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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shanghai Fudan Microelectronics Group Company Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**PROPOSED ISSUANCE OF A SHARE
CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS;
CONNECTED TRANSACTION IN RELATION TO
POSSIBLE SUBSCRIPTION FOR A SHARE CONVERTIBLE
CORPORATE BONDS
BY CONNECTED PERSONS;
NOTICE OF THE EGM; AND
NOTICE OF THE H SHAREHOLDERS' CLASS MEETING**

**INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE
AND THE INDEPENDENT SHAREHOLDERS**

AMASSE CAPITAL
寶 積 資 本

A letter from the board of directors of Shanghai Fudan Microelectronics Group Company Limited is set out on pages 5 to 36 of this circular.

The notices of the EGM and the H Shareholders' Class Meeting of the Company to be held at Conference Room, Building 4, Fudan National University Science and Technology Park, 127 Guotai Road, Shanghai, the People's Republic of China at 1:30 p.m. and 2:30 p.m. respectively on Wednesday, 5 July 2023 are set out on pages EGM-1 to EGM-4 and HCM-1 to HCM-3 of this circular.

The respective form of proxy for use at the EGM and the H Shareholders' Class Meeting are enclosed with this circular and such form of proxy are also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fmsh.com.cn). Whether or not you are able to attend and/or vote at the EGM and the H Shareholders' Class Meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not less than 24 hours before the time appointed for convening the EGM and the H Shareholders' Class Meeting.

12 June 2023

* For identification purposes only

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

“Articles”	articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“A Shares”	the ordinary share(s) of the Company of nominal value of RMB0.10 each subscribed and traded in RMB
“A Shareholder(s)”	holders of A Share(s)
“A Shareholders’ Class Meeting”	the class meeting of A Shareholders
“A Share Convertible Corporate Bonds” or “A Share Convertible Bonds” or “Convertible Bonds”	the convertible corporate bonds with a total amount not exceeding RMB2 billion (RMB2 billion inclusive) that can be converted into new A Shares proposed to be issued by the Company in the PRC
“Administrative Measures”	the Administrative Measures for the Issuance and Registration of Securities by Listed Companies (上市公司證券發行註冊管理辦法) promulgated by the CSRC
“Board”	the board of Directors of the Company
“Class Meetings”	the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting
“Company”	Shanghai Fudan Microelectronics Group Company Limited* (上海復旦微電子集團股份有限公司), a joint stock limited company incorporated in the PRC whose A shares are listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange and H shares are listed on the Main Board of the Stock Exchange
“Company Law”	the Company Law of the Peoples’ Republic of China, as amended from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Connected Transaction”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the price at which new A shares will be issued upon the conversion of A Share Convertible Bonds (subject to adjustment from time to time)

* *for identification purpose only*

DEFINITIONS

“Convertible Bondholders”	the holders of the A Share Convertible Corporate Bonds
“Convertible Bonds Offering Document” or “Offering Document”	the offering document on Issuance of A Share Convertible Corporate Bonds to non-specific investors of Shanghai Fudan Microelectronics Group Company Limited* (上海復旦微電子集團股份有限公司)
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the approval of, among others, the proposed Issuance of A Share Convertible Corporate Bonds to non-specific investors, Possible Subscription and the related matters thereof
“Fudan Fukong”	Shanghai Fudan Fukong Technology Enterprise Holdings Limited (上海復旦復控科技產業控股有限公司)
“Fuxin Fangao”	Shanghai Fuxin Fangao IC Technology Co. Ltd. (上海復芯凡高集成電路技術有限公司)
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Shares”	foreign invested share(s) of nominal value of RMB0.10 each in the capital of the Company which are listed on the Main Board of the Stock Exchange and subscribed and dealt in HK\$
“H Shareholder(s)”	holders of H Share(s)
“H Shareholders’ Class Meeting”	the class meeting of H Shareholders
“Independent Board Committee”	a board committee, comprising all the independent non-executive Directors, namely Mr. Cao Zhongyong, Mr. Cai Minyong, Mr. Wang Pin and Ms. Zou Fuwen, has been formed to advise the Independent Shareholders in respect of Possible Subscription

DEFINITIONS

“Independent Financial Advisor”	Amasse Capital Limited, registered with the Securities and Futures Commission in Hong Kong as a licensed corporation under the Securities and Futures Ordinance to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and appointed as the independent financial adviser of the Company to provide advice to the Independent Board Committee and Independent Shareholders in relation to the Possible Subscription by connected persons which constitutes a connected transaction
“Independent Shareholders”	any Shareholder(s) of the Company that is not required to abstain from voting at the EGM and the Class Meetings to approve the subscription for A Share Convertible Corporate Bonds and the related matters thereof
“Latest Practicable Date”	6 June 2023, being the latest practicable date prior to the issuance of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, amended from time to time
“Possible Subscription”	Fudan Fukong, Fuxin Fangao, certain Directors of the Company, Shanghai Shenghao and Shanghai Yuhao may exercise their pre-emptive rights to subscribe for the A Share Convertible Corporate Bonds under the proposed Issuance of A Share Convertible Corporate Bonds, the specific subscription amount and Conversion Price on the exercise of the pre-emptive rights shall be subject to the determination of the Board as authorised by the EGM and the Class Meetings, based on the market conditions before the Issuance
“PRC”	the People’s Republic of China. Geographical references in this circular to the PRC excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan region of the PRC
“Issuance of A Share Convertible Corporate Bonds” or “Issuance”	the proposal of the Company to apply to the Shanghai Stock Exchange and the CSRC for the Issuance of A Share Convertible Bonds to non-specific investors in the PRC with a total amount not exceeding RMB2 billion (RMB2 billion inclusive)
“RMB”	Renminbi, the lawful currency of the PRC
“Sci-Tech Innovation Board”	The Shanghai Stock Exchange Science and Technology Innovation Board

DEFINITIONS

“Securities Law”	the Securities Law of the People’s Republic of China, amended from time to time
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), amended from time to time
“Shanghai Shenghao”	Shanghai Shenghao Corporate Management Consultant Partnership Enterprise (limited partnership)* (上海聖壕企業管理諮詢合夥企業 (有限合夥))
“Shanghai Yuhao”	Shanghai Yuhao Corporate Management Consultant Partnership Enterprise (limited partnership)* (上海煜壕企業管理諮詢合夥企業 (有限合夥))
“Shanghai Yuji”	Shanghai Yuji Enterprise Management Consulting Co., Ltd.* (上海煜冀企業管理諮詢有限公司), a general partner of Shanghai Shenghao and Shanghai Yuhao and having the de facto control of Shanghai Shenghao and Shanghai Yuhao
“Share(s)”	A Share(s) and H Share(s)
“Shareholders”	holders of the Company’s Shares including A Share(s) and H Share(s)
“Shanghai Stock Exchange”	Shanghai Stock Exchange of the PRC
“Sino IC”	Sino IC Technology Co., Ltd. (上海華嶺集成電路技術股份有限公司), a subsidiary of the Company
“Special Mandate”	the special mandate in relation to the domestically issued A Share Convertible Corporate Bonds to be considered and approved at the EGM, H Shareholders’ Class Meeting and A Shareholders’ Class Meeting
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholders”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Jiang Guoxing (*Chairman*)
Mr. Shi Lei (*Managing Director*)
Mr. Yu Jun (*Deputy Managing Director*)
Ms. Cheng Junxia

Registered office:

No. 220 Handan Road
Shanghai
The PRC

Non-Executive Directors:

Ms. Zhang Qianling
Mr. Wu Ping
Ms. Liu Huayan
Mr. Sun Zheng

Principal Place of Business:

In the PRC:
Building 4, Lane 127, Guotai Road
Shanghai, the PRC

Independent Non-Executive Directors:

Mr. Cao Zhongyong
Mr. Cai Mingyong
Mr. Wang Pin
Ms. Zou Fuwen

In Hong Kong:

Flat 6, 5/F., East Ocean Centre
98 Granville Road
Tsimshatsui East
Kowloon
Hong Kong

Dear Sir or Madam:

**PROPOSED ISSUANCE OF A SHARE
CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS;
CONNECTED TRANSACTION IN RELATION TO
POSSIBLE SUBSCRIPTION FOR A SHARE CONVERTIBLE
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**INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE
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AMASSE CAPITAL
寶 積 資 本

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LETTER FROM THE BOARD

1. INTRODUCTION

Reference is made to the announcement of the Company dated 28 April 2023 in relation to the proposed Issuance of A Share Convertible Corporate Bonds to non-specific investors and the Connected Transaction in relation to the Possible Subscription for A Share Convertible Corporate Bonds by connected persons.

The purpose of this circular is to provide you with information in relation to the details of (i) the proposed Issuance of A Share Convertible Corporate Bonds which is among the proposals to be proposed at the EGM and the Class Meetings; (ii) the Connected Transaction in relation to Possible Subscription for A Share Convertible Corporate Bonds by connected persons, which is among the proposals to be proposed at the EGM; (iii) the letter from the Independent Financial Adviser to the Independent Shareholders; (iv) the recommendation of the Independent Board Committee as advised by the Independent Financial Adviser; and (v) other information relevant to the proposals to be tabled at the EGM, the H Shareholders' Class Meeting (where applicable) and the A Shareholders' Class Meeting (where applicable) as required under the Listing Rules, in order to enable you to make an informed decision on whether to vote for or against the proposals at the EGM, the H Shareholders' Class Meeting (where applicable) and the A Shareholders' Class Meeting (where applicable).

2. PROPOSED ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS AND CONNECTED TRANSACTION IN RELATION TO POSSIBLE SUBSCRIPTION FOR A SHARE CONVERTIBLE CORPORATE BONDS BY CONNECTED PERSONS

Pursuant to the relevant requirements of the laws, regulations and regulatory documents including the Company Law, the Securities Law and the Administrative Measures, after self-examination of the matters one by one by the Board on the actual conditions of the Company, the Board believes that the Company has satisfied all the existing regulations and requirements of the relevant laws, regulations and regulatory documents in relation to the Issuance of A Share Convertible Corporate Bonds, and that it possesses the conditions for the Issuance of A Share Convertible Corporate Bonds.

The Company intends to apply to the Shanghai Stock Exchange and the CSRC for the Issuance of A Share Convertible Corporate Bonds to non-specific investors in the PRC with a total amount of not exceeding RMB2 billion (RMB2 billion inclusive). The A Share Convertible Corporate Bonds proposed shall be issued under the Special Mandate, which is subject to the approvals of Shareholders at the EGM and Class Meetings, and the issuance of listing approval by the Shanghai Stock Exchange and registration with of the CSRC.

Details of the A Share Convertible Corporate Bonds Issuance plan are as follows:

LETTER FROM THE BOARD

(1) Proposed Issuance of A Share Convertible Corporate Bonds

(i) *Type of securities to be issued*

The type of the securities to be issued is convertible corporate bonds which can be converted into A Shares of the Company. The Convertible Corporate Bonds and the A Shares to be converted will be listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange.

(ii) *Size of issuance*

The total amount of the Convertible Bonds proposed to be issued will not exceed RMB2 billion (RMB2 billion inclusive). The actual amount of the Proceeds raised shall be determined by the Board and its authorised persons under the authorisation at the EGM and Class Meetings within the above range.

(iii) *Par value and issue price*

The Convertible Bonds under the Issuance will be issued at par with a nominal value of RMB100 each.

(iv) *Bonds term*

The term of the Convertible Corporate Bonds under the Issuance will be six years from the date of the Issuance.

(v) *Bond rate*

It is proposed to authorise the Board and its authorised persons at the EGM and Class Meetings to determine the method for determination of coupon rate of the Convertible Bonds and the final interest rate for the interest accrual year upon negotiation with the sponsor (the lead underwriter) in accordance with national policies, market conditions and the actual conditions of the Company, prior to the Issuance.

