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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 2021 ANNUAL CAP OF COOPERATION AGREEMENT

Reference is made to the announcement dated 12 June 2020 that the Company and Fudan Communication have entered into the Cooperation Agreement for a term of one year. As the sales of reconfigurable devices and memory IC chips contemplated under the Cooperation Agreement were satisfactory as expected since they launched to the market continually in the second half year of 2020, the Company has set the Annual Cap of 2021 after assessing the future sales of these products.

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.

Reference is made to the announcement ("the Announcement") of Shanghai Fudan Microelectronics Group Company Limited (the "Company") dated 12 June 2020 in relation to, among other things, the Company and Shanghai Fudan Communication Co., Ltd. ("Fudan Communication") have entered into a cooperation agreement ("Cooperation Agreement") for a term of one year. Unless otherwise defined in this announcement, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

As the sales of reconfigurable devices and memory IC chips contemplated under the Cooperation Agreement were satisfactory as expected since they launched to the market continually in the second half year of 2020, the Company has set the Annual Cap of 2021 after assessing the future sales of these products.

2021 ANNUAL CAP

The Annual Cap proposed by the Directors is based on the sales record of these products in the second half year of 2020 and determined after considering that the number of relevant products that have passed the procedures required for vendor's product evaluation and assessment conducted by potential customers and the completion of suppliers' implementation process, and taking into account the sale intentions concluded by Fudan Communication with its customers. The Directors expect that the market of this product category will be significantly increased due to industry boom and growing demand, and propose the Annual Cap for the transactions contemplated under the Cooperation Agreement for the year ended 31 December 2021 shall not exceed the amount shown in the below table, meanwhile the amount of historical transactions of last year is set out as follows:

For the year ended 31 December

	2020	2021
	RMB'000	RMB'000
	(unaudited)	
Sales of reconfigurable devices and memory IC chips	25,320	60,000

As disclosed in the Announcement, the Annual Cap set for 2020 was RMB30,000,000 and the actual transaction amount did not exceed the Annual Cap. During the month ended 31 January 2021, there was no transaction took place due to total replacement of the ERP system.

The Company will discuss shortly with Fudan Communication by reference to the sales performance of products for the extension of the Cooperation Agreement upon its expired on 11 June 2021, and further announcements will be made by the Company as and when appropriate and in compliance with the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

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 that 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 costs; and (iii) the Company can shorten the time taken to marketing but penetrate into relevant markets promptly, increase market shares and help the long term development of reconfigurable devices aspect.

PRICING POLICIES

The Company has established a product pricing system with issuance of a "Guide on Product Pricing" which is applicable to all customers, agents and connected enterprises. The pricing of product will be based on the market situation, the acceptance by customers and the price set by competitors, and also with the consideration of production costs plus profits ranging from 30% to 60%. The product prices and adjustments as from time to time are set out by the relevant divisions; and upon approved by senior officials, product catalogs together with unified product prices will be quoted to customers and agents respectively. The products provided by the Company to Fudan Communication under the Cooperation Agreement cover more than 20 types and all sales will be conducted in accordance with the set profit ranges, under the unified product prices and same terms as set out for agents. These procedures can ensure that the transactions will be conducted on normal commercial terms and on terms and prices no less favourable to the Company than those quoted to independent agents.

INTERNAL CONTROL

Pursuant to the internal control system established by the Company, the internal control division will be responsible to monitor and review all the continuing connected transactions contemplated under the Cooperation Agreement to ensure that the transactions are conducted in accordance with the terms of the agreement, on normal commercial terms and in accordance with the pricing policy of the Company. Also, reporting will be submitted to the independent non-executive directors of the Company on a regular basis or as from time to time, if necessary. In addition, the internal control division will pay close attention to the sales contracts so as to control the aggregate amount under the Annual Cap or to alert the relevant division to publish revision announcement when the transaction amounts nearly reach the Annual Cap in order to comply with the Listing Rules.

INFORMATION OF 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 approximately 16.34% of the issued share capital of Fudan Communication. In addition, Mr. Yu Jun, the executive director of the Company, holds approximately 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 an 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 board resolution approving the Cooperation Agreement.

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, 5 February 2021

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*