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**FUDAN
MICRO**

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 THE NEW COOPERATION AGREEMENT
AND THE REVISION OF 2021 ANNUAL CAP**

References are made to the announcements of the Company dated 12 June 2020 and 5 February 2021 respectively, in relation to the entering into the Old Cooperation Agreement for a term of one year between the Company and Fudan Communication and the setting of the 2021 Annual Cap. As the term of the Old Cooperation Agreement will expire on 11 June 2021, after assessing the market demand, sales track record and product life cycle for reconfigurable devices and memory IC chips under the Old Cooperation Agreement, the Company entered into the New Cooperation Agreement with Fudan Communication on 26 March 2021.

As defined in Chapter 14A of the Listing Rules, Fudan Communication is a Connected Person of the Company, therefore the transactions contemplated under the New Cooperation Agreement constitute continuing connected transactions of the Company.

As the revised 2021 Annual Cap of the continuing connected transactions contemplated under the Old Cooperation Agreement and the New Cooperation Agreement and the 2022-2024 Annual Caps under the New Cooperation Agreement exceed the applicable percentage ratios of 5% (except for ratios of profits), the continuing connected transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

References are made to the announcements of the Company dated 12 June 2020 and 5 February 2021 respectively, in relation to the entering into the Old Cooperation Agreement for a term of one year between the Company and Fudan Communication and the setting of the 2021 Annual Cap. Unless otherwise defined in this announcement, capitalised terms used herein shall have the same meanings as those defined in those announcements.

* For identification purpose only

As the term of the Old Cooperation Agreement will expire on 11 June 2021, after assessing the market demand, sales track record and product life cycle for reconfigurable devices and memory IC chips under the Old Cooperation Agreement, the Company entered into the New Cooperation Agreement with Fudan Communication on 26 March 2021. The details of the New Cooperation Agreement are as follows:

NEW COOPERATION AGREEMENT

(i) Date

26 March 2021 (after the trading hours)

(ii) Contracting parties

(a) the Company; and

(b) Fudan Communication

(iii) Nature of Agreement

According to the New Cooperation Agreement, the Company agreed to appoint Fudan Communication as the qualified agent to sell the reconfigurable devices and memory IC chips manufactured by the Company. The Company will sell related chips to Fudan Communication, and Fudan Communication will then sell the chips and solutions to its end customers. The Company will set the market sales guidance price of the products based on the principle of product cost and related expenses plus a certain profit. Fudan Communication shall purchase related products from the Company at the purchase prices, policies and terms consistent with other agents that are uniformly formulated by the Company. Meanwhile, Fudan Communication shall not sell at a price higher than the market guide price. The specific business of both parties shall be executed separately by signing a purchase and sale contract.

(iv) Duration

From 12 June 2021 to 11 June 2024, for a term of three years.

(v) Payment method

Delivery after payment is made.

(vi) Conditions precedent

The New Cooperation Agreement is subject to the approval at the general meeting of the Company.

REVISION OF THE 2021 ANNUAL CAP AND THE PROPOSED 2022-2024 ANNUAL CAPS

1. According to the announcement dated 5 February 2021 of the Company, the 2021 Annual Cap proposed by the Directors for the Old Cooperation Agreement was RMB60,000,000. After the entering into of the New Cooperation Agreement, it is proposed to revise the 2021 Annual Cap to reflect the increase in the transaction amount under the New Cooperation Agreement.
2. The 2022-2024 Annual Caps proposed by the Directors was based on the sales history of the type of product, and was made after taking into account of information such as the number of products that have passed the evaluation and assessment of potential customers and have completed the required procedures for the supplier register, as well as the sales intentions between Fudan Communication and its customers. The Directors expect that the market for such products will increase significantly due to favorable factors such as industry recovery, customer demand and wide application. It is proposed that the revised 2021 Annual Cap and the 2022-2024 Annual Caps of the proposed transactions contemplated under the Old Cooperation Agreement and the New Cooperation Agreement for the financial years ending 31 December 2021 to 2024 shall not exceed the amount shown in the below table:

| | For the year ended 31 December | | | |
|---------------------------|--------------------------------|----------------|----------------|----------------|
| | 2021 | 2022 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (Revised) | | | (Note) |
| Old Cooperation Agreement | 60,000 | — | — | — |
| New Cooperation Agreement | <u>60,000</u> | <u>150,000</u> | <u>180,000</u> | <u>100,000</u> |
| | <u>120,000</u> | <u>150,000</u> | <u>180,000</u> | <u>100,000</u> |