(vi) *Term and method of principal and interest payment*

The Convertible Bonds under the Issuance adopt the payment method that interest shall be paid on an annual basis. When the A Share Convertible Corporate Bonds mature, the outstanding principal of the A Share Convertible Corporate Bonds shall be repaid and the interest for the last year shall be paid.

A. *Calculation of annual interest*

Annual interest means the interest accrued to a bondholder in each year on each anniversary of the date of Issuance of the Convertible Bonds which is calculated based on the aggregate nominal value of the Convertible Bonds held by him/her.

LETTER FROM THE BOARD

The formula for calculating the annual interest is as follows:

$$I=B \times i$$

Where: I denotes the annual interest; B denotes the aggregate nominal value of the Convertible Bonds under the Issuance held by a bondholder as at the record date for interest payment in an interest accrual year (“that year” or “each year”); i denotes the coupon rate of the Convertible Bonds of that year.

B. Method of repayment of principal and interest payment

- 1) Interest of the Convertible Bonds under the Issuance shall be paid annually, accruing from the date of the Issuance of the Convertible Bonds.
- 2) Interest payment date: the interest is payable annually on each anniversary of the date of Issuance of the Convertible Bonds. If such date falls on a statutory holiday or rest day, the interest payment date shall be postponed to the first working day immediately thereafter, provided that no additional interest will be accrued during the period of postponement. The period between an interest payment date and the immediately following interest payment date shall be an interest accrual year. Matters in relation to interest and the ownership of share dividend in the year of conversion shall be determined by the Board according to the relevant laws and regulations and the provisions of the Shanghai Stock Exchange.
- 3) Record date for interest payment: the record date for interest payment in each year shall be the last trading day preceding the interest payment date. The Company shall pay the interest accrued in that year within five trading days from the interest payment date. The Company shall not pay any interest for that year and subsequent interest accrual years to the bondholders who have applied to convert their Convertible Bonds into the A Shares on or before the record date for interest payment.
- 4) Tax payable on the interest income of a bondholder under the Issuance shall be borne by such bondholder.

(vii) Conversion period

The conversion period of the Convertible Bonds under the Issuance shall commence on the first trading day immediately following the expiry of the six-month period after the date of the Issuance of the Convertible Bonds, and end on the maturity date of the Convertible Bonds. Convertible Bondholders have the option to convert or not to convert the Convertible Bonds into A Shares and shall become the Shareholders on the day after the conversion.

LETTER FROM THE BOARD

(viii) Determination and adjustment of the Conversion Price

A. Basis for determining the initial Conversion Price

The initial Conversion Price of the Convertible Bonds under the Issuance shall not be lower than the average trading price of A Shares for the 20 trading days preceding the date of publication of the Offering Document (in the event that the A Share price was adjusted due to ex-right and ex-dividend in the preceding 20 trading days, the average trading price of A Shares on the trading days prior to the adjustment shall be calculated based on the price after such ex-right and ex-dividend) and the average trading price of the A Shares on the preceding trading day, with no upward adjustment. It is proposed that the Board and its authorised persons shall be authorised at the EGM and Class Meetings to negotiate with the sponsor (the lead underwriter) for determining the actual initial Conversion Price prior to the Issuance in accordance with the prevailing market conditions.

The average trading price of A Shares for the preceding 20 trading days = total trading amount of A Shares for the preceding 20 trading days/total trading volume of A Shares for such 20 trading days.

The average trading price of A Shares for the preceding trading day = total trading amount of A Shares for the preceding trading day/total trading volume of A Shares for such trading day.

For illustrative purpose, assuming that the A Share Convertible Corporate Bonds were issued at the maximum amount and taking into consideration the average trading price of A Shares for the 20 trading days prior to the Latest Practicable Date as well as the previous trading day prior to the Latest Practicable Date, the Conversion Price will be set at a minimum of RMB56.82 per A Share. Accordingly, the A Share Convertible Corporate Bonds may be converted into approximately 35,198,874 A Shares, representing approximately 6.61% and 4.31% of the total A Shares and total issued Shares before the conversion, respectively.

B. Method of adjustments and calculation formulas of the Conversion Price

Subsequent to the Issuance, in case of certain events, such as distribution of share dividends, conversion or increase of share capital, issuance of new shares (excluding any increase in the share capital as a result of conversion of the Convertible Bonds under the Issuance) or rights issue or distribution of cash dividends, the Conversion Price will be adjusted subject to the occurrence order of the above conditions and based on the following formulas:

Distribution of share dividends or conversion or increase of share capital: $P_1 = P_0/(1+n)$

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Issuance of new shares or rights issue: $P_1 = (P_0 + A \times k) / (1+k)$

The above two events occurring concurrently: $P_1 = (P_0 + A \times k) / (1+n+k)$

Distribution of cash dividends: $P_1 = P_0 - D$

The above three events occurring concurrently: $P_1 = (P_0 - D + A \times k) / (1+n+k)$

Where: “ P_0 ” denotes the Conversion Price before adjustment; “ n ” denotes the rate of distribution of share dividends or conversion or increase of share capital; “ k ” denotes the rate of issuance of new shares or rights issue; “ A ” denotes the price of issuance of new shares or rights issue; “ D ” denotes the cash dividend per Share; “ P_1 ” denotes the adjusted Conversion Price.

Upon occurrence of any of the abovementioned changes in shares and/or the Shareholder’s interests, the Company shall adjust the Conversion Price based on order of occurrence, and publish an announcement in relation to the adjustment of the Conversion Price on the website of Shanghai Stock Exchange (www.sse.com.cn) and the media designated by the CSRC for information disclosure of listed companies. Such announcement shall indicate the date of adjustment to the Conversion Price, adjustment method and suspension period of share conversion (if necessary). Meanwhile, the Company shall disclose the information to the Hong Kong market in accordance with the Listing Rules and the Articles (if necessary). If the Conversion Price adjustment date is on or after the date on which a bondholder applies for conversion of his/her Convertible Bonds under the Issuance but before the registration date of the A Shares to be issued upon conversion, then such conversion shall be executed based on the Conversion Price adjusted by the Company.

In the event that the creditor’s interests or the interests derived from the share conversion of the bondholders are affected by the change in the Company’s share class, quantity and/or the Shareholders’ interests due to any possible share repurchase, consolidation, division, capital reduction or any other circumstances, the Company shall adjust the Conversion Price based on the actual situations and in accordance with the principles of fairness, justice and equality so as to fully protect the interests of the bondholders. The details of adjustment to the Conversion Price and its implementation measures shall be determined in accordance with prevailing applicable laws, regulations, the relevant requirements of the securities regulatory authorities and the Shanghai Stock Exchange.

LETTER FROM THE BOARD

C. *Regulatory requirements governing the Conversion Price*

The Conversion Price is subject to certain regulatory requirements in the PRC:

- 1) Article 64 of the Administrative Measures for the Issuance and Registration of Securities by Listed Companies (Order No. 206 of the China Securities Regulatory Commission) 《上市公司證券發行註冊管理辦法》(中國證券監督管理委員會令第206號) provides that the conversion price of convertible bonds issued to unspecified targets shall not be less than the average price of the shares of the listed company traded for twenty trading days prior to the announcement date of the prospectus and the average price of the previous trading day.
- 2) Article 9 of the Measures for the Administration of Convertible Corporate Bonds (Order No. 178 of the China Securities Regulatory Commission) 《可轉換公司債券管理辦法》(中國證券監督管理委員會令第178號) provides that the conversion price of convertible bonds issued by a listed company to an unspecified target shall not be less than the average price of the issuer's shares traded for the twenty trading days prior to the announcement date of the prospectus and the average price of the previous trading day, and shall not be revised upwards.
- 3) Article 10 of the Measures for the Administration of Convertible Bonds (Order No. 178 of the China Securities Regulatory Commission) 《可轉換公司債券管理辦法》(中國證券監督管理委員會令第178號) stipulates that the prospectus shall set out the agreed principles and manner of adjustment of the conversion price. After the issuance of convertible bonds, the conversion price shall be adjusted at the same time if there is a change in the shares of the issuer due to share allotment, issue of additional shares, share distribution, dividend payment, demerger, capital reduction and other reasons. If the prospectus of the convertible bonds of a listed company stipulates a downward revision clause of the conversion price, it shall also stipulate that: (a) the conversion price amendment proposal shall be submitted to the shareholders' meeting of the issuer for voting and shall be passed by at least two-thirds of the votes held by the shareholders present at the meeting, and shareholders holding convertible bonds of the issuer shall abstain from voting; (b) the amended conversion price shall not be lower than the average price of the shares of the issuer traded for the twenty trading days prior to the date of the shareholders' meeting at which the preceding amendment proposal is adopted and the average price for the previous trading day.
- 4) Article 127 of the Company Law provides that the shares of a joint stock limited company established in the PRC cannot be issued below nominal value. As such, the Conversion Price must be more than or equal to the prevailing nominal value of the A Shares which is RMB0.1.

LETTER FROM THE BOARD

(ix) *Terms of downward adjustment to Conversion Price*

A. *Authorisation and magnitude of adjustment*

If, during the term of the Convertible Bonds under the Issuance, the closing prices of A Shares of the Company on at least 15 trading days out of any 30 consecutive trading days are lower than 85% of the prevailing Conversion Price, the Board of the Company is entitled to propose a downward adjustment to the Conversion Price and submit it to the Shareholders at the Shareholders' general meetings and Class Meetings for their consideration and voting.

The abovementioned proposal is subject to approvals of more than two-thirds of the Shareholders with voting rights who attend the Shareholders' general meetings and Class Meetings. Shareholders who hold the Convertible Bonds under the Issuance shall abstain from voting at the Shareholders' general meetings and Class Meetings. The adjusted Conversion Price should be no less than the higher of the average trading price of A Shares of the Company during the 20 trading days immediately preceding the date of such a general meeting and Class Meetings (in the event that during such 20 trading days, the share price has been adjusted due to ex-rights or ex-dividend, the closing price for the trading day before the adjustment shall be calculated based on the adjusted share price following the ex-rights or ex-dividend) the average trading price of A Shares of the Company on the trading day immediately preceding the date of the aforementioned general meeting and Class Meetings.

In the event that there is an adjustment to the share price due to ex-rights or ex-dividend during the aforementioned 30 consecutive trading days, in respect of the trading days prior to the adjustment to the Conversion Price, the calculation shall be based on the unadjusted Conversion Price and the closing price of the A Shares on each such day, and in respect of the days on which adjustment to the Conversion Price is made and the trading days afterwards, the calculation shall be based on the adjusted Conversion Price and the closing price of the A Shares on each such day.

In any event, the Conversion Price must be more than or equal to the nominal value of the A Shares (please refer to paragraph (4) under the section headed "C. Regulatory requirements governing the Conversion Price" in page 11 of this circular).

B. *Procedures of adjustment*

In the event that the Company decides to adjust the Conversion Price downwards, the Company shall publish an announcement in connection therewith on the website of Shanghai Stock Exchange (www.sse.com.cn) and media designated by the CSRC for information disclosure of listed companies. Such announcement shall disclose information including the magnitude of the adjustment, the

LETTER FROM THE BOARD

registration date of shares, the suspension period of share conversion, if necessary, and other relevant information. Meanwhile, the Company shall disclose such information to the Hong Kong market in accordance with the Listing Rules and the Articles (if necessary). Application for conversion at adjusted Conversion Price shall be resumed upon the first trading day after the registration date, i.e. the Conversion Price adjustment date.

If the Conversion Price adjustment date is on or after the date on which a bondholder applies for conversion of his/her A Share Convertible Corporate Bonds but before the registration date of the A Shares to be issued upon conversion, then such conversion shall be executed based on the adjusted Conversion Price.

