or any significant questions raised by the external audit institution to management regarding accounting records, financial statements, etc., and management's responses thereto, and resolve disputes and differences between management, the internal audit department and the external audit institution regarding the relevant statements and reports. Members of the Audit Committee shall meet with the Company's external audit institution at least twice a year. Members of the Audit Committee shall study significant or unusual matters reflected or required to be reflected in the Company's reports and accounts, and shall give due consideration to matters raised by the Company's subordinate accounting and finance departments, regulatory authorities or audit institutions;

- (V) To discuss issues raised by the external audit institution following its review of the Company's interim accounts and audit of the Company's annual accounts;
- (VI) To review the Company's financial policies, financial controls, internal audit system, risk management and internal control systems, and to propose opinions and recommendations for improvement;
- (VII) To discuss risk management and internal control systems with management, to ensure that management has fulfilled its responsibility to establish effective systems. Such discussions shall include whether the issuer has sufficient resources, staff qualifications and experience in its accounting and financial reporting functions, and whether the training programs and related budgets provided to staff are adequate;
- (VIII) To proactively, or as delegated by the Board of Directors, review significant findings of investigations relating to risk management and internal control matters and management's responses thereto;
- (IX) Where the Company has an internal audit function, to ensure coordination between the work of internal and external audit institutions; to ensure that the internal audit function has sufficient resources to operate within the issuer and has appropriate standing; and to review and monitor its effectiveness;
- (X) To review the Group's financial and accounting policies and practices;
- (XI) To examine the "Letter of Explanation on Audit" issued by the external audit institution to management, any significant questions raised by the auditors to management regarding accounting records, financial accounts or control systems, and management's responses thereto;
- (XII) To ensure that the Board of Directors responds promptly to issues raised in the "Letter of Explanation on Audit" issued by the external audit institution to management;

(XIII) To establish relevant procedures to ensure the fair and independent investigation and resolution of the following matters:

1. receiving and handling complaints relating to the Company's accounting, internal control or auditing matters that come to its attention, and ensuring their confidentiality;
2. receiving, handling complaints or anonymous reports from employees regarding possible improper conduct in accounting, auditing, internal control or other matters, and ensuring their confidentiality;

(XIV) To act as the primary representative between the Company and the external audit institution, and to be responsible for overseeing the relationship between the two;

(XV) To report to the Board of Directors on the above matters and to study other matters defined by the Board of Directors;

(XVI) Other matters stipulated by applicable laws and regulations, the Articles of Association, the Hong Kong Listing Rules, and other matters delegated by the Company's Board of Directors.

Article 9 The principal duties and authorities of the chairman of the Audit Committee shall include:

- (I) Convening and presiding over meetings of the Audit Committee;
- (II) Supervising and inspecting the implementation of resolutions adopted at meetings of the Audit Committee;
- (III) Signing important documents of the Audit Committee;
- (IV) Reporting on the work of the Audit Committee to the Board of Directors on a regular basis;
- (V) Such other powers and functions as granted by the Board of Directors.

Article 10 The Audit Committee shall report to the Board of Directors on any measures which it considers necessary to be taken or matters requiring improvement, and shall put forward relevant recommendations.

Article 11 If necessary, the Audit Committee may engage independent consulting advisers, legal advisers and other advisers. The Company shall provide such financial and funding guarantees as the Audit Committee deems appropriate for the payment of remuneration to accounting firms for financial audit services and related services such as audit, review and verification, as well as the remuneration of advisers engaged by the Audit Committee.

CHAPTER 4 WORKING PROCEDURES OF THE AUDIT COMMITTEE IN RELATION TO THE ANNUAL REPORT

Article 12 The Audit Committee shall effectively perform its responsibilities and obligations, and diligently and conscientiously carry out its work during the preparation and disclosure of the Company's annual report.

Article 13 Within 90 days after the end of each fiscal year, the Company's management shall report to the Audit Committee on the Company's production and operations for the year and on the progress of major matters such as investment and financing activities, and the person in charge of the Company's finance shall report to the Audit Committee on the Company's financial position and operating results for the year. The Audit Committee shall conduct on-site inspections with respect to relevant major issues.

Article 14 The finance department shall be responsible for the preparatory work for the Audit Committee's decision-making, including collecting and providing written materials related to audit matters:

- (I) Relevant financial reports of the Company;
- (II) Work reports of internal and external audit institutions;
- (III) External audit contracts and related work reports;
- (IV) Information regarding the Company's disclosure to the public;
- (V) the Company's major connected transactions;
- (VI) Other related matters.

Article 15 A meeting of the Audit Committee shall review the reports provided by the finance department and submit the relevant written resolution materials to the Board of Directors for discussion:

- (I) Evaluation of the work of the external audit institution, and the appointment and change of the external audit institution;
- (II) Whether the Company's internal audit system has been effectively implemented and whether the Company's financial reports are comprehensive and truthful;
- (III) Whether the financial reports and other information disclosed by the Company are objective and truthful, and whether the Company's major connected transactions comply with relevant laws and regulations;
- (IV) Evaluation of the work of the Company's finance department and audit department, including their responsible persons;
- (V) Other relevant matters.