Note: The New Cooperation Agreement will be expired on 11 June 2024.

The following table sets out the historical transaction amounts occurred during the period before entering into the Old Cooperation Agreement and up to 28 February 2021:

| | For the year ended 31 December | | For the period ended 28 February 2021 |
|---|---|------------------|--|
| | 2019 | 2020 | |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Audited)</i> | <i>(Audited)</i> | |
| Before entering into the Old Cooperation Agreement | 702 | 578 | – |
| Old Cooperation Agreement | <u>–</u> | <u>24,745</u> | <u>12,826</u> |
| | <u>702</u> | <u>25,323</u> | <u>12,826</u> |

Note: Due to the impact of the new coronavirus epidemic, the transaction amount for the six months ended 30 June 2020 was approximately RMB3,235,000.

REASONS FOR THE TRANSACTIONS

It is the Company's overall business objective 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 vigorously 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 these 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 into the New Cooperation Agreement. It also helps with the prompt penetration into relevant markets, increasing market shares and achievement of synergies.

The Board (excluding the independent non-executive Directors, who will provide their opinions after having received the advice from the independent financial adviser) considers the transactions contemplated under the New 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 as a whole since (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 product costs and related expenses plus profits of not less than 30%. The selling prices and updated adjustments from time to time are set by the relevant divisions; and upon approved by the management, the unified product catalogs and prices will be offered to customers and agents respectively. The products provided by the Company to Fudan Communication under the New Cooperation Agreement cover more than 20 types and all sales will be conducted in accordance with the set profit ranges, the unified product prices and same terms offered to 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 offered 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 the continuing connected transactions contemplated under the New Cooperation Agreement to ensure that the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the pricing policy of the Company. Also, it will also report the transactions to the independent non-executive Directors on a regular basis or 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 transaction amount under the annual cap or to alert the relevant division to publish revision announcement when the transaction amounts nearly reach the revised 2021 Annual Cap and 2022-2024 Annual Caps in order to comply with the Listing Rules.

INFORMATION OF THE COMPANY AND FUDAN COMMUNICATION

The Company’s principal activities consist of design, development and sales of products of application-specific IC.

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% equity interest of Fudan Communication. In addition, Mr. Yu Jun, the executive Director, holds approximately 1.19% equity interest of Fudan Communication through his spouse.

LISTING RULES IMPLICATIONS

To the best of the Directors’ knowledge and belief, having made all reasonable enquiries and at the date of this announcement, Fudan Fukong holds approximately 15.78% of the issued share capital of the Company and is a substantial Shareholder of the Company. Fudan Fukong also holds approximately 33.84% of the issued share capital of Fudan Communication which is its 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 Old Cooperation Agreement and the New 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 New Cooperation Agreement.

As the Company had conducted similar transactions with Fudan Communication since 2019, therefore the Old Cooperation Agreement and the New Cooperation Agreement were considered to be carried out on a continuing basis. As the revised 2021 Annual Cap of the continuing connected transactions contemplated under the Old Cooperation Agreement and the New Cooperation Agreement and the 2022-2024 Annual Caps under the New Cooperation Agreement exceed the applicable percentage ratios of 5% (except for ratios of profits), the continuing connected transactions are subject to the reporting, annual review, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Resolution(s) shall be proposed at the forthcoming annual general meeting to be held by the Company to consider and approve, if though fit, the execution of the New Cooperation Agreement and the transactions contemplated thereunder (including the revision of the 2021 Annual Cap and the 2022-2024 Annual Caps). Fudan Fukong and its associates shall abstain from voting at the annual general meeting regarding to the resolutions(s).