(x) ***Method for determining the number of A Shares for conversion***

Where a bondholder applies to convert his/her Convertible Bonds under the Issuance during the conversion period, the formula for calculating the number of A Shares to be issued upon conversion is: $Q = V/P$, any fractional A Share shall be rounded down to the nearest whole number, where “Q” denotes the number of A Shares to be converted; “V” denotes the aggregate nominal value of Convertible Bonds in respect of which the bondholder applies for conversion; and “P” denotes the prevailing Conversion Price as at the date of application for conversion.

The number of A Shares to be converted shall be in whole number where the bondholder applied for converting his/her Convertible Bonds under the Issuance. Within five trading days from the date of conversion by the bondholder, the Company shall pay the bondholder in cash an amount equal to the remaining balance of such A Share Convertible Corporate Bonds which is insufficient to be converted into one A Share and the interest accrued on such balance in accordance with the relevant requirements of CSRC, the Shanghai Stock Exchange and other authorities.

(xi) ***Terms of redemption***

A. ***Terms of redemption upon maturity***

Within five trading days upon the maturity of the Convertible Bonds under the Issuance, the Company shall redeem all of the outstanding Convertible Bonds by then. It is proposed at the EGM and Class Meetings to authorise the Board or its authorised persons to determine the actual redemption price upon negotiation with the sponsor (the lead underwriter) with reference to the market conditions upon the Issuance.

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B. Terms of conditional redemption

During the conversion period of Convertible Bonds under the Issuance, where either of the two scenarios mentioned below occurs, the Company shall have the right to redeem all or part of the outstanding Convertible Bonds, at a price equal to the nominal value of Convertible Bonds plus then accrued interest:

- 1) The closing prices of A Shares during at least 15 trading days out of any 30 consecutive trading days in the conversion period are not less than 130% (130% inclusive) of the prevailing Conversion Price; or
- 2) The balance of the outstanding Convertible Bonds is lower than RMB30 million.

Formula for calculating the accrued interest for the current period is:
 $I_A = B \times i \times t / 365$

I_A denotes the accrued interest for the current period

B denotes the aggregate nominal value of the Convertible Bonds to be redeemed

i denotes the coupon rate of the Convertible Bonds for the current year

t denotes the number of days on which interest is accrued, i.e. the actual number of calendar days from the last interest payment date (inclusive) up to the redemption date of the current interest accrual year (excluding the redemption date)

In the event that an adjustment to the Conversion Price by the Company is made due to ex-right and ex-dividend during the aforementioned 30 consecutive trading days, in respect of the trading days prior to the adjustment, the calculation shall be based on the unadjusted Conversion Price and the closing price of the A Shares on each such day, and in respect of the date of adjustment and the trading days after the adjustment, the calculation shall be based on the adjusted Conversion Price and the closing price of the A Shares on each such day. Redemption period of the A Share Convertible Corporate Bonds under the Issuance is the same as the conversion period, i.e., to commence from the first trading day immediately following the expiry of the six-month period after the date of the Issuance, and to end on the maturity date of the A Share Convertible Corporate Bonds.

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(xii) *Terms of sale back*

A. *Additional terms of sale back*

If the actual use of the proceeds raised from the Issuance significantly differs from the undertakings of the use of proceeds set out by the Company in the Offering Document, and such change is considered as a change in the use of proceeds pursuant to the relevant requirements of the CSRC or the Shanghai Stock Exchange, the bondholders shall be entitled to a one-off right to sell all or part of their Convertible Bonds back to the Company at par plus the then accrued interest. The formula for calculating the then accrued interest is set out in the paragraph headed “(xi) Terms of redemption”. Upon the satisfaction of the condition of sale back, the Convertible Bondholders may sell their Convertible Bonds back to the Company during the sale back declaration period. If the Convertible Bondholders do not exercise their sale back rights during such period, they shall not exercise such rights later.

B. *Terms of conditional sale back*

During the last two interest accrual years within the term of the Convertible Bonds under the Issuance, if the closing prices of the A Shares on any 30 consecutive trading days are lower than 70% of the prevailing Conversion Price, the bondholders are entitled to sell back all or part of their Convertible Bonds to the Company at par plus the then accrued interest. The formula for calculating the then accrued interest is set out in the paragraph headed “(xi) Terms of redemption”.

In the event that an adjustment to the Conversion Price by the Company is made due to distribution of share dividends, conversion or increase of share capital, issuance of new shares (excluding any increase in the share capital as a result of conversion of the Convertible Bonds under the Issuance) or rights issue, distribution of cash dividends during the aforementioned 30 trading days, in respect of the trading days prior to the adjustment, the calculation shall be based on the unadjusted Conversion Price and the closing price of the A Shares on each such day, and in respect of the trading days after the adjustment, the calculation shall be based on the adjusted Conversion Price and the closing price of the A Shares on each such day. In the event that there is a downward adjustment to the Conversion Price, the aforesaid “30 trading days” shall be re-counted from the first trading day following the adjustment to the Conversion Price.

The bondholders can exercise their sale back rights once every year when the sale back conditions are initially satisfied according to the abovementioned agreed terms in the last two interest accrual years within the term of the Convertible Bonds. If the sale back conditions are initially satisfied, but the bondholders do not apply for and exercise their sale back rights during the sale

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back declaration period then announced by the Company, they shall not exercise the sale back rights during such interest accrual year. The bondholders are not allowed to exercise part of their sale back rights for multiple times.

(xiii) *Entitlement to dividend upon conversion*

The new A Shares to be issued as a result of the conversion of Convertible Bonds under the Issuance shall rank *pari passu* with all the existing A Shares, and all ordinary A Shareholders (including those derived from the conversion of the Convertible Bonds) whose names are recorded on the register of members of the Company on the record date for dividend distribution shall be entitled to receive the dividend of that period and enjoy equal rights and interests.

(xiv) *Method of the Issuance and target subscribers*

It is proposed that the Board and its authorised persons shall be authorised at the EGM and Class Meetings to negotiate with the sponsor (the lead underwriter) for determining the specific method of the Issuance of the Convertible Bonds. The target subscribers of the Convertible Bonds are natural persons, legal persons, securities investment funds and other investors in compliance with the requirements of applicable laws and regulations who have maintained securities accounts at the China Securities Depository and Clearing Corporation Limited Shanghai Branch.

(xv) *Subscription arrangement for the existing A Shareholders*

The existing A Shareholders have the pre-emptive rights to subscribe for the Convertible Bonds under the Issuance and are entitled to surrender such rights. The amount and proportion of subscription under the pre-emptive rights shall be determined by the Board or its authorised persons in accordance with the conditions upon the Issuance, subject to the authorisation by the Shareholders at the EGM, and shall be disclosed in the issuance announcements of the Convertible Bonds under the Issuance. The subscription in priority will be subject to the Company Law and the Listing Rules or all applicable laws, regulations and rules of other governmental or regulatory authorities (including but not limited to any relevant rules and requirements of connected transactions).

The A Share Convertible Corporate Bonds which are not subject to the abovementioned pre-emptive rights of the existing A Shareholders and are not subscribed by the existing A Shareholders in priority will be offered to institutional investors offline and/or issued by way of online pricing through the trading system of the Shanghai Stock Exchange. It is proposed that the Board or its authorised persons shall be authorised at the EGM to negotiate with the sponsor (the lead underwriter) of the Issuance for determining the specific method of the Issuance. The remaining balance will be underwritten by the underwriters in case of under-subscription.

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(xvi) Rights, Obligations and Meetings of Convertible Bondholders

A. *Rights of Convertible Bondholders:*

- 1) receive agreed interests in accordance with the number of the A Share Convertible Bonds held;
- 2) receive the principal and interest of the Convertible Bond at maturity in accordance with the agreed period and by the agreed manner set out in the Offering Document;
- 3) attend or appoint a representative to attend Convertible Bondholders' meetings and exercise voting rights in accordance with the rules of Convertible Bondholders' meetings; when the Convertible Bond trustee should convene but fails to convene a Convertible Bondholders' meeting, holders of convertible bonds holding more than 10% of the total amount of Convertible Bonds, either individually or collectively, have the right to convene a Convertible Bondholders' meeting on their own;
- 4) supervise the Company's relevant behaviors involving the interests of Convertible Bondholders, and when matters that may harm their interests occur, have the right to exercise or authorize the bond trustee to exercise the relevant rights of Convertible Bondholders on their behalf through the resolution of the Convertible Bondholders' meetings in accordance with the provisions of laws, regulations and rules and the Offering Document;
- 5) supervise the fiduciary performance of the bond trustee and have the right to propose the replacement of the trustee;
- 6) when the redemption conditions and sale back conditions are met, the Company is required to implement the terms of redemption and sale back;
- 7) when the conditions for conversion are met, may choose to convert the Convertible Bonds into A share and become a Shareholder on the day after the conversion;
- 8) assign, bestow or pledge the A Share Convertible Bonds held by the Convertible Bondholders in accordance with the provisions of laws, administrative regulations and the Articles; and
- 9) other rights of them as creditors of the Company ascribed by laws, rules and the Articles.

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B. Obligations of Convertible Bondholders:

- 1) abide by the relevant terms of the A Share Convertible Corporate Bonds under the Issuance by the Company;
- 2) not to request the Company to make prepayment of the principal and interest of the A Share Convertible Bonds, unless otherwise required by laws and regulations, or otherwise agreed in the Offering Document;
- 3) pay the subscription amount in accordance with the number of A Share Convertible Bonds subscribed by the Convertible Bondholders;
- 4) the legal consequences of the trustee's fiduciary management acts pursuant to the trustee management agreement shall be borne by the Convertible Bondholders; any act of the bond trustee who does not have the right of agency, exceeds the right of agency or engages in acts after the termination of the right of agency, and is not ratified by the resolution of the Convertible Bondholders' meeting, will not be effective against all Convertible Bondholders, and the bond trustee shall bear the consequences and responsibilities thereof;
- 5) accept and be bound by the resolutions of the Convertible Bondholders' meetings;
- 6) do not engage in any activities that harm the legitimate rights and interests of the Company, bond trustees and other Convertible Bondholders;
- 7) if the bond trustee initiates litigation, arbitration, application for property preservation or other legal proceedings against the Company in accordance with the trustee management agreement, the Convertible Bondholder shall bear the relevant expenses (including but not limited to litigation fees, lawyer fees, notary fees, various types of security deposits, guarantee fees, and other reasonable expenses or expenditures required by the bond trustee due to the relevant actions taken by the Convertible Bondholder), and shall not require the bond trustee to advance for him; and
- 8) other obligations that convertible bondholder should undertake in accordance with laws, regulations and rules and the Offering Document.

C. Holding of Convertible Bondholders' Meetings:

During the term of the Convertible Bonds and redemption, a Convertible Bondholders' Meeting shall be convened upon the occurrence of any of the following:

- 1) the Company proposes to change the terms of the Offering Document;

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- 2) the Company defaults in paying the principal and interests of Convertible Bonds on time;
- 3) the Company undertakes a capital reduction (other than a capital reduction resulting from an employee stock ownership scheme, share incentive scheme, or share repurchase necessary to maintain the Company's value and Shareholders' equity), merger, division or dissolution, or files for bankruptcy;
- 4) any material adverse change arises from the guarantors (if any) or the collaterals (if any);
- 5) any proposal to amend the rules of Convertible Bondholders' meetings;
- 6) any proposal to amend the main content of the bond trustee or the trustee agreement;
- 7) the written proposal by Convertible Bondholder individually or collectively holding 10% or more of the total par value of the outstanding bonds of the Convertible Bonds to the Company for convening a meeting;
- 8) measures shall be taken in accordance with laws when the Company's capability of solvency of its debt faces great uncertainties due to the failure of the Company's management to fulfill its responsibilities and duties;
- 9) the Company proposes a debt restructuring plan;
- 10) other matters which may significantly and materially affect the interests of the Bondholders occur; or
- 11) other matters required to be considered and approved at the Convertible Bondholders' Meetings in accordance with the provisions of laws, regulations, the CSRC, the Shanghai Stock Exchange and the rules for Convertible Bondholders' meetings.