Article 16 During the audit of the Company's annual financial reports, the Audit Committee shall perform the following duties:

- (I) To coordinate the scheduling of the accounting firm's audit work;
- (II) To review the Company's annual financial information and financial statements;
- (III) To supervise the implementation of the accounting firm's annual audit of the Company;
- (IV) To evaluate and summarize the accounting firm's audit work;
- (V) To propose the appointment or re-appointment of the external audit institution;
- (VI) Other duties required by relevant laws and regulations.

Article 17 The Audit Committee shall, in accordance with the schedule for the disclosure of the Company's annual report and actual circumstances, consult with the accounting firm to jointly determine the time for auditing the annual financial reports. The time for commencement of the on-site audit shall not be later than 20 working days prior to the disclosure date of the Company's annual report.

Article 18 During the preparation and review of the annual report, members of the Audit Committee are obligated to maintain confidentiality. Prior to the disclosure of the annual report, strict measures shall be taken to prevent illegal and irregular activities such as the leakage of insider information and insider trading.

Article 19 Prior to the commencement of the audit by the annual auditors, the Company's financial officer shall submit in writing to the Audit Committee the audit work arrangement for the current year and other relevant data, including the financial statements prepared by the Company. The Audit Committee shall review the financial statements prepared by the Company, form written opinions regarding the review, and submit the opinions to the annual auditors.

Article 20 The Audit Committee shall strengthen communication with the annual auditors after they have commenced their on-site audit.

Article 21 After the annual auditors issue their preliminary audit opinions and before the meeting of the Board is held to review the annual report, the Company shall arrange a meeting between the Audit Committee and the annual auditors to discuss issues identified during the audit process. Written records of the meeting shall be properly kept with signatures from the relevant parties.

Article 22 The Audit Committee shall urge the annual auditors to submit the audit report within the agreed timeframe, and shall record the methods, frequency, and results of such urging in writing, along with the signed confirmation of the responsible person(s).

Article 23 Before the Company convenes a meeting of the Board to review the annual report, the Audit Committee shall vote on the Company's annual financial statements and submit the resulting resolution to the Board for review.

Article 24 The Audit Committee shall submit to the Board a summary report of the current year's audit work performed by the accounting firm, and a resolution regarding the reappointment or change of the accounting firm for the following year. All documents produced by the Audit Committee as described above shall be disclosed in the annual report.

Article 25 The Audit Committee shall pay special attention to any circumstance where the Company changes its accounting firm during the audit period of the annual report. In principle, the Company shall not change its accounting firm for annual audit during the audit period of the annual report. If a change is indeed necessary, the Audit Committee shall meet with the former accounting firm and the proposed new accounting firm to make a reasonable assessment of the practice quality of both parties. The Audit Committee shall express its opinions based on a judgment of the sufficiency of the Company's reasons for the change. After adoption through a resolution by the Board, a shareholders' meeting shall be convened to pass a resolution. The new accounting firm shall be notified to attend the shareholders' meeting and present its views at the meeting. The Company shall fully disclose the resolution of the shareholders' meeting and the opinions stated by the new accounting firm.

CHAPTER 5 RULES OF PROCEDURE FOR THE AUDIT COMMITTEE

Article 26 The meetings of the Audit Committee shall be classified into regular meetings and interim meetings. Regular meetings shall be convened at least once a quarter, and all committee members shall be notified at least five days prior to the meeting. Interim meetings may be convened upon proposal by more than half of the committee members or the convener, and all members shall be notified at least three days prior to the meeting. Interim meetings shall be convened upon proposal by the members of the Audit Committee. With the written consent of a majority of all committee members, the aforementioned notice periods may be waived.

Article 27 The meetings of the Audit Committee shall be convened and presided over by the convener. If the convener is unable or refuses to perform his/her duties, he/she shall designate or authorize another member who is an independent non-executive director to perform the duties on his/her behalf.

Article 28 Notice of meetings should at least include the following:

- (I) The time, venue and method of the meeting;
- (II) The duration of the meeting;
- (III) The agenda items to be discussed at the meeting;
- (IV) The contact person of the meeting and the way of contact;
- (V) The date of notice of the meeting.

Article 29 A meeting of the Audit Committee may be held only when two-thirds or more of the committee members are present. Each committee member shall have one vote. Resolutions adopted at such meeting must be approved by a majority of all committee members.

Article 30 Members of the Audit Committee shall attend meetings in person and express clear opinions on the matters under consideration. If a member is unable to attend a meeting in person for any reason, he/she may authorize another member to attend on his/her behalf and express opinions. Members who are independent non-executive directors may only authorize other members who are independent non-executive directors to attend meetings on their behalf. Each member may accept authorization from no more than one other member.

Article 31 If a member authorizes another member to attend a meeting and exercise voting rights on his/her behalf, he/she shall submit a proxy form to the chair of the meeting. The proxy form shall be submitted to the chair of the meeting no later than the commencement of the voting process at the meeting.