The Independent Board Committee is formed to advise the Independent Shareholders on the New Cooperation Agreement and the transactions contemplated thereunder (including the revision of the 2021 Annual Cap and the 2022-2024 Annual Caps). Amasse Capital Limited was engaged as the independent financial advisor, to advise the Independent Board Committee and Independent Shareholders that whether the New Cooperation Agreement, the revision of the 2021 Annual Cap and the 2022-2024 Annual Caps are fair and reasonable and in line with the interests of the Company and the Shareholders as a whole.

As additional time is required for the preparation of information to be included in the circular, which shall contain, among other things, (i) further information on the transactions contemplated under the New Cooperation Agreement; (ii) Letter from the Independent Board Committee relating to the transactions contemplated under the New Cooperation Agreement; (iii) Letter from the Independent financial advisor to the Independent Board Committee regarding the transactions contemplated under the New Cooperation Agreement; and (vi) other information required pursuant to the Listing Rules together with the notice of annual general meeting, proxy form and reply slip, will be despatched to the Shareholders on or before 16 April 2021.

DEFINITIONS

In this announcement, unless the context otherwise requires, the capitalised terms shall have the meanings as set out below:

| | |
|-------------------------|---|
| “2021 Annual Cap” | the annual cap for the year ending 31 December 2021 under the Old Cooperation Agreement not exceeding RMB60,000,000 |
| “2022-2024 Annual Caps” | the annual caps for the three years ending 31 December 2022, 2023 and 2024 under the New Cooperation Agreement |
| “Board” | the board of Directors |
| “Company” | 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 PRC and whose H shares are listed on the main board of the Stock Exchange |
| “Connected Person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Directors” | the director(s) of the Company |
| “Domestic Share(s)” | domestic share(s) of nominal value of RMB0.10 each in the share capital of the Company which are subscribed for in RMB |
| “Fudan Communication” | 上海復旦通訊股份有限公司 (Shanghai Fudan Communication Co., Ltd.*), a 30%-controlled company of Fudan Fukong (as defined in the Listing Rules) |
| “Fudan Fukong” | 上海復旦復控科技產業控股有限公司 (Shanghai Fudan Fukong Technology Enterprise Holdings Limited.*), a substantial Shareholder of the Company (as defined in the Listing Rules) |
| “H Share(s)” | overseas listed foreign share(s) of nominal value of RMB0.10 each in the share capital of the Company which are listed on main board of the Stock Exchange and subscribed for in HK\$ |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |

| | |
|-------------------------------|--|
| “Independent Board Committee” | an independent committee of the Board comprising all its independent non-executive Directors, namely Mr. Guo Li, Mr. Cao Zhongyong, Mr. Cai Minyong and Mr. Wang Pin, established for the purpose of advising the Independent Shareholders on the New Cooperation Agreement and the transactions contemplated thereunder |
| “Independent Shareholders” | Shareholders who are not prohibited from voting at the annual general meeting for the resolution in respect with the New Cooperation Agreement and the transactions contemplated thereunder (including the revised 2021 Annual Cap and 2022-2024 Annual Caps) |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “New Cooperation Agreement” | the sales agency cooperation agreement in respect of reconfigurable devices and memory IC chips entered into between the Company and Fudan Communication on 26 March 2021 and effective on 12 June 2021 for a term of three years |
| “Old Cooperation Agreement” | the sales agency cooperation agreement in respect of reconfigurable devices and memory IC chips entered into between the Company and Fudan Communication on 12 June 2020 for a term of one year |
| “PRC” | the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan |
| “Share(s)” | Domestic Share(s) and H Share(s) |
| “Shareholder(s)” | registered holder(s) of the Domestic Shares and H Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Substantial Shareholder” | has the meaning ascribed to it under the Listing Rules |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “%” | percent. |

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

Shanghai, PRC, 26 March 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, Ms. 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.

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