The following institutions or persons may propose a Bondholders' Meeting:

- 1) the Board of the Company;
- 2) the Convertible Bondholder, individually or jointly, holding 10% or more of the total par value of the outstanding Convertible Bonds;
- 3) bond trustee; or

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- 4) other institutions or persons stipulated by relevant laws, regulations, the CSRC or the Shanghai Stock Exchange.

(xvii) Use of proceeds

The total amount of proceeds to be raised from the proposed Issuance of Convertible Corporate Bonds will not exceed RMB2 billion (RMB2 billion inclusive). The proceeds, after deduction of issuance expenses, are proposed to be used for the following projects:

Unit: RMB0'000

Name of project to be invested	Total project investment	Amount of proceeds raised to be invested	Expected timeline for utilising the proceeds since the commencement of the projects			
			First year	Second year	Third year	Fourth year
New generation Field Programmable Gate Array (FPGA) platform development and industrialization project	66,100	64,610	25,877	22,776	15,957	-
Intelligent and reconfigurable SoC platform development and industrialization project	64,330	63,330	14,741	21,412	16,926	10,251
New technical platform storage development and industrialization project	44,380	41,880	16,048	14,279	11,553	-
New high-end security controller development and industrialization project	18,810	17,810	9,627	8,183	-	-
Passive IoT basic chip development and industrialization projects	13,370	12,370	7,195	5,175	-	-
Total	206,990	200,000	73,488	71,825	44,436	10,251

Before the receipt of the proceeds from the issuance of A Share Convertible Corporate Bonds, the Company will invest with its own or self-raised funds as required based on the actual progress of the projects to be invested. When the proceeds are available, such funds used will be replaced by the proceeds so raised according to the procedures stipulated by the relevant laws and regulations. In the event that the actual amount of proceeds from the Issuance after deducting issuance expenses is less than the amount of proceeds proposed to be invested in the projects above, the Board may arrange the actual uses of the raised funds based on the importance and urgency of their respective purposes, and any shortfall will be made up by the Company with its own or self-raised funds. The Board may, without altering the projects to be invested by the proceeds

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raised, make appropriate adjustment to the sequence and amount of the proceeds proposed to be invested in the above projects according to the actual needs of the projects. For example, there may be material changes in the relevant laws and regulations, policies or prevailing market conditions. In addition, it is impractical to accurately estimate the research and development progress of the projects. The Group may experience unexpected breakthroughs or encounter abnormal difficulties, which are not entirely within the control of the Group. In such events, it may be beneficial for the Group to (i) speed up or slow down the pace of certain projects; or (ii) adjust the investment size of the projects, which in turn affects the sequence and amount of the use of proceeds. As at the Latest Practicable Date, taking into account the current regulatory policies, requirements and the conditions of the capital markets, the Board is of the view that the chance of making the aforementioned adjustment is low.

(xviii) Management and deposit account for proceeds raised

The Company has formulated the Administrative Rules for Use of Proceeds from Fund Raising. The proceeds raised from the Issuance shall be deposited into a specific account designated by the Board. The Board or its authorised persons shall determine specific matters relating to the opening of the accounts before the Issuance, and disclose the relevant information of such specific account in the Issuance announcement.

(xix) Guarantee

No guarantee will be provided for the Issuance of Convertible Bonds.

(xx) Rating

A credit rating agency engaged by the Company will issue a credit rating report in respect of the Issuance.

(xxi) Validity period of the resolution

Validity period of the plan for the Issuance of A Share Convertible Corporate Bonds will be twelve months from the date on which the plan of the Issuance is considered and approved at the EGM and Class Meetings.

(2) Connected Transaction in relation to the Possible Subscription for A Share Convertible Corporate Bonds by connected persons

According to the plan for the Issuance of A Share Convertible Corporate Bonds and subject to the issuance of listing approval by the Shanghai Stock Exchange and registration with the CSRC, the Convertible Corporate Bonds under the Issuance will be firstly placed at a certain portion to all the A Shareholders of the Company whose names appeared on the share register at the registration date when the existing A Shareholders have the pre-emptive rights after closing of the stock market. The specific proportion of the placement will be determined based

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on market situation and negotiations between the Board or its authorised persons and the sponsor (the lead underwriter) under the authorisation of the EGM and the Class Meetings. Unsubscribed portion will be offered to other potential investors.

Possible Subscription for A Share Convertible Bonds by Fudan Fukong

As at the Latest Practicable Date, Fudan Fukong, a Substantial Shareholder of the Company, held 109,620,000 A Shares. Fudan Fukong shall have the pre-emptive rights to subscribe for the A Share Convertible Bonds, and the right to surrender such pre-emptive rights. Subject to certain assumptions stated hereunder, Fudan Fukong may subscribe for A Share Convertible Bonds with a maximum subscription amount of approximately RMB411,853,000.

Possible Subscription for A Share Convertible Bonds by Fuxin Fangao

As at the Latest Practicable Date, Fuxin Fangao, a Substantial Shareholder of the Company, held 106,730,000 A Shares. Fuxin Fangao shall have the pre-emptive rights to subscribe for the A Share Convertible Bonds, and the right to surrender such pre-emptive rights. Subject to certain assumptions stated hereunder, Fuxin Fangao may subscribe for A Share Convertible Bonds with a maximum subscription amount of approximately RMB400,995,000.

Possible Subscription for A Share Convertible Bonds by Directors of the Company

As at the Latest Practicable Date, Mr. Jiang Guoxing and Mr. Shi Lei, being the Directors, each held 7,210,000 A Shares, and in aggregate held 14,420,000 A Shares. They shall have the pre-emptive rights to subscribe for the A Share Convertible Bonds, and the right to surrender such pre-emptive rights. Subject to certain assumptions stated hereunder, each of Mr. Jiang Guoxing and Mr. Shi Lei may subscribe for A Share Convertible Bonds with a maximum subscription amount of approximately RMB27,089,000.

Possible Subscription for A Share Convertible Bonds by Shanghai Shenghao and Shanghai Yuhao

As at the Latest Practicable Date, Ms. Zhang Yanfeng, being the Supervisor, and Ms. Fang Jing, being a supervisor of Sino IC, each held 40% interests in the issued share capital of Shanghai Yuji. Shanghai Yuji is the general partner of Shanghai Shenghao and Shanghai Yuhao and has the de facto control of Shanghai Shenghao and Shanghai Yuhao, and Shanghai Shenghao and Shanghai Yuhao held 2,253,750 and 366,000 A Shares respectively. Shanghai Shenghao and Shanghai Yuhao shall have the pre-emptive rights to subscribe for the A Share Convertible Bonds, and the right to surrender such pre-emptive rights. Subject to certain assumptions stated hereunder, Shanghai Shenghao and Shanghai Yuhao may subscribe for A Share Convertible Bonds with a maximum subscription amount of approximately RMB8,468,000 and RMB1,375,000 respectively.

The terms and conditions of the Possible Subscription for A Share Convertible Bonds by Fudan Fukong, Fuxin Fangao, certain Directors, Shanghai Shenghao and Shanghai Yuhao are the same as the terms and conditions of subscription for A Share Convertible Corporate Bonds

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by other A Shareholders. As at the Latest Practicable Date, Fudan Fukong, Fuxin Fangao, Mr. Jiang Guoxing, Mr. Shi Lei, Shanghai Shenghao and Shanghai Yuhao have not indicated their intentions to subscribe for the A Share Convertible Corporate Bonds.

Assuming that 100% of the A Share Convertible Bonds under the Issuance will be firstly placed to the existing A Shareholders, and Substantial Shareholders of the Company, Fudan Fukong and Fuxin Fangao, certain Directors, Shanghai Shenghao and Shanghai Yuhao will exercise their pre-emptive rights in full, based on the shareholding proportion of the abovementioned parties on the convening date of the Board meeting (i.e. 28 April 2023) and the maximum amount of the Convertible Bonds of RMB2 billion to be issued by the Company, the maximum amounts of the A Share Convertible Bonds to be subscribed by the abovementioned parties are as follows:

Connected Shareholders	Number of A Shares held (share)	Percentage of number of A Shares held to the total number of issued A Share %	Maximum subscription amount of A Share Convertible Bonds proposed to be subscribed (RMB0'000)
Fudan Fukong	109,620,000	20.59	41,185
Fuxin Fangao	106,730,000	20.05	40,099
Mr. Jiang Guoxing	7,210,000	1.35	2,709
Mr. Shi Lei	7,210,000	1.35	2,709
Shanghai Shenghao	2,253,750	0.42	847
Shanghai Yuhao	366,000	0.07	138
Total	233,389,750	43.83	87,687

(3) Authorisation to be granted to the Board

Subject to approval of the Shareholders at the EGM and the Class Meetings, the Board shall be authorised to make such decisions, execute such documents, amend the Articles, carry out such procedures and take any other such actions as are in its discretion necessary to effect and complete the Issuance of A Share Convertible Corporate Bonds.

(4) Reasons for and benefits of the proposed Issuance of A Share Convertible Corporate Bonds and the Possible Subscription

The proceeds raised from the Issuance of A Share Convertible Corporate Bonds shall be fully invested in the Company's principal business, which is in line with the comprehensive strategic development and direction of the Company in the future. In particular, the Company plans to continue to consolidate and enhance its comprehensive competitive advantages in technology, service, quality and branding, further expand its production capacity and product applications, as well as increase the coverage of the Company's business in the industrial chain

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continuously, so as to maintain the sustainable development of the Company. At the same time, the Company will continue to consolidate its technological advantages through university-enterprise technical cooperation and continuous investment in research and development, and actively focus on advanced technologies and products overseas to build up its competitive edge in the international market.

After completion of implementing the projects to be invested by the proceeds raised, the overall competitiveness and the sustainability of the Company will be effectively improved. The Issuance of Convertible Corporate Bonds benefits the Company in expanding its business scales. The implementation of the projects to be invested by the proceeds raised can steadily increase the revenue and profitability of the Company. The purposes of the projects and their benefits to the Company are set out as follows:

(i) *New Generation FPGA Platform Development and Industrialization Project*

The purpose of the project is to develop new generation FPGA based on the advanced manufacturing process of 1xnm FinFET for computer vision, machine learning, high-speed digital processing and other application scenarios, providing low-cost, low-power, high-performance, and high-reliability product series for intelligent cockpits, video surveillance, medical imaging, network communications and other industry sectors. Upon completion of the project, the Company will be able to enrich its FPGA lineup, meet the market demand for next-generation FPGA products for artificial intelligence and digital communications, and further enhance its market position and overall competitiveness.

(ii) *Intelligent and Reconfigurable SoC Platform Development and Industrialization Project*

The purpose of the project is to develop a new-generation intelligent reconfigurable SoC technology platform and intelligent communication chip RFSoc, which will provide high performance, low power-consumption and high security product series for field sensing and other edge computing application scenarios in intelligent cockpit, intelligent communication, industrial control and other industrial fields. Intelligent communication chip RFSoc adopts 1xnm advanced process and realizes RF direct acquisition, signal processing, AI acceleration and other functions on a single chip, which will provide low power consumption, high performance, high integration, high security and high reliability product series for 5G small base stations, intelligent communication and other industrial fields. Upon completion of the project, the Company will launch domestic reconfigurable SoC chips with strong competitiveness. This will comprehensively improve the overall performance of the new-generation edge computing chips, allow the Company to closely follow the international leading level of intelligent reconfigurable technology, meet the market demand for high-performance, highly integrated AI chips for edge computing and intelligent communications, and further enhance the Company's market position and comprehensive competitiveness.

