



上海復旦微電子集團股份有限公司

Shanghai Fudan Microelectronics Group Company Limited*

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

(Stock Code: 1385)

IMPLEMENTATION RULES FOR THE AUDIT COMMITTEE OF THE BOARD

CHAPTER 1 GENERAL PROVISIONS

- Article 1 In order to strengthen the decision-making function of the Board, audit in advance, audit professionally, ensure effective supervision over the senior management by the Board, and perfect the corporate governance structure of Shanghai Fudan Microelectronics Group Company Limited (hereinafter referred to as the “Company”), the Company has set up the Audit Committee (hereinafter referred to as the “Audit Committee”) under the Board and formulated these implementing rules in accordance with the Company Law of the People’s Republic of China, Guidelines for Governance Standards of Listed 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”), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Articles of Association of the Company (the “Articles”), relevant laws, regulations and regulatory documents.
- Article 2 The Audit Committee under the Board is a specific working body set up by the Board. Its main responsibilities are to communicate with the internal and external auditing of the Company, and to supervise and review overseeing the Company’s internal audit policy and the implementation thereof; auditing the trueness, fairness and completeness of the Company’s financial information and the disclosure thereof.

CHAPTER 2 COMPOSITION

- Article 3 The Audit Committee shall consist of three to seven directors, with independent directors as the majority. The Audit Committee shall have a convener who should be an accounting professional. Accounting professional represents individuals holding the qualification of senior or registered accountant.
- Article 4 The members of the Audit Committee shall be nominated by the Chairman of the Board, or more than half of the independent directors, or one-third of all directors, and shall be subject to election by the Board.
- Article 5 The Audit Committee shall have one chairman (convener) who shall be an independent director of accounting professional and be responsible for leading the work of the committee. The chairman of the Committee shall be elected from the members, subject to the approval of the Board. The Nomination Committee shall be elected subject to the approval of the Board.
- Article 6 The term of office of members of the Audit Committee shall be the same as that of directors, renewable upon re-election at its expiry. If any member no longer maintains the position as a director of the Company during his/her term of office, he/she shall automatically disqualify as a member, and the vacancy shall be filled by the Board in accordance with the provisions of Articles 3 to 5 above.

- Article 7 The Audit Committee shall establish an audit working unit which is a daily operation institution responsible for daily work liaison, conference organization, etc.
- Article 8 The Board shall conduct regular evaluation on the independence and performance of duties of the Audit Committee members, and may replace those unfit to continue to serve as members when necessary.

CHAPTER 3 RESPONSIBILITIES AND AUTHORITIES

- Article 9 The primary responsibilities and authorities of the Audit Committee include:
- (1) to supervise and assess the external audit works, to propose the engagement, re-appoint, remove or replacement of the external auditing firms;
 - (2) to supervise and assess the internal audit works, and to be responsible for the coordination between internal and external auditing;
 - (3) to review the financial information of the Company and its disclosures;
 - (4) to review and assessment the internal control system of the Company;
 - (5) to handle other matters as required by laws, regulations, Articles and authorities granted by the Board.
- Article 10 The responsibility of the Audit Committee to review the financial reports of the Company and its disclosures and to express its opinions shall include the following aspects:
- (1) to monitor the integrity of the financial statements of the Company and make comments to the truthfulness, completeness and accuracy of such reports;
 - (2) 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, implementations and estimates and matters resulting in non-standard unqualified audit reports;
 - (3) to specifically identify the possibility of fraud, corruption and material misstatement in relation to the financial reports;
 - (4) to supervise the rectification of the issues in financial reports.
- Article 11 to supervise and assess the internal audit work:
- (1) to review the setup of internal audit plan of the Company;
 - (2) to review the self-assessment report of the internal control;
 - (3) to review control report prepared by external audit institutions and communicate with external audit institutions for the findings and its improvements;
 - (4) to review the internal audit reports, evaluate the results of internal audit and supervise the rectification of material issues;

- Article 12 to coordinate communications between the management, internal audit function and relevant departments, and the external audit institutions:
- (1) to coordinate communications between the management and the external audit institutions on material audit matters;
 - (2) to coordinate communications between the internal audit department and the external audit institutions and to ensure coordination between the internal audit department and the external audit institutions.
- Article 13 The Audit Committee shall be accountable to the Board and submit proposals to the Board for consideration and approval. The Audit Committee shall cooperate with the Board of Supervisors to supervise audit activities.

CHAPTER 4 WORKING PROCEDURES

- Article 14 The working unit under the Audit Committee shall be responsible for the preliminary preparations for decision-making of the Audit Committee, and providing relevant written information of the Company:
- (1) relevant financial reports of the Company;
 - (2) working reports of the internal and external auditing firms;
 - (3) contracts audited externally and relevant working reports;
 - (4) audit on material related-party transactions of the Company;
 - (5) public disclosure of information by the Company;
 - (6) other relevant matters.
- Article 15 The Audit Committee shall convene meetings to consider the reports submitted by the working unit under the Audit Committee and submit relevant written resolutions to the Board for consideration with respect to:
- (1) assessment on duty performance of the external auditing firms and engagement and replacement of the external auditing firms;
 - (2) whether the internal audit system of the Company has been effectively implemented and whether the financial reports of the Company are comprehensive and truthful;
 - (3) whether the information relating to financial reports disclosed publicly by the Company is objective and truthful, and whether the material related-party transactions of the Company are in compliance with the relevant laws and regulations;
 - (4) assessment on duty performance of the financial department and audit department within the Company, including their persons in charge;
 - (5) other relevant matters.
- Article 16 The Audit Committee may, if necessary, engage an intermediary to provide professional advice on its decision-making at the cost of the Company.