Article 32 The proxy form shall be signed by the appointing member and the authorized representative and shall include at least the following content:

- (I) The name of the appointing member;
- (II) The name of the authorized representative;
- (III) The matters delegated;
- (IV) The instructions for exercising voting rights on meeting agenda items (for or against, or to abstain);
- (V) The term of the authorization;
- (VI) The date of signing of the proxy form.

Article 33 Any member of the Audit Committee who does not attend the meeting in person or by proxy shall be deemed not to have attended the relevant meeting. Any member who does not attend the meeting for two consecutive times shall be deemed unable to perform his/her duties appropriately, and the Board of Directors of the Company may remove such member from his/her position.

Article 34 Voting at meetings of the Audit Committee shall be conducted by a show of hands or by ballot.

Article 35 Meetings of the Audit Committee may be held on site or by way of correspondence. Correspondence meetings may take the form of telephone conferences, video conferences, or written proposal meetings, etc.

Article 36 When a meeting of the Audit Committee is convened through written proposals, the written proposals shall be delivered to all members by fax, express mail, or personal delivery. After the members cast their votes on the proposals, the originals shall be mailed back to the Company for archiving. If the number of committee members who sign their consent meets the quorum stipulated in these Terms of Reference, the proposal shall become a committee resolution.

Article 37 When a meeting of the Audit Committee is convened, other directors and senior management members of the Company may also be invited to attend if necessary. If necessary, the Audit Committee may engage intermediary institutions to provide professional advice for its decision-making, with expenses borne by the Company. The Board of Directors shall ensure that the Audit Committee is provided with adequate resources to fulfill its duties.

Article 38 Minutes for meetings of the Audit Committee. The draft and final versions of the meeting minutes shall be distributed to all attending committee members within a reasonable time after the meeting. The draft version is for expressing opinions, and the final version is for record purposes. After the meeting, meeting minutes and resolutions for submission to the Board of Directors shall be formed and presented to the Board of Directors (unless this submission is restricted by laws or regulatory requirements). All attending members shall sign the meeting minutes and resolutions. If any attending member disagrees with any resolution passed at the meeting, such disagreement shall be noted in the meeting minutes. The meeting minutes shall be kept by the secretary of the Board of the Company, and the retention period shall not be less than 10 years while the Company remains in existence.

Article 39 The meeting minutes should at least include the following:

- (I) The date, venue, and method of the meeting, as well as the name of the convener;
- (II) The names of the attendees, with specific notes for those attending on behalf of others;
- (III) The agenda of the meeting;
- (IV) The voting method for each resolution or proposal, and the voting results indicating the number of votes in favor, against or abstaining;
- (V) Other matters that should be explained and recorded in the meeting minutes.

Article 40 The resolutions passed at a meeting of the Audit Committee and the voting results shall be reported to the Board of Directors by the committee members or the secretary of the Board of the Company no later than the day following the effective date of the meeting resolutions (unless such reporting is restricted by laws or regulations).

Article 41 If any member of the Audit Committee has an interest in the matters to be discussed at the meeting, he/she shall recuse himself/herself from the consideration and voting.

Article 42 All persons attending the meeting shall have a duty of confidentiality regarding the matters discussed and shall not disclose any related information without authorization.

Article 43 The Audit Committee shall report to the Board of Directors on any matters requiring action or improvement deemed necessary by it and make recommendations on the measures that may be taken.

CHAPTER 6 ANNUAL SHAREHOLDERS' MEETING

Article 44 The chairman of the Committee is required to attend the annual shareholders' meeting of the Company and be prepared to answer any questions raised by shareholders in relation to the duties of the Audit Committee.

Article 45 If the chairman of the Committee is unable to attend the annual shareholders' meeting of the Company, he/she must arrange for another committee member to attend the meeting. Such person shall be prepared to answer questions raised by shareholders regarding the work of the Committee at the annual shareholders' meeting.

CHAPTER 7 SUPPLEMENTARY PROVISIONS

Article 46 Unless otherwise specified, the terms used in these Terms of Reference shall have the same meanings as those defined in the Articles of Association.

Article 47 The terms "above" and "within" mentioned herein shall include the given figure; "exceeding" and "less than" shall exclude the given figure.

Article 48 Any matters not covered herein shall be dealt with in accordance with the relevant laws, regulations or regulatory documents (including the listing rules of the place where the Company's shares are listed), as well as the Articles of Association, resolutions of the Company's shareholders' meetings or other relevant rules and regulations; if these Terms of Reference are inconsistent with the provisions of the relevant laws, regulations or regulatory documents (including the listing rules of the place where the Company's shares are listed), and the Articles of Association, the provisions of the relevant laws, regulations or regulatory documents (including the listing rules of the place where the Company's shares are listed) and the Articles of Association shall prevail.

Article 49 The responsibility for formulation, amendment and the power of interpretation of these Terms of Reference resides with the shareholders' meeting of the Company.

Article 50 These Terms of Reference, after being considered and approved by the shareholders' meeting of the Company, shall take effect from the date of listing and trading of the overseas listed foreign shares (H Shares) on the Stock Exchange of Hong Kong Limited upon initial public offering of the Company.

BASiC Semiconductor Co., Ltd.