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(iii) New Technical Platform Storage Development and Industrialization Project

The purpose of the project is to develop niche non-volatile memory based on a new process platform, specifically including four product series, i.e. EEPROM, NOR Flash, NAND Flash and system-level memory products, for automotive electronics, consumer electronics, computers, network communications, industrial electronics, security monitoring and other applications, providing product series with various capacity range, several adaptable interfaces, high reliability, low power consumption, good compatibility and low cost. Upon completion of the project, the competitiveness of the Company's niche non-volatile memory product line will be enhanced and the Company will be able to meet the broad market demands of various electronic information products for niche non-volatile memory products.

(iv) New High-end Security Controller Development and Industrialization Project

The purpose of the project is to develop a security controller with our existing security chip product line, optimize the existing security algorithm, including two product series of low power consumption and high performance, and provide security chip product series with low power consumption, high performance and extensibility to meet the demand for information security in intelligent card, consumable anti-counterfeiting, eSIM, T-BOX and financial POS markets. Upon completion of the project, the Company's security chip product line will be enriched, the Company will be able to meet the growing market demands for information security in the IOT, and further enhance its market position and overall competitiveness.

(v) Passive IoT Basic Chip Development and Industrialization Projects

The purpose of the project is to develop passive IoT basic chips based on the existing RFID chip product line, and upgrade the technology of the existing products, including three product series, i.e. ultra-high frequency RFID tag chips, ultra-high frequency RFID reader chips and microwave frequency RFID tag chips, providing identification chip product series with high sensitivity, anti-interference, low power consumption, low cost and high reliability for footwear management, library management, airport luggage, intelligent manufacturing and other scenarios in the retail, office, storage, medical care, industry and other industries. Upon completion of the project, the Company's identification chip product line will be enriched, the Company will be able to meet the market demand for high-performance, low-cost and passive identification chip products in the IoT era, and further improve its market position and comprehensive competitiveness.

In summary, the proceeds generated from the Issuance of A Share Convertible Corporate Bonds will be invested in the projects that are based on the existing major businesses of the Company, taking into account the market demand and future development trends. These are regarded as essential investments in the key products portfolio of the Company and are in accordance with the important research directions in the Company's core business areas. Upon

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completion of the investment projects, the Company will enrich the spectrum of its product lines, further enhance the competitiveness and market share of its products and drive the synergistic development of the upstream and downstream of the semiconductor industry chain.

In addition, although the Company will be required to pay interest and redeem the A Share Convertible Corporate Bonds upon maturity, the Board considers the Issuance to be in the interests of the Company and the Shareholders as a whole on the grounds that (i) the A Share Convertible Corporate Bonds, being a financial product with both equity and debt characteristics, give the Convertible Bondholders the right to convert the A Share Convertible Corporate Bonds into A Shares, which is more attractive to long-term investors and with less stringent financing difficulties than other debt financing methods; (ii) the coupon rate of the A Share Convertible Corporate Bonds is lower than other debt financing methods under the same conditions; (iii) the Company will be able to retain the raised funds upon maturity of the A Share Convertible Corporate Bonds if the Convertible Bondholders exercise the right of conversion; and (iv) original A Shareholders will be able to enjoy the pre-emptive rights for preferential subscription of the A Share Convertible Corporate Bonds.

On the other hand, the Board has considered various fund raising alternatives apart from the Issuance of A Share Convertible Corporate Bonds, including debt financing and equity financing. In respect of debt financing or bank borrowings from commercial banks, the Board is concerned about the uncertainties involved in the time management of financing plan since the internal procedures to be carried out by the commercial banks are generally beyond the Company's control. Also, commercial banks and other financial institutions usually offer loans and facilities with higher interest rates. In respect of equity financing, the Board considers that (i) rights issue or open offer is time-consuming for the Company with its A Shares listed on the Shanghai Stock Exchange and H Shares listed on the Stock Exchange; and (ii) placing or subscription of new Shares will have immediate dilution effect on the shareholding interests of the existing Shareholders. Therefore, the Board is of the view that the Issuance of A Share Convertible Corporate Bonds is a more suitable option for the Company under the prevailing market conditions. Nonetheless, the Company will consider alternative fund raising methods and determine whether to implement other financing plans in the future with reference to its overall business development strategies and the market conditions at that time.

(5) Impact of the proposed Issuance of A Share Convertible Corporate Bonds on the shareholding structure of the Company

Based on the plan for the Issuance of A Share Convertible Corporate Bonds, the initial Conversion Price of the A Share Convertible Bonds under the Issuance shall not be lower than the average trading price of A Shares for the 20 trading days preceding the date of publication of the Offering Document (in the event that the A Share price was adjusted due to ex-right and ex-dividend in the preceding 20 trading days, the average trading price of A Shares on the trading days prior to the adjustment shall be calculated based on the price after such ex-right and ex-dividend) and the average trading price of A shares on the preceding trading day, with no upward adjustment. It is proposed that the Board and its authorised persons shall be

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authorised at the EGM and Class Meetings to negotiate with the sponsor (the lead underwriter) for determining the actual initial Conversion Price prior to the Issuance in accordance with the prevailing market conditions.

The shareholding structures of the Company as at the Latest Practicable Date and after completion of the proposed Issuance of A Share Convertible Bonds and conversion of all the A Share Convertible Bonds into A Shares (assuming that (i) the Company has issued the A Share Convertible Bonds at the maximum issuance amount of RMB2 billion; (ii) all the A Shareholders have subscribed for the respective maximum subscription amount of the A Share Convertible Bonds on pro-rata basis on their current shareholding; (iii) all A Share Convertible Bonds are converted into A Shares at the minimum initial Conversion Price of RMB56.82 per Share, which shall not be lower than average trading price of A Shares for the 20 trading days preceding the Latest Practicable Date and the average trading price of A shares on the preceding trading day; and (iv) the Company does not issue and allot any Shares before all the A Share Convertible Bonds are converted into A Shares) are as follows:

Name/Class of Shareholders	Number of Shares	Approximate percentage of the number of issued A Shares as at the Latest Practicable Date	Immediately after completion of the proposed Issuance of A Share Convertible Bonds and conversion of all the A Share Convertible Bonds into A Shares			
			Approximate percentage of the number of issued Shares	Number of Shares	Approximate percentage of the number of issued A Shares	Approximate percentage of the number of issued Shares
Fudan Fukong	109,620,000 (A)	20.59%	13.42%	116,868,372 (A)	20.59%	13.72%
Fuxin Fangao	106,730,000 (A)	20.05%	13.07%	113,787,277 (A)	20.05%	13.36%
Mr. Jiang Guoxing	7,210,000 (A)	1.35%	0.88%	7,686,745 (A)	1.35%	0.9%
Mr. Shi Lei	7,210,000 (A)	1.35%	0.88%	7,686,745 (A)	1.35%	0.9%
Shanghai Shenghao	2,253,750 (A)	0.42%	0.28%	2,402,774 (A)	0.42%	0.28%
Shanghai Yuhao	366,000 (A)	0.07%	0.04%	390,201 (A)	0.07%	0.05%
Ms. Zhang Yanfeng	108,000 (H)	-	0.01%	108,000 (H)	-	0.01%
Public Shareholders	583,158,750	-	71.42%	602,925,260	-	70.78%
- A Shareholders	298,936,750 (A)	56.17%	36.62%	318,703,260 (A)	56.17%	37.41%
- H Shareholders	284,222,000 (H)	-	34.80%	284,222,000 (H)	-	33.37%
Total	816,656,500	100.00%	100.00%	851,855,374	100.00%	100.00%

Note: The letter “A” denotes A Shares and the letter “H” denotes H Shares.

The Conversion Price shall be adjusted upon the Issuance of A Share Convertible Corporate Bonds in case of certain events of the Company, such as distribution of share dividends, conversion or increase of share capital, issuance of new shares or rights issue or distribution of cash dividends (excluding any increase in the share capital as a result of conversion of the A Share Convertible Corporate Bonds).

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(6) **General**

(i) *Information of the Company*

The Company is a joint stock company incorporated in the PRC with limited liability, the H Shares and A Shares of which are listed on the Main Board of the Stock Exchange and the Sci-Tech Innovation Board of the Shanghai Stock Exchange, respectively. The Company's main businesses are the design, development and sales of IC products in China.

(ii) *Information of the connected persons*

Fudan Fukong, being a Substantial Shareholder of the Company, holds 109,620,000 A Shares, representing approximately 13.42% of the issued share capital of the Company. Shanghai Commerce and Invest (Group) Corporation holds 70.2% interest in Fudan Fukong, while 29.8% is held by the independent third party. Shanghai Commerce and Invest (Group) Corporation is wholly owned by Bailian Group Company Limited, which in turn is a state-owned enterprise wholly owned by the Shanghai Municipal Government.

Fuxin Fangao, being a Substantial Shareholder of the Company, holds 106,730,000 A Shares, representing approximately 13.07% of the issued share capital of the Company. Fudan Fukong is wholly owned by Shanghai Fudan Asset Management Co., Ltd., which in turn is wholly owned by Fudan University, a state-owned university established in Shanghai, China.

Mr. Jiang Guoxing is an executive Director of the Company and the Chairman of the Board.

Mr. Shi Lei is an executive Director of the Company and the Managing Director.

Shanghai Shenghao, a Shareholder of the Company, holds 2,253,750 A Shares, representing approximately 0.28% of the issued share capital of the Company. Shanghai Shenghao is the general partner of Shanghai Yuji which has the de facto control of Shanghai Shenghao. Ms. Zhang Yanfeng, being a Supervisor, and Ms. Fang Jing, being a supervisor of Sino IC, each held 40% interests in the issued share capital of Shanghai Yuji.

Shanghai Yuhao, a Shareholder of the Company, holds 366,000 A Shares, representing approximately 0.04% of the total issued share capital of the Company. Shanghai Yuji is the general partner of Shanghai Yuhao and has the de facto control of Shanghai Yuhao. Ms. Zhang Yanfeng, being a Supervisor, and Ms. Fang Jing, being a supervisor of Sino IC, each held 40% interests in the issued share capital of Shanghai Yuji.

LETTER FROM THE BOARD

(7) Basis of determination of coupon rate of the A Share Convertible Bonds

In determining the coupon rate of the A Share Convertible Bonds, the Company and the underwriter will make reference to, among others, (i) the interest rates of the convertible bonds issued by other PRC issuers (the “Market Comparables”) with a size comparable to that of the Company around the time of determination of coupon rate; (ii) the then trading price of A Shares; (iii) the then condition and investment sentiment of the PRC bond market; and (iv) the credit rating of the Company and the A Share Convertible Bonds. The Company expects that the coupon rate of the A Share Convertible Bonds will not substantially deviate from that of the Market Comparables.

Taking into account that (i) the determination mechanism of the coupon rate is subject to the approval of the Shareholders at the EGM and the Class Meetings; (ii) the Company and the underwriter will make reference to other factors as set out in the previous paragraph when determining the coupon rate; (iii) the final coupon rate is expected not to deviate substantially from that of the Market Comparables; (iv) the determination mechanism of the coupon rate is in compliance with the applicable laws and regulations in the PRC, the Company therefore considers that the proposed determination mechanism of the coupon rate of the A Share Convertible Bonds is fair and reasonable and in the interest of the Shareholders and the Company as a whole.

