

Gpixel Changchun Microelectronics Inc.

Terms of Reference of the Audit Committee of the Board

Chapter 1 General Provisions

Article 1 In order to strengthen the decision-making function of the Board of Gpixel Changchun Microelectronics Inc. (hereinafter referred to as “**the Company**”), conduct preaudit and professional audit, ensure the effective supervision of the Board over the management and further improve the corporate governance structure, the Audit Committee of the Board was formed and these terms of reference were formulated in accordance with the other relevant provisions of the Company Law of the People’s Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association of Gpixel Changchun Microelectronics Inc. (hereinafter referred to as “**the Articles of Association**”).

Article 2 The Board of the Company has established the Audit Committee to exercise the functions and powers of the Supervisory Committee as stipulated in the Company Law. The Audit Committee is a special committee established by the Board. Its main responsibilities are to supervise and verify the Company’s internal and external audit and internal control systems. To be accountable to and report to the Board.

Members of the Audit Committee shall ensure that they have sufficient time and energy to perform the Audit Committee’s work responsibilities, perform their duties diligently, effectively supervise the Company’s external audit, guide the Company’s internal audit work, and promote the Company to establish effective financial reporting, risk management and internal controls mechanism, as well as provide true, accurate and complete financial report.

Article 3 The Company shall provide necessary working conditions for the Audit Committee and assign specialized personnel or institutions to undertake daily work such as work liaison, meeting organization, material preparation, and archive management of the Audit Committee. The management and the relevant departments of the Company shall cooperate with the Audit Committee when it performs its duties.

Chapter 2 Composition

Article 4 Members of the Audit Committee are appointed by the Board from among the members of the Board and comprise three or more (including three) Directors. Independent non-executive Directors shall constitute a majority of the Audit Committee. All members of the Audit Committee shall be non-executive Directors with professional knowledge and commercial experience capable of performing the duties of the Audit Committee and at least one of them shall possess the professional qualifications or appropriate accounting or related financial management expertise as required under Rule 3.10 (2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Article 5 Members of the Audit Committee shall be nominated by the chairman of the Board, more than half of the independent Directors or more than one-third of all Directors, and shall be elected by the Board. The Board shall evaluate the independence and performance of the members of the Audit Committee on a regular basis, and replace the member who is not suitable to remain in the position when necessary.

Article 6 The Audit Committee shall have one chairman (convener) who shall be an independent non-executive Director, responsible for presiding over the work of the Audit Committee; the chairman of the Audit Committee shall be a person with a major in accounting or relevant financial management expertise.

Article 7 The term of office of the Audit Committee shall be the same as that of the Board. Each member of the Audit Committee shall be eligible for re-election upon expiry of his/her term of office. During such period, if any member of the Nomination Committee ceases to be a Director of the Company, his/her membership in the Audit Committee shall lapse automatically, and the vacancy shall be filled by the person elected by the Committee according to Articles 4 to 6 above.

Chapter 3 Duties and Authorities

Article 8 The duties of the Audit Committee include the following aspects:

- (I) to monitor and evaluate the work of the external auditor;
- (II) to give guidance to the internal audit work;
- (III) to review the Company's financial report and express opinions thereon;

- (IV) to evaluate the effectiveness of financial reporting system, risk management and internal control systems;
- (V) to coordinate the communication among the management, internal audit department and relevant departments and the external audit institutions;
- (VI) to review the Company's arrangements for employees to raise concerns about possible improprieties in the Company's financial reporting, internal controls or other aspects, and ensuring that appropriate arrangements are in place for fair and independent investigation and financially appropriate action in relation to such covert whistleblowing matters;
- (VII) other matters authorized by the Board of the Company and other matters involved in relevant laws and regulations.

Article 9 The duties and responsibilities of the Audit Committee to supervise and evaluate the work of the external auditor shall include at least the following:

- (I) to evaluate the independence and professionalism of external audit institutions and evaluate the effectiveness of audit procedures in accordance with applicable standards, in particular the impact of non-audit services provided by external audit institutions on their independence;
- (II) to develop and implement policies on the provision of non-audit services by external audit institutions;
- (III) to make recommendations to the Board on the appointment, re-appointment or replacement of external audit institutions;
- (IV) to review and approve the audit fees and terms of engagement of the external audit institutions;
- (V) to deal with any issues relating to the resignation or dismissal of the external audit institutions;
- (VI) to discuss and communicate with the external audit institutions the nature and scope of the audit, audit plan, audit methods, significant matters discovered during the audit and related reporting responsibilities;
- (VII) to review, monitor and evaluate the diligence and responsibility of the external audit institutions to report to and make recommendations to the Board on any matters that require action or improvement.

