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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)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO COOPERATION AGREEMENT

The Board is pleased to announce that the Company and Fudan Communication have entered into a Cooperation Agreement on 12 June 2020 for a term of one year.

Pursuant to the Cooperation Agreement, both parties agreed that Fudan Communication acts as a qualified agent to sell reconfigurable devices and memory IC chips of the Company in order to increase market shares and achieve complementary advantages. Both parties also agreed that the Company will be responsible for the production of qualified IC chips and sale to Fudan Communication which takes responsibility to configure its application solutions for selling to ultimate customers.

As the Annual Cap of the continuing connected transactions contemplated under the Cooperation Agreement does not exceed the applicable percentage ratios of 5% (except for ratios of profits), the continuing connected transactions are exempt from shareholders' approval requirement but subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

The board of directors (the "Board") of Shanghai Fudan Microelectronics Group Company Limited (the "Company") is pleased to announce that the Company and Shanghai Fudan Communication Co., Ltd. ("Fudan Communication") have entered into a cooperation agreement for product sales under the agent model (the "Cooperation Agreement") on 12 June 2020 for a term of one year.

Pursuant to the Cooperation Agreement, both parties agreed that Fudan Communication acts as a qualified agent to sell reconfigurable devices and memory IC chips of the Company in order to increase market shares and achieve complementary advantages. Both parties also agreed that the Company will be responsible for the production of up to standard IC chips and sale to Fudan Communication which takes responsibility to configure its application solutions for selling to ultimate customers. The Company will determine the directed market selling prices according to production costs plus a certain amount of profits, and Fudan Communication is required to procure relevant products from the Company at the same purchasing prices, policies and terms as centralized by the Company and set for other agents. In the meantime, the selling prices set by Fudan Communication when conducting sales shall not be higher than the directed market levels.

ANNUAL CAP OF THE COOPERATION AGREEMENT

The Directors, based on the current market demand, application aspects and future development of the reconfigurable devices and memory IC chips as estimated by the Company, recommend the Annual Cap for the transactions contemplated under the Cooperation Agreement for the year ended 31 December 2020 shall not exceed the amount shown in the below table, meanwhile the amounts of historical transactions are set out as follows:

	For the year ended 31 December 2019 RMB'000	For the period from 1 January to 31 May 2020 RMB'000	For the year ended 31 December 2020 RMB'000
Sales of reconfigurable devices and memory IC chips	<u>702</u>	<u>411</u>	<u>30,000</u>

REASONS FOR THE TRANSACTIONS

It is the Company's overall business objectives to become a leader in the IC design and system integration business in the PRC with keen determination to be one of the global leading application specific IC design companies. One of the business objectives of the Company is to develop diversified industrial chains. The Company has proactively invested in the research and development of reconfigurable devices and memory IC chips several years ago. With fully developed techniques and the expanding market demand, the Directors believe the relevant products can help with the rises of turnover and profits of the Company. Fudan Communication possesses a considerable proportion of market shares in the ultimate markets of relating products with wide sales channels, and meanwhile the capability to provide application solutions. The Directors consider that the Company can save time for the lengthy market exploration and reduce cost of sales after entering the Cooperation Agreement. It also helps with the prompt penetration into relevant markets, increasing market shares and achievement of synergies.

The Board (including the Independent Non-executive Directors) considers the transactions contemplated under the Cooperation Agreement are in the ordinary course of business of the Group, are on normal commercial terms which are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole. As (i) the turnover and profits of the Company can be raised with the help of the sales channel of reconfigurable devices and memory IC chips and application solutions provided by Fudan Communication; (ii) the Company can save sales cost; and (iii) the Company can shorten the time taken to marketing but penetrate into relevant markets promptly and increase market shares.

INFORMATION ON THE COMPANY AND FUDAN COMMUNICATION

The Company's principal activities consist of IC design, developing and selling products of application-specific IC in the PRC.

Fudan Communication is mainly engaged in design, development and production of telecommunication devices in the PRC. As at the date of this announcement, the Company holds 16.34% of the issued share capital of Fudan Communication, and Mr. Yu Jun, the executive director of the Company holds 1.19% equity interest through his spouse.

LISTING RULES IMPLICATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries and at the date of this announcement, Shanghai Fudan Fukong Technology Enterprise Holdings Limited ("Fudan Fukong") holds 15.78% of the issued share capital of the Company and is a substantial shareholder of the Company. Fudan Fukong also holds 33.84% of the issued share capital of Fudan Communication which is a controlled company. As defined in Chapter 14A of the Listing Rules, Fudan Fukong and Fudan Communication are connected persons of the Company, therefore the transactions under the Cooperation Agreement constitute connected transactions of the Company.

Other than the disclosure in the above section that Mr. Yu Jun has equity interest in Fudan Communication, none of the Directors has any material interest in the connected transactions. As Mr. Ma Zhicheng and Mr. Wu Ping are the representatives of Fudan Fukong, and together with Mr. Yu Jun, have abstained from voting on the relevant board resolution.

As the Company had conducted similar transactions with Fudan Communication since 2019, therefore the Cooperation Agreement was considered to be carried out on a continuing basis. As the Annual Cap of the continuing connected transactions contemplated under the Cooperation Agreement does not exceed the applicable percentage ratios of 5% (except for ratios of profits), the continuing connected transactions are exempt from shareholders' approval requirement but subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

By Order of the Board
Shanghai Fudan Microelectronics Group Company Limited*
Jiang Guoxing
Chairman

Shanghai, PRC, 12 June 2020

As at the date of this announcement, the Company's executive directors are Mr. Jiang Guoxing, Mr. Shi Lei, Mr. Yu Jun and Ms. Cheng Junxia; non-executive directors are Ms. Zhang Qianling, Mr. Ma Zhicheng, Mr. Zhang Huajing and Mr. Wu Ping; and independent non-executive directors are Mr. Guo Li, Mr. Cao Zhongyong, Mr. Cai Minyong and Mr. Wang Pin.

** For identification purposes only*