(8) Equity financing activities in the past 12 months

On 24 November 2022, the Company issued 2,154,500 A Shares under the 2021 Restricted A Share Incentive Scheme at an issue price of RMB17.935 per share. The aggregate proceeds and the actual net amount of proceeds from the issuance after deducting issuance expenses was RMB38,640,957.50. The proceeds have been used for daily working capital in 2022.

Save as mentioned above, in the past 12 months prior to the Latest Practicable Date, the Company has not conducted any equity financing activities involving the issuance of equity securities.

(9) Relevant risks of the Issuance of A Share Convertible Bonds

The Issuance of A Share Convertible Bonds is subject to certain risks, including but not limited to the risk of changes in politics, laws, regulations and policies, management risk, risk in approvals, etc. When evaluating the Issuance of A Share Convertible Corporate Bonds issued by the Company, investors shall take the aforementioned risk factors into due consideration.

LETTER FROM THE BOARD

(10) The Issuance and the Possible Subscription not leading to changes in the right of control of the Company

As of the Latest Practicable Date, the Company does not have any Controlling Shareholder. Therefore, the Issuance of A Share Convertible Bonds and the Possible Subscription will not lead to changes in the right of control of the Company, and will not lead to a distribution of its shareholding which cannot satisfy relevant listing conditions.

(11) Implications on the proposed Issuance of A Share Convertible Corporate Bonds under the PRC regulatory requirements and the Possible Subscriptions for A Share Convertible Corporate Bonds by connected person(s)

Under the requirements of the Implementation Guidelines on Related Parties Transactions of Listed Companies of the Shanghai Stock Exchange, the consideration and disclosure of the subscription for the Issuance of A Share Convertible Corporate Bonds of the Company by the connected persons aforesaid may be waived from the requirements in the form of Connected Transaction.

The A Share Convertible Corporate Bonds proposed to be issued by the Company may lead to the issuance of new A Shares upon the exercise of the conversion rights of the A Share Convertible Bonds, the actual number of which depends on a number of factors, including the Conversion Price of the A Share Convertible Corporate Bonds.

The Board considers that the conversion of A Share Convertible Corporate Bonds into new A Shares will dilute the interests of the existing A Shareholders and H Shareholders in the Company's share capital. Pursuant to the Articles and the provisions of the relevant PRC laws and regulations, the Proposed Issuance of A Share Convertible Corporate Bonds shall be subject to, among others, the Shareholders' approvals at the EGM and the Class Meetings, and approvals from the relevant PRC regulatory authorities.

(12) Implications under the Listing Rules

Pursuant to Rule 19A.38 of the Listing Rules, the proposed Issuance of A Share Convertible Corporate Bonds shall be subject to the Shareholders' approvals at the EGM and the Class Meetings.

As at the Latest Practicable Date, Fudan Fukong and Fuxin Fangao held 109,620,000 and 106,730,000 A Shares, respectively, representing approximately 13.42% and 13.07% of the total issued Shares of the Company, and hence are Substantial Shareholders of the Company, and therefore, Fudan Fukong and Fuxin Fangao are connected persons of the Company. Under Chapter 14A of the Listing Rules, the subscription of the A Share Convertible Bonds by Fudan Fukong and/or Fuxin Fangao will constitute a Connected Transaction of the Company, and shall be subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

LETTER FROM THE BOARD

As at the Latest Practicable Date, certain Directors held 14,420,000 A Shares in aggregate, representing approximately 1.77% of the total issued Shares. Under Chapter 14A of the Listing Rules, the subscription of the A Share Convertible Bonds by Directors of the Company will constitute a Connected Transaction of the Company, and shall be subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

As at the Latest Practicable Date, Ms. Zhang Yanfeng, being a Supervisor, and Ms. Fang Jing, being a supervisor of Sino IC, each held 40% interests in the issued share capital of Shanghai Yuji. Shanghai Yuji is the general partner of Shanghai Shenghao and Shanghai Yuhao and has the de facto control of Shanghai Shenghao and Shanghai Yuhao, and Shanghai Shenghao and Shanghai Yuhao held 2,253,750 and 366,000 A Shares, representing approximately 0.28% and 0.04% of the total issued Shares, respectively. Under Chapter 14A of the Listing Rules, the subscription of the A Share Convertible Bonds by Shanghai Shenghao and Shanghai Yuhao will constitute a Connected Transaction of the Company, and shall be subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

In respect of the proposed resolution to approve the Possible Subscription for A Share Convertible Corporate Bonds, connected persons who are directly and indirectly holding an aggregate of 233,497,750 Shares (representing approximately 28.59% of the issued share capital of the Company) as at the Latest Practicable Date, are required to abstain from voting at the EGM. In respect of all the proposed resolutions in the Class Meetings for H Shareholders, connected persons who are holding an aggregate of 108,000 H Shares (representing approximately 0.04% of the issued H share capital) as at the Latest Practicable Date, are required to abstain from voting at the H Shareholders' Class Meeting. In respect of all the proposed resolutions in the Class Meetings for A Shareholders, connected persons who are holding an aggregate of 233,389,750 A Shares (representing approximately 43.84% of the issued A share capital) as at the Latest Practicable Date, are required to abstain from voting at the A Shareholders' Class Meeting.

The relevant Directors, namely Mr. Jiang Guoxing and Mr. Shi Lei, were required to abstain from voting at the Board meeting in respect of the proposed resolution to approve the Possible Subscription for A Share Convertible Corporate Bonds by connected persons. All remaining Directors who were entitled to vote, unanimously approved the above resolution. Save for the above, no other Directors are interested or deemed to have material interests in the above transaction. In addition, no Directors have abstained from voting on other resolutions considered at such Board meeting.

The Company has formed an Independent Board Committee to give recommendations to the Independent Shareholders in respect of the Possible Subscription and the transactions contemplated thereunder. The Company has also appointed an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Possible Subscription are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and are in the common interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The independent non-executive Directors are of the view that based on the abovementioned arrangement, the connected persons (including the Substantial Shareholders of the Company and certain Directors or Supervisors and their associates) are subject to the same price and terms as those of other subscribers in their participation in the subscriptions for the A Share Convertible Bonds to be issued under the Issuance in cash within the scope of their pre-emptive rights. They will not receive any preferential treatment, and the interests of the Company and other Shareholders will not be prejudiced.

All existing A Shareholders at the registration date when the existing A Shareholders have the right of placement in priority shall have pre-emptive rights to subscribe for the A Share Convertible Corporate Bonds. No Shareholder shall enjoy any privilege by virtue of being a connected person of the Company.

The Board expects that the Company will maintain sufficient public float to meet the applicable minimum requirement under the Listing Rules.

(13) Independent non-executive Directors' independent opinions on the proposed Issuance of A Share Convertible Corporate Bonds

The Company has satisfied the requirements of the Issuance as stipulated by the Company Law, the Securities Law and the Administrative Measures and other relevant laws, regulations and regulatory documents. The Issuance is in compliance with provisions of relevant regulations and regulatory documents and its contents are practicable. After taking into consideration the industry where the Company operates, development condition, actual operation, capital needs and other aspects, the Issuance is in line with the current situation of the industry where the Company operates, industrial policies and development trend and helps broaden financing channels of the Company, optimize the capital structure of the Company and provide capital support for the Company's development, which can improve the sustainable development of the Company. No behaviors jeopardizing the interests of the Company and all Shareholders, especially the minority Shareholders, exist therewith.

Pursuant to the arrangement above, connected persons including Fudan Fukong, Fuxin Fangao, certain Directors, Shanghai Shenghao and Shanghai Yuhao are subject to the same price and terms as those of other subscribers in their participation in the subscriptions for the A Share Convertible Bonds to be issued under the Issuance in cash within the scope of their rights of first refusal to subscribe. They will not receive any preferential treatment, and the interests of the Company and other Shareholders will not be prejudiced.

When the Board of the Company considered the Connected Transactions, connected Directors abstained from voting on the resolution. The Board are of the view that the Connected Transactions under the Issuance has executed current necessary procedures in accordance with the provisions of relevant laws, regulations and regulatory documents.

In summary, the Board consider that the plan for the Issuance is in the interests of the Company and all Shareholders without jeopardizing the interests of minority Shareholders. The decision-making procedures by the Board for matters relating to the Issuance are in accordance

LETTER FROM THE BOARD

with the requirements of relevant laws, regulations and the Articles. The Board therefore approve relevant proposals of the Issuance and approve the relevant proposals to be submitted to the Shareholders' General Meeting of the Company for consideration and the Board will monitor the Company in promoting the Issuance in a legal and orderly manner so as to safeguard the interests of all Shareholders.

(14) Relevant proposals in relation to the proposed Issuance of A Share Convertible Corporate Bonds

Proposals in relation to the proposed Issuance of A Share Convertible Corporate Bonds include:

- (i) the proposal in relation to the satisfaction of the conditions for the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors of the Company;
- (ii) the proposal in relation to the proposal on the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors of the Company;
- (iii) the proposal in relation to the plan of the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors of the Company;
- (iv) the proposal in relation to the Demonstration and Analysis Report regarding the Plan for the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors of the Company;
- (v) the proposal in relation to the feasibility report on the use of proceeds raised from the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors of the Company;
- (vi) the proposal in relation to the remedial measures and undertakings from related entities in relation to dilutive impact of immediate returns by the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors of the Company;
- (vii) the proposal in relation to the formulation of shareholder return program for next three years (years 2023-2025) of the Company;
- (viii) the proposal in relation to the formulation of Rules for Meetings of Holders of A Share Convertible Corporate Bond of the Company;
- (ix) the proposal in relation to the report on the use of proceeds previously raised by the Company;
- (x) the proposal in relation to the Authorisations to the Board and its authorised persons by the Shareholders' General Meetings to deal with the matters relating to the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors at their absolute discretion; and

LETTER FROM THE BOARD

- (xi) the proposal in relation to the Connected Transaction in relation to Possible Subscriptions for A Share Convertible Corporate Bonds by Connected Persons.

The proposal in relation to the Connected Transaction in relation to Possible Subscriptions for A Share Convertible Corporate Bonds by Connected Persons refers to the matters in relation to the Possible Subscription for A Share Convertible Corporate Bonds by Connected Persons under the Issuance only. Consideration and approval of this proposal and whether the proposal will be implemented do not constitute a prerequisite of consideration and implementation of the overall proposal for the Issuance and other relevant proposals.

Details of relevant proposals are set out in this circular.

(15) Risk warnings

Investors should be aware that the proposed Issuance of A Share Convertible Corporate Bonds is subject to the approvals of the Shareholders at the EGM and the Class Meetings, the issuance of listing approval by the Shanghai Stock Exchange and registration with the CSRC. As the proposed Issuance of A Share Convertible Corporate Bonds is still subject to the fulfillment of various conditions, the Issuance of A Share Convertible Corporate Bonds may not proceed or may not become effective. Connected persons including Fudan Fukong, Fuxin Fangao, certain Directors, Shanghai Shenghao and Shanghai Yuhao may or may not subscribe for the A Share Convertible Corporate Bonds. Investors and Shareholders are advised by the Board to exercise caution when dealing in the securities of the Company.

3. THE EGM AND THE CLASS MEETINGS

The EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting will be held at 1:30 p.m., 2:00 p.m. and 2:30 p.m. respectively on Wednesday, 5 July 2023 at Conference Room, Building 4, Fudan National University Science and Technology Park, 127 Guotai Road, Shanghai, the People's Republic of China. The notices of convening the EGM and the H Shareholders' Class Meeting are set out on pages EGM-1 to EGM-4 and HCM-1 to HCM-3 of this circular. The respective form of proxy for use at the EGM and the H Shareholders' Class Meeting are enclosed with this circular and such form of proxy are also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fms.com.cn).