Article 17 Upon the closing of every financial year, the management of the Company shall submit a full report to each of the Audit Committee member on the annual manufacturing operation of the Company and the progress of material events.

Article 18 The working procedures of the Audit Committee in respect of the annual audit of the financial statements are set out below:

- (1) The Audit Committee shall discuss and communicate with the external audit institution on the annual audit time schedule;
- (2) The Audit Committee shall monitor the external audit institution for the completion of financial reports in time as scheduled;
- (3) The Audit Committee shall prepare a written report on its review of the financial statements prepared by the Company before the annual audit commences;
- (4) After the external audit institution commenced audit field work, the Audit Committee shall strengthen its communication with the auditor who performs the annual audit. Further review of the annual financial statements of the Company shall be performed with written opinion upon the issuance of the preliminary audit opinion by the auditor.
- (5) Upon completion of the financial report, the Audit Committee shall resolve whether to accept the report or not and submit its resolution for the approval by the Board.
- (6) At the same time of submitting financial report, the Audit Committee shall submit a summary of the annual audit work done by the external audit institution and to make recommendations to the Board on the appointment or change of external auditing body for the coming year.

CHAPTER 5 PROCEDURAL RULES

Article 19 The convening procedure, voting method of the Audit Committee meeting and the resolutions passed must comply with relevant laws, regulations, the Articles and these implementation rules.

Article 20 Meetings of the Audit Committee are classified into regular meetings and extraordinary meetings. Regular meetings shall be held at least four times a year. The extraordinary meeting shall be proposed by the member of the Audit Committee when needed. When two or more of the Audit Committee members propose or the convener of the Audit Committee thinks necessary, extraordinary meeting shall be convened.

The meeting of Audit Committee shall be convened and presided over by the chairman of the Audit Committee. When the chairman is unable to attend the meeting, he/she may appoint an independent director to preside over the meeting on his/her behalf.

Article 21 The meeting of Audit Committee may only be convened with the presence of more than two-third of the members. Each member has one vote. Resolutions for proposal to the Board by the Audit Committee shall only be passed by more than half of all the members of the Audit Committee voting in favor of such resolutions. Members having interest in discussion of transactions shall abstain and if the resolution cannot be passed due to such reason, the relevant resolution shall be deliberated directly by the Board.

- Article 22 Votes may be made by a show of hands or by poll in the meeting of the Audit Committee, while for voting at an extraordinary meeting of the Committee may also be by correspondence.
- Article 23 Members of the Audit Committee shall attend the meeting in person and provide an unequivocal opinion on the matter being deliberated. If a member is unable to attend a meeting for any reason, he/she may authorize another member to attend and give opinion by signing an instrument of proxy.
- Article 24 Members of the working unit under the Audit Committee can attend meetings of the Audit Committee. Directors, supervisors and other senior management personnel of the Company can also be invited to attend such meetings if necessary.
- Article 25 Minutes shall be taken on all meetings of the Audit Committee and signed by each attending member. All meeting minutes shall be kept by the Secretary of the Board for at least ten years.
- Article 26 Any resolution passed at the meeting of Audit Committee and the voting results must be reported in written to the Board of the Company.
- Article 27 Members present at such meeting are obliged to keep all matters discussed at such meeting confidential, and shall not disclose any relevant information without authorization.
- Article 28 When disclosing the annual report, the Company shall disclose the annual performance of the Audit Committee on the websites of the Shanghai Stock Exchange, mainly including the performance of its duties and the convening of the meetings of the Audit Committee.

In case a major issue discovered by the Audit Committee in the course of performing its duties touches upon the information disclosure standards stipulated in the Listing Rules of the Sci-Tech Innovation Board of the Shanghai Stock Exchange, the Company shall disclose such matters and their rectification in a timely manner.

The Audit Committee shall report its opinion to the Board in accordance with the duties set out, the Board shall disclose the matter and explain the reasons of non-acceptance.

If the Board fails to adopt the review opinions from the Audit Committee within its scope of responsibility, the Company must disclose the matter and fully explain the reasons.

CHAPTER 6 ADDENDUM

- Article 29 The expression “above” and “within” herein for the numbers includes the numbers indicated while “exceed”, “less than” and “more than” exclude the numbers indicated.
- Article 30 The matters not covered by these implementation rules shall be governed by the relevant laws, regulations, regulatory documents and the Articles. In case any of the implementation rules conflicts with the relevant laws, regulations, regulatory documents and the Articles, the requirements of relevant laws, regulations, regulatory documents and the Articles shall prevail. In such case, corresponding amendments shall be made to the implementation rules and submitted to the Board for consideration and approval.

Article 31 These implementation rules and shall be implemented from the date of approval by the Board.

Article 32 These implementation rules shall be construed and interpreted by the Board of the Company.

Shanghai Fudan Microelectronics Group Company Limited*

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** For identification purpose only*