

上海復旦微電子集團股份有限公司
Shanghai Fudan Microelectronics Group Company Limited*

**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, relevant laws, regulations and regulatory documents and the Articles of Association of the Company (the “Articles”).
- Article 2 The Audit Committee under the Board is a specific working group set up by the Board, which is mainly responsible for the communication, supervision and verification of the Company's internal and external audits, facilitating the establishment of effective internal controls and the provision of true, accurate and complete financial reports.

CHAPTER 2 COMPOSITION

- Article 3 The Audit Committee shall consist of three to seven directors, the members of the Audit Committee shall be directors who do not hold senior management positions in the listed company, of which a majority shall be independent directors, and shall be convened by an accounting professional among the independent directors.
- 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 who is unfit to continue in office if necessary.

CHAPTER 3 RESPONSIBILITIES AND AUTHORITIES

- Article 9 The Audit Committee shall be responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating the internal and external auditing work and internal control, and the following matters shall be submitted to the Board for approval with the agree of a majority of all Audit Committee members:
- (1) to disclosure of financial information in financial accounting reports and periodic reports, internal control reports; supervision and evaluation of internal audit work;
 - (2) engagement and dismissal of the accounting firm that undertakes the audit of the Company;
 - (3) appointment or dismissal of the financial controller of the Company;
 - (4) changes in accounting policies, accounting estimates or corrections of material accounting errors other than changes in accounting standards;
 - (5) other matters as prescribed by laws and regulations, the rules of the Stock Exchange and the Articles of Association of the Company.

The Audit Committee shall report to the Board and make recommendations on any measures or improvements it considers necessary.

- Article 10 Audit Committee shall supervise and evaluate the work of the external auditor and shall perform the following duties:
- (1) to assess the independence and professionalism of the external auditor, in particular the impact of the provision of non-audit services by the external auditor on its independence;
 - (2) to make recommendations to the Board of Directors on the appointment or replacement of the external auditor;
 - (3) to review the audit fees and terms of engagement of the external auditor, and to deal with any questions of resignation or dismissal of the external auditor;
 - (4) to discuss and communicate with the external auditor on the scope of the audit, the audit plan, the audit methodology and the significant matters identified in the audit;
 - (5) to supervise the external auditors to be honest, trustworthy and diligent, to strictly comply with the business rules and industry self-regulation, to implement the internal control system strictly, to verify and validate the Company's financial and accounting reports, to fulfil their obligation of special attention and to prudently express their professional opinions.

Members of the Committee shall communicate with the Board and senior management. The Committee shall meet at least twice a year with the Company's external auditors.

Audit Committee is required to hold at least one separate communication meeting with the external auditor without the management participation each year. The secretary of the Board of Directors may attend the meeting.

Article 11 Audit Committee shall supervise and evaluate the internal audit work and shall perform the following duties:

- (1) to review the Company's annual internal audit working plan;
- (2) to supervise the implementation of the Company's internal audit programme;
- (3) to review reports on internal audit work, evaluating the results of internal audit work and supervising the rectification of significant issues;
- (4) to supervise the effective operation of the internal audit department.

The Company's internal audit department shall report to the Audit Committee. All types of audit reports, rectification plans for audit issues and the status of rectification submitted by the internal audit department to the management shall be reported to the Audit Committee at the same time.

Article 12 Audit Committee shall perform the following duties when reviewing and expressing an opinion on the Company's financial reports:

- (1) to review the Company's financial reports and to express an opinion on the truthfulness, completeness and accuracy of the financial reports;
- (2) to focus on significant accounting and auditing issues of the Company's financial reports, including adjustments for material accounting errors, significant changes in accounting policies and estimates, matters involving significant accounting judgements, and matters leading to non-standard unqualified audit reports, etc.;
- (3) to pay particular attention to the possibility of fraud, malpractice and material misstatement in relation to financial reporting;
- (4) To supervise the rectification of financial reporting problems.

Article 13 Audit Committee shall perform the following duties in supervising and evaluating the Company's internal controls:

- (1) to assess the appropriateness of the design of the Company's internal control system;
- (2) to review the internal control self-assessment report;
- (3) to review the internal control audit report issued by the external auditor, and communicating with the external auditor on the issues identified and ways to improve them;
- (4) To assess the results of internal control evaluations and audits and supervising the rectification of internal control deficiencies;

- (5) to review below arrangements: employees of the Company can raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and the appropriate follow-up action.

Article 14 Audit Committee shall co-ordinate the communication between the management, the internal audit department and relevant departments and the external auditor, and shall perform the following duties:

- (1) to coordinate management's communication with the external auditor on significant audit issues;
- (2) to coordinate the communication between the internal audit department and the external auditor and the coordination of the external audit work;
- (3) to act as the key representative between the Company and the external auditor and be responsible for supervising the relationship between the two.

Article 15 Audit Committee shall be responsible to the Board and its proposals shall be submitted to the Board or deliberation and decision. The Audit Committee shall cooperate with the auditing activities conducted by the supervisors of the Supervisory Committee.

CHAPTER 4 WORKING PROCEDURES

Article 16 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) External audit contract and relevant working reports;
- (4) Audit report on material related-party transactions of the Company;
- (5) public disclosure of information by the Company;
- (6) other relevant matters.

Article 17 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 true, accurate and complete, 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 18 The Audit Committee may, if necessary, engage an intermediary to provide professional advice on its decision-making at the cost of the Company.

Article 19 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 20 The working procedures of the Audit Committee in respect of the annual audit of the financial statements are set out below:

- (1) the timing of the annual financial report audit shall be determined by the Audit Committee in consultation with the accounting firm which responsible for the annual audit of the Company;
- (2) the Audit Committee shall monitor the external audit firm for the completion of financial reports in time as scheduled;
- (3) 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;
- (4) 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 reappointment or change of external audit firm for the coming year.

CHAPTER 5 RULES OF PROCEDURE

Article 21 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 22 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 23 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 24 Votes may be made by a show of hands or by poll in the meeting of the Audit Committee, while for convening of an extraordinary meeting of the Committee may also be by correspondence.

Article 25 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. The proxy shall specify the scope and duration of the authorisation. Each member shall accept a maximum of one proxy. If a member of the independent director is genuinely unable to attend the meeting in person, he/she shall appoint another member of the independent director to attend the meeting on his/her behalf.

Audit Committee may, if it deems necessary, invite representatives of the external auditors, supervisors of the Company, internal auditors, financial officers, legal advisors, and other relevant personnel to attend the Committee's meetings and provide necessary information.

Article 26 Members of the working unit under the Audit Committee can attend meetings of the Committee. Directors, supervisors and other senior management personnel of the Company can also be invited to attend such meetings if necessary.

Article 27 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 28 Any resolution passed at the meeting of Audit Committee and the voting results must be reported in written to the Board of the Company and shall not disclose any relevant information without authorization.

Article 29 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 30 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.

The Company shall disclose the specialised opinions issued by the Audit Committee on the Company's material matters in accordance with the relevant laws and regulations.

CHAPTER 6 ADDENDUM

- Article 31 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 32 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 33 These implementation rules and shall be implemented from the date of approval by the Board.
- Article 34 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*