Connected persons including Fudan Fukong, Fuxin Fangao, certain Directors, Shanghai Shenghao and Shanghai Yuhao shall abstain from voting in respect of the resolution relating to the Possible Subscription of A Share Convertible Corporate Bonds at the EGM and the A Shareholders' Class Meeting. Ms. Zhang Yanfeng, the Supervisor who are holding an aggregate of 108,000 H Shares as at the Latest Practicable Date, are required to abstain from voting at the EGM and the H Shareholders' Class Meeting.

LETTER FROM THE BOARD

Save for the above, to the best of the knowledge, information and belief of the Directors, no other Shareholders have material interests in the Possible Subscription, and are hence required to abstain from voting at the EGM, relevant Class Meetings in respect of relevant resolutions to approve such subscriptions. In addition, to the best of the knowledge, information and belief of the Directors, no Shareholders are required to abstain from voting in respect of other resolutions.

4. BOOK CLOSURE PERIOD

For the purpose of EGM and/or the Class Meetings (as the case may be), the register of members of H Shares will be closed from 29 June 2023 to 5 July 2023 (both days inclusive) and during which no transfer of H Shares will be effected.

For holders of H shares whose names appear on the register of members of the Company as at 5 July 2023 shall be entitled to attend the EGM and the H Shareholders' Class Meeting. To be qualified to attend the EGM and the H Shareholders' Class Meeting, all transfers of H Shares accompanied by the relevant share certificates must be lodged at the Company's share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 28 June 2023.

5. VOTING BY WAY OF POLL

Pursuant to Rule 13.39 of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll. The chairman of the meeting will therefore demand a poll for every resolution put to vote at the EGM and the Class Meetings in accordance with the Articles. An announcement on the poll results will be made by the Company after the EGM and the Class Meetings in the manner prescribed under Rule 13.39(5) of the Listing Rules.

6. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Board has formed the Independent Board Committee comprising all the independent non-executive Directors to give advices to the Independent Shareholders in respect of the following matters: (i) whether or not the terms of the Possible Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether or not the Possible Subscription is in the interest of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Company.

As required by the Listing Rules, the Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Possible Subscription. The Independent Financial Adviser had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they were included.

LETTER FROM THE BOARD

7. RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the proposed Issuance of A Share Convertible Corporate Bonds and the Possible Subscription, although not in the ordinary and usual course of the Group's business, are on normal commercial terms, are in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, the Directors (including the independent non-executive Directors) recommend all Shareholders to vote in favour of all the resolutions as set out in the notices of the EGM and the Class Meetings.

8. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular. The Company will publish further announcement(s) upon the determination of the Conversion Price, the number of A Shares to be converted and the coupon rate of the A Share Convertible Corporate Bonds.

Yours faithfully,

By order of the Board

Shanghai Fudan Microelectronics Group Company Limited*

Jiang Guoxing

Chairman

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

12 June 2023

To the Independent Shareholders

Dear Sir/Madam

CONNECTED TRANSACTION IN RELATION TO POSSIBLE SUBSCRIPTION FOR A SHARE CONVERTIBLE CORPORATE BONDS BY CONNECTED PERSONS

We refer to the circular dated 12 June, 2023 (the "Circular") issued by Shanghai Fudan Microelectronics Group Company Limited* (上海復旦微電子集團股份有限公司) (the "Company"), of which this letter forms a part. Terms defined in the Circular shall have the same meanings herein.

We have been appointed to constitute the Independent Board Committee to make a recommendation to you as to whether the Possible Subscription for A Share Convertible Corporate Bonds by connected persons is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

Amasse Capital Limited has been appointed as the Independent Financial Adviser of the Company to give its advice to us and you in this regard. Details of the advice together with principal factors and reasons considered in arriving at such advice are set out in the letter from Amasse Capital Limited as set out on pages 39 to 62 of the Circular.

Your attention is also drawn to the letter from the Board as set out on pages 5 to 36 of the Circular.

Having considered the information set out in the letter from the Board, the interests of the Independent Shareholders and the advice and recommendations from Amasse Capital Limited, we believe (i) the terms of the Possible Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Possible Subscription is not conducted in the ordinary and usual course of business of the Company, it is in the interests of the Company and the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Shareholders as a whole. We therefore recommend that you vote in favour of the resolution(s) to be proposed at the EGM to approve the Possible Subscription for the A Share Convertible Corporate Bonds by connected persons.

Yours faithfully,
The Independent Board Committee of
Shanghai Fudan Microelectronics Group Company Limited*
Mr. Cao Zhongyong
Mr. Cai Mingyong
Mr. Wang Pin
Ms. Zou Fuwen
Independent Non-executive Directors

* *For identification purpose only*

LETTER FROM AMASSE CAPITAL LIMITED

Set out below is the text of a letter received from Amasse Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Possible Subscription, which has been prepared for the purpose of incorporation in this circular.

AMASSE CAPITAL **寶 積 資 本**

12 June 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**PROPOSED ISSUANCE OF A SHARE
CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS;
AND
CONNECTED TRANSACTION IN RELATION TO POSSIBLE SUBSCRIPTION
FOR A SHARE CONVERTIBLE CORPORATE BONDS
BY CONNECTED PERSONS**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Possible Subscription, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 12 June 2023 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

The Company intends to apply to the Shanghai Stock Exchange and the CSRC for the Issuance of A Share Convertible Corporate Bonds to non-specific investors in the PRC with a total amount of not exceeding RMB2 billion (RMB2 billion inclusive). The A Share Convertible Corporate Bonds proposed shall be issued under the Special Mandate, which is subject to the approvals of the Shareholders at the EGM and Class Meetings, the issuance of listing approval by the Shanghai Stock Exchange and registration with the CSRC.

With reference to the Letter from the Board, according to the plan for the Issuance of A Share Convertible Corporate Bonds and subject to the issuance of listing approval by the Shanghai Stock Exchange and registration with the CSRC, the Convertible Corporate Bonds under the Issuance will be firstly placed at a certain portion to all the A Shareholders of the Company whose names appeared on the share register at the registration date when the existing A Shareholders have the pre-emptive rights after closing of the stock market. The specific proportion of the placement will be determined based on market situation and negotiations between the Board or its authorised persons and the sponsor (the lead underwriter) under the authorisation of the EGM and the Class Meetings. Unsubscribed portion will be offered to other potential investors.

LETTER FROM AMASSE CAPITAL LIMITED

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Fudan Fukong and Fuxin Fangao, being the Substantial Shareholders of the Company, held 109,620,000 and 106,730,000 A Shares, respectively, representing approximately 13.42% and 13.07% of the total issued Shares of the Company and therefore, Fudan Fukong and Fuxin Fangao are connected persons of the Company. Fudan Fukong and Fuxin Fangao shall have the pre-emptive rights to subscribe for the A Share Convertible Corporate Bonds, and the right to surrender such pre-emptive rights. Subject to certain assumptions stated hereunder, Fudan Fukong and Fuxin Fangao may subscribe for A Share Convertible Corporate Bonds with a maximum subscription amount of approximately RMB411,853,000 and RMB400,995,000, respectively. Under Chapter 14A of the Listing Rules, the subscription of the A Share Convertible Corporate Bonds by Fudan Fukong and/or Fuxin Fangao will constitute a Connected Transaction of the Company, and shall be subject to relevant reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

As at the Latest Practicable Date, Mr. Jiang Guoxing and Mr. Shi Lei, directors of the Company, each held 7,210,000 A Shares respectively, in aggregate 14,420,000 A Shares, representing approximately 1.77% of the total issued Shares of the Company. They shall have the pre-emptive rights to subscribe for the A Share Convertible Bonds, and the right to surrender such pre-emptive rights. Subject to certain assumptions stated hereunder, each of Mr. Jiang Guoxing and Mr. Shi Lei may subscribe for A Share Convertible Corporate Bonds with a maximum subscription amount of approximately RMB27,089,000. Under Chapter 14A of the Listing Rules, the subscription of the A Share Convertible Corporate Bonds by the Directors will constitute a Connected Transaction of the Company, and shall be subject to relevant reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

As at the Latest Practicable Date, Ms. Zhang Yanfeng, being a Supervisor, and Ms. Fang Jing, being the supervisor of Sino IC, each held 40% interests in the issued share capital of Shanghai Yuji. Shanghai Yuji is the general partner of Shanghai Shenghao and Shanghai Yuhao and has the de facto control of Shanghai Shenghao and Shanghai Yuhao, and Shanghai Shenghao and Shanghai Yuhao held 2,253,750 and 366,000 A Shares respectively, representing approximately 0.28% and 0.04% of the total issued Shares of the Company. Shanghai Shenghao and Shanghai Yuhao shall have the pre-emptive rights to subscribe for the A Share Convertible Corporate Bonds, and the right to surrender such pre-emptive rights. Subject to certain assumptions stated hereunder, Shanghai Shenghao and Shanghai Yuhao may subscribe for A Share Convertible Corporate Bonds with a maximum subscription amount of approximately RMB8,468,000 and RMB1,375,000 respectively. Under Chapter 14A of the Listing Rules, the subscription of the A Share Convertible Corporate Bonds by Shanghai Shenghao and Shanghai Yuhao will constitute a Connected Transaction of the Company, and shall be subject to relevant reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising all of the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Possible Subscription. We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.

LETTER FROM AMASSE CAPITAL LIMITED

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have acted as an independent financial adviser to the independent board committee and the independent shareholders of the Company regarding the strategic allotment under the initial public offering of A Shares to the connected persons (the “**Previous Appointment**”), details of which are set out in the circular of the Company dated 15 June 2021.

With regard to our independence from the Company, it is noted that, apart from normal professional fees paid or payable to us in connection with the Previous Appointment as well as the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed, among others, (i) the announcement of the Company dated 28 April 2023 (the “**Announcement**”) in relation to the proposed Issuance of A Share Convertible Corporate Bonds and the Possible Subscription, the annual reports of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”), 2021 (the “**2021 Annual Report**”) and 2022 (the “**2022 Annual Report**”) in relation to the information of the Group; (ii) the information contained or referred to in the Circular; and (iii) relevant public information. We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (collectively, the “**Management**”). We have assumed that all information and representations that have been provided by the Management, for which the Directors are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the representation and confirmation of the Management that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Possible Subscription. We have reviewed and discussed with the Company on the information provided as well as sought and received confirmation from the Management that all information and representations provided to us by the Management are true, accurate, complete and not misleading in all respects at the time they were made and as at the Latest Practicable Date. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the

LETTER FROM AMASSE CAPITAL LIMITED

omission of which would make any statement in the Circular or the Circular as a whole misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Management, nor have we conducted any independent in-depth investigation into the business and affairs of any members of the Group, the counter party(ies) to the Possible Subscription or their respective subsidiaries or associates. We also have not considered the taxation implication on the Group or the Shareholders as a result of the Issuance of A Share Convertible Corporate Bonds, the Possible Subscription and the transactions contemplated thereunder. We have not carried out any feasibility study on the past, and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group. Our opinion has been formed on the assumption that any analysis, estimation, anticipation, condition and assumption provided by the Group are feasible and sustainable. Our opinion shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. We expressly disclaim any liability and/or any loss arising from or in reliance upon the whole or any part of the contents of this letter.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion, we have taken into consideration the following principal factors and reasons.

1. Background information of the Group

The Company is a joint stock company incorporated in the PRC with limited liability, the H Shares and A Shares of which are listed on the Main Board of the Stock Exchange and the Sci-Tech Innovation Board of the Shanghai Stock Exchange, respectively. The Company's principal activities consist of design, development and sales of IC products in China.