Article 10 The Audit Committee shall hold a separate communication meeting with the external audit institution without the participation of the management at least once a year. The Secretary of the Board may attend the meeting.

Article 11 The duties of the Audit Committee to provide guidance on internal audit shall include, inter alia, the following:

- (I) to review the annual internal audit plan of the Company;
- (II) to supervise the implementation of the Company's internal audit plan;
- (III) to review the internal audit work report, evaluate the results of the internal audit, supervise the rectification of major issues, review and monitor the effectiveness of the internal audit work;
- (IV) Guide the effective operation of the internal audit department and ensure that the internal audit department has sufficient resources to operate within the company and has an appropriate position.

Article 12 The Company's internal audit department is required to report its work to the Audit Committee. Various audit reports as well as rectification plans and rectification status of audit issues submitted by the internal audit department to the management must be submitted to the Audit Committee at the same time.

Article 13 The responsibilities of the Audit Committee for reviewing the Company's financial reports and expressing opinions thereon shall at least include the following:

- (I) to review the Company's financial statements and annual and half-year (quarterly, if applicable) reports and accounts, and express opinions on the truthfulness, completeness and accuracy of the financial statements;
- (II) to review any changes in accounting policies and practices;
- (III) to review the compliance with accounting standards and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and legal requirements relating to financial reporting;
- (IV) to focus on and review material accounting and auditing issues contained in the financial reports of the Company, including adjustments to material accounting errors, changes in significant accounting policies and estimates, the going concern assumption and any qualified opinion, matters involving major accounting judgments, matters resulting in unqualified audit reports;

- (V) to specifically identify the possibility of fraud, corruption and material misstatement in relation to the financial reports;
- (VI) to supervise the rectification of the issues in financial reports.

Article 14 In connection with the Audit Committee's duties in relation to the review of the Company's financial information, the Audit Committee shall liaise with the Board and senior management and shall meet with the Company's external audit institutions at least twice a year. The Audit Committee shall consider any significant or unusual matters reflected or required to be reflected in these financial statements and accounts, and shall give due consideration to any matters raised by the Company's accounting and financial reporting staff, compliance officer or external audit institutions.

Article 15 The Audit Committee's responsibilities in evaluating the effectiveness of the Company's financial reporting system, risk management, and internal control systems shall include at least the following:

- (I) evaluating the appropriateness of the design of financial control, risk management and internal control systems of the Company;
- (II) discussing risk management and internal control systems with the Company's management to ensure that the Company's management has performed its duty to have an effective system. The discussion should include the adequacy of resources, staff qualifications and experience in the Company's accounting and financial reporting functions, as well as the training programs received by staff, and the related budget;
- (III) initiating, or conducting at the Board's direction, reviews of significant findings on risk management and internal control matters and the management's responses to such findings;
- (IV) reviewing the financial and accounting policies and practices of the Group;
- (V) reviewing external audit institution's Audit Fact Letter to the Company's management, as well as any significant questions raised by the external audit institutions to the Company's management regarding accounting records, financial accounts or control systems, and the management's responses of the Company;
- (VI) ensuring that the Board will provide a timely response to the matters raised in the external audit institution's Audit Fact Letter to the Company's management;

- (VII) reviewing the self-assessment report on internal control;
- (VIII) reviewing the internal control audit report issued by the external audit institution, and communicated with the external audit institution the problems identified and improvement methods;
- (IX) evaluate the results of internal control evaluation and audit, and supervise the rectification of internal control deficiencies.

Article 16 The Audit Committee shall facilitate communications among the management, internal audit department and relevant departments and the external audit institution, with duties including:

- (I) facilitating the management's communication with the external audit institutions on significant audit matters;
- (II) coordinating the communication between internal audit department and external audit institutions and cooperate with external audit work;
- (III) acting as the primary representative between the Company and the external audit institutions and overseeing the relationship between the Company and the external audit institutions;
- (IV) reporting to the Board and make recommendations on measures or improvements it considers necessary by the Audit Committee;
- (V) providing with sufficient resources to discharge its duties, including, as it deems necessary by the Audit Committee, the ability to engage intermediaries to provide independent professional advice at the Company's expense.

Article 17 The new appointment, reappointment or replacement of the external audit institutions by the Company shall be subject to the Audit Committee's review and recommendation to the Board before the relevant proposal may be considered by the Board.

Article 18 The Audit Committee is accountable to the Board, and its proposals shall be submitted to the Board for consideration and decision.

Chapter 4 Decision-making Procedures

Article 19 The audit department is responsible for making preliminary preparation work for decision-making by the Audit Committee, and providing written information on relevant aspects of the Company:

- (I) the Company's relevant financial reports;
- (II) work reports of internal and external audit institutions;
- (III) external auditing contracts and related work reports;
- (IV) other relevant matters.

Article 20 The Audit Committee shall convene meetings to discuss reports submitted by the audit department, and shall submit relevant written resolutions to the Board for discussion:

- (I) evaluation of the work of external audit institutions, and the engagement and replacement of external audit institutions;
- (II) whether the Company's internal audit system has been effectively implemented, whether the financial reports of the Company are true in all aspects;
- (III) whether the financial reports and other information disclosed by the Company are objective and true, and whether the material connected transactions of the Company comply with relevant governing laws and regulations;
- (IV) evaluation of the work of the internal financial department and audit department, including its persons-in-charge;
- (V) other relevant matters.

Chapter 5 Rules of Procedure

Article 21 The meetings of the Audit Committee shall include regular meetings and interim meetings. When proposed by more than two members of the Audit Committee or it is deemed necessary by the convener of the Audit Committee, the Audit Committee may convene an extraordinary meeting. A notice shall be given to all members five days before the date of a meeting of the Audit Committee. The meeting shall be presided over by the chairman, and in case the chairman

is unable to attend, he/she may appoint another member (who must be an independent Director) to preside over the meeting on his/her behalf. Such notification period may be waived with the unanimous consent of all members of the Audit Committee.

Article 22 The quorum of a meeting of the Audit Committee shall be more than two-thirds of the members. Each member shall have one vote. A resolution of the meeting must be passed by more than half of all members of the Audit Committee. If abstention from voting leads to failure to form an effective consideration opinion of the Audit Committee, the proposal shall be submitted directly to the Board for consideration.

Article 23 The voting methods of the Audit Committee meetings are poll voting, communication voting, or a combination of poll voting and communication voting.

On the premise of ensuring that all the members may fully express their opinions, the Audit Committee meeting may pass a written resolution without convening a meeting, provided that it shall comply with the advance notice requirements of these Terms of Reference and such resolution shall be circulated to all members of the Committee. After obtaining the signature of the number of members required to pass the resolution as stipulated in these Terms of Reference, the resolution shall take effect on the date of signature by the last signing member.

Article 24 Members of the Audit Committee who have an interest in the matters discussed at the meeting shall recuse themselves. Members of the Audit Committee shall attend the meetings in person and express clear opinions on the matters under consideration. If a member is unable to attend the meeting in person for any reason, he may submit a power of attorney signed by that member to entrust other members to attend and express their opinions on his behalf. The power of attorney shall specify the scope and period of authorization. Each member shall be entrusted by up to one member. If an independent Director is unable to attend the meeting in person for any reason, he shall entrust another independent Director to attend the meeting on his behalf.

Article 25 The Audit Committee may, if necessary, invite representatives of the external audit institutions, internal audit personnel, financial personnel and legal consultants of the Company to attend committee meeting as non-voting participants to provide necessary information.

Article 26 The Audit Committee may, if necessary, engage an intermediary to provide professional opinion for its decision-making at the expense of the Company.

Article 27 The procedures for convening a meetings of the Audit Committee, voting methods and resolutions passed at such meeting shall comply with the provisions of relevant laws, regulations, the Articles of Association and these Terms of Reference.

Article 28 The Audit Committee shall keep minutes of the meetings. Members and other persons present at the meetings shall sign the minutes of the meetings that shall be kept by secretary to Board of Directors of the Company.

Article 29 Resolutions passed at and voting results of a meeting of the Audit Committee shall be reported in writing to the Board of the Company.

Article 30 Members of the Audit Committee present at a meeting shall keep confidential of all matters discussed at the meeting and shall not disclose such information without authorization.

Chapter 6 Supplementary Provisions

Article 31 For the purposes of the Terms of Reference, the term “more than” is an inclusive term.

Article 32 These Terms of Reference shall take effect from the date of listing and trading of the overseas listed foreign shares (H Shares) issued by the Company on The Stock Exchange of Hong Kong after being considered and approved by the Board.

Article 33 Any matters not covered hereunder shall be subject to the provisions of relevant national laws, regulations and the Articles of Association; if these Terms of Reference are in conflict with the national laws and regulations promulgated in the future, or the Articles of Association as amended by lawful procedures, the latter shall prevail and amendments to these Terms of Reference shall be made immediately and submitted to the Board for consideration and approval.

Article 34 The Board reserves the right of final interpretation of these Terms of Reference.