Set out below is a summary of the financial information of the Group as extracted from the 2020 Annual Report, the 2021 Annual Report and the 2022 Annual Report, details of which are as follows:

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	For the year ended 31 December		
	2022	2021	2020
	<i>RMB'million (audited)</i>		
Revenue	3,538.91	2,577.26	1,690.90
Operating profit	1,121.40	573.36	170.02
Net profit attributable to shareholders of the parent company	1,076.84	514.47	132.87
	As at 31 December 2022	As at 30 June 2022	
	<i>RMB'million (audited)</i>	<i>RMB'million (unaudited)</i>	
Total assets	6,110.89	4,976.72	
Total Liabilities	957.72	1,045.84	
Total equity	5,153.17	3,930.88	

Notes:

1. As the Company has adopted the Accounting Standards for Business Enterprises with effect from the year ended 31 December 2021, and certain comparative figures for the year ended 31 December 2020 have been restated to cope with the presentation for the financial information of 2020.
2. The financial information stated below for the year ended 31 December 2019 is extracted from the consolidated financial statements prepared under the Hong Kong Financial Reporting Standards stated in the 2020 Annual Report for analysis purpose. Before the change in presentation of financial statements, no operating profit figures of the Company are disclosed in the 2020 Annual Report.

For the year ended 31 December 2022

For the year ended 31 December 2022, the Group recorded revenue of approximately RMB3,538.91 million, representing an increase of approximately 37.31% as compared to that of approximately RMB2,577.26 million for the year ended 31 December 2021. The increase in revenue was mainly attributable to the Group achieved various level of revenue growth in major product lines of IC design business because the Group adjusted its product mix in a timely manner and explored new products and customers actively, with the facts that there were wide variation in demand and slowdown in demand for some product lines for downstream applications during the year.

For the year ended 31 December 2022, the operating profit of the Group approximately RMB1,121.40 million, representing an increase of approximately 95.58% as compared to that of approximately RMB573.36 million for the year ended 31 December 2021. The increase in operating profit was mainly attributable to the increase in revenue and profit margin, offset by the increment of assets impairment losses.

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For the year ended 31 December 2022, the net profit attributable to shareholders of the parent company was approximately RMB1,076.84 million when compared to that of approximately RMB514.47 million for the year ended 31 December 2021 due to the reasons mentioned above for the increment of revenue and operating profit.

For the year ended 31 December 2021

For the year ended 31 December 2021, the Group recorded revenue of approximately RMB2,577.26 million, representing an increase of approximately 52.42% as compared to that of approximately RMB1,690.90 million for the year ended 31 December 2020. The increase in revenue was mainly attributable to the strong demand in the downstream application market, and the Company's continuous investment in research and development, and the launch of new products.

For the year ended 31 December 2021, the operating profit of the Group approximately RMB573.36 million, representing an increase of approximately 237.23% as compared to that of approximately RMB170.02 million for the year ended 31 December 2020. The increase in operating profit was mainly attributable to the substantial increase in revenue and increase of gross profit margin due to introduction of new products and increase of unit price.

For the year ended 31 December 2021, the net profit attributable to shareholders of the parent company was approximately RMB514.47 million when compared to that of approximately RMB132.87 million for the year ended 31 December 2020 due to the reasons mentioned above for the increment of revenue and operating profit.

For the year ended 31 December 2020

For the year ended 31 December 2020, the Group recorded revenue of approximately RMB1,690.90 million, representing an increase of approximately 16.23% as compared to that of approximately RMB1,454.77 million for the year ended 31 December 2019. The increase in revenue was mainly attributable to increases in sales of products other than security and identification IC chip and smart meter ASIC chips.

For the year ended 31 December 2020, the net profit attributable to shareholders of the parent company was approximately RMB133.00 million when compared to a loss attributable to shareholders of the parent company of approximately RMB161.94 million for the year ended 31 December 2019 due to (i) the increase in revenue; (ii) the increase in profit margin brought from the launch of new products; and (iii) the decrease in R&D expenditure.

Financial position as at 31 December 2022

The total assets of the Group was approximately RMB6,110.89 million as at 31 December 2022, representing an increase of approximately 22.79% as compared to that of approximately RMB4,976.72 million as at 30 June 2022.

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The total liabilities of the Group was approximately RMB957.72 million as at 31 December 2022, representing a decrease of approximately 8.42% as compared to that of approximately RMB1,045.84 million as at 30 June 2022.

The total equity of the Group was approximately RMB5,153.17 million as at 31 December 2022, representing an increase of approximately 31.09% as compared to that of approximately RMB3,930.88 million as at 30 June 2022.

2. Background of the Issuance of A Share Convertible Corporate Bonds and the Possible Subscription

The Company intends to apply to the Shanghai Stock Exchange and the CSRC for the Issuance of A Share Convertible Corporate Bonds to non-specific investors in the PRC with a total amount of not exceeding RMB2 billion (RMB2 billion inclusive). The A Share Convertible Corporate Bonds proposed shall be issued under the Special Mandate, which is subject to the approvals of Shareholders at the EGM and Class Meetings, the issuance of listing approval by the Shanghai Stock Exchange and registration with the CSRC.

Pursuant to the terms of the proposed Issuance of A Share Convertible Corporate Bonds, Fudan Fukong, Fuxin Fangao, Mr. Jiang Guoxing, Mr. Shi Lei, Shanghai Shenghao and Shanghai Yuhao shall have the pre-emptive rights to subscribe for the A Share Convertible Corporate Bonds, and the right to surrender such pre-emptive rights. Fudan Fukong may subscribe for A Share Convertible Corporate Bonds with a maximum subscription amount of approximately RMB411,853,000. Fuxin Fangao may subscribe for A Share Convertible Corporate Bonds with a maximum subscription amount of approximately RMB400,995,000. Each of Mr. Jiang Guoxing and Mr. Shi Lei may subscribe for A Share Convertible Corporate Bonds with a maximum subscription amount of approximately RMB27,089,000 respectively. Shanghai Shenghao and Shanghai Yuhao may subscribe for A Share Convertible Corporate Bonds with a maximum subscription amount of approximately RMB8,468,000 and RMB1,375,000 respectively.

As at the Latest Practicable Date, Fudan Fukong, Fuxin Fangao, Mr. Jiang Guoxing, Mr. Shi Lei, Shanghai Shenghao and Shanghai Yuhao have not indicated their intentions to subscribe for the A Share Convertible Corporate Bonds.

3. Information on the connected persons (the “Connected Subscribers”) to the Possible Subscriptions

Fudan Fukong, being a Substantial Shareholder of the Company, holds 109,620,000 A Shares, representing approximately 13.42% of the issued share capital of the Company. Shanghai Commerce and Invest (Group) Corporation holds 70.2% interest in Fudan Fukong, while 29.8% is held by the independent third party. Shanghai Commerce and Invest (Group) Corporation is wholly owned by Bailian Group Company Limited, which in turn is a state-owned enterprise wholly owned by the Shanghai Municipal Government.

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Fuxin Fangao, being a Substantial Shareholder of the Company, holds 106,730,000 A Shares, representing approximately 13.07% of the issued share capital of the Company. Fudan Fukong is wholly owned by Shanghai Fudan Asset Management Co., Ltd., which in turn is wholly owned by Fudan University, a state-owned university established in Shanghai, China.

Mr. Jiang Guoxing is an executive Director and the Chairman of the Board.

Mr. Shi Lei is an executive Director and the Managing Director.

Shanghai Shenghao, a Shareholder of the Company, holds 2,253,750 A Shares, representing approximately 0.28% of the issued share capital of the Company. Shanghai Shenghao is the general partner of Shanghai Yuji which has the de facto control of Shanghai Shenghao. Ms. Zhang Yanfeng, being a Supervisor, and Ms. Fang Jing, being a supervisor of Sino IC, each held 40% interests in the issued share capital of Shanghai Yuji.

Shanghai Yuhao, a Shareholder of the Company, holds 366,000 A Shares, representing approximately 0.04% of the total issued shares capital of the Company. Shanghai Yuji is the general partner of Shanghai Yuhao and has the de facto control of Shanghai Yuhao. Ms. Zhang Yanfeng, being a Supervisor, and Ms. Fang Jing, being a supervisor of Sino IC, each held 40% interests in the issued share capital of Shanghai Yuji respectively.

4. Reasons for and possible benefits of the Issuance and use of proceeds

With reference to the Letter from the Board, the proceeds raised from the Issuance of A Share Convertible Corporate Bonds shall be fully invested in the Company's principal business, which is in line with the comprehensive strategic development and direction of the Company in the future.

As advised by the Management, the Company plans to continue to consolidate and enhance its comprehensive competitive advantages in technology, service, quality and branding, further expand its production capacity and product applications, as well as increase the coverage of the Company's business in the industrial chain continuously, so as to maintain the sustainable development of the Company. At the same time, the Company will continue to consolidate its technological advantages through university-enterprise technical cooperation and continuous investment in research and development, and actively focus on advanced technologies and products overseas to build up its competitive edge in the international market.

After completion of implementing the projects to be invested by the proceeds raised, the Management considers that the overall competitiveness and sustainability of the Company will be effectively improved. The Issuance of A Share Convertible Corporate Bonds benefits the Company in expanding its business scales. The implementation of the projects to be invested by the proceeds raised can steadily increase the revenue and profitability of the Company. The purposes of the projects and their benefits to the Company are set out under the sub-section headed "*(4) Reasons for and benefits of the proposed Issuance of A Share Convertible Corporate Bonds and the Possible Subscription*" of the Letter from the Board.

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In summary, the proceeds generated from the Issuance of A Share Convertible Corporate Bonds will be invested in the projects that are based on the existing major businesses of the Company, taking into account the market demand and future development trends. These are regarded as essential investments in the key products portfolio of the Company and are in accordance with the important research directions in the Company's core business areas. Upon completion of the investment projects, the Company will enrich the spectrum of its product lines, further enhance the competitiveness and market share of its products and drive the synergistic development of the upstream and downstream of the semiconductor industry chain.

The total amount of proceeds proposed to be raised from the proposed Issuance of A Share Convertible Corporate Bonds will not exceed RMB2 billion (RMB2 billion inclusive), all of which is proposed to be used for the following projects after deduction of issuance expenses: (a) as to RMB646.1 million for New generation Field Programmable Gate Array (FPGA) platform development and industrialization project (estimated total project investment of RMB661.0 million); (b) as to RMB633.3 million for Intelligent and reconfigurable SoC platform development and industrialization project (estimated total project investment of RMB643.3 million); (c) as to RMB418.8 million for New technical platform storage development and industrialization project (estimated total project investment of RMB443.8 million); (d) as to RMB178.1 million for New high-end security controller development and industrialization project (estimated total project investment of RMB188.1 million); and (e) as to RMB123.7 million for Passive IoT basic chip development and industrialization projects (estimated total projects investment of RMB133.7 million).

As per advised by the Management, set out below is the expected timeline for the use of proceeds of each project:

Name of project to be invested	Total project investment <i>RMB'million</i>	Amount of proceeds raised to be invested <i>RMB'million</i>	Expected timeline for utilising the proceeds since the commencement of the projects			
			First year	Second year	Third year	Fourth year
			<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
New generation Field Programmable Gate Array (FPGA) platform development and industrialization project	661.0	646.1	258.8	227.8	159.6	-
Intelligent and reconfigurable SoC platform development and industrialization project	643.3	633.3	147.4	214.1	169.3	102.5
New technical platform storage development and industrialization project	443.8	418.8	160.5	142.8	115.5	-
New high-end security controller development and industrialization project	188.1	178.1	96.3	81.8	-	-
Passive IoT basic chip development and industrialization projects	133.7	123.7	72.0	51.8	-	-
Total	2,069.9	2,000.0	734.9	718.3	444.4	102.5

With reference to the Letter from the Board, before the receipt of the proceeds from the Issuance of A Share Convertible Corporate Bonds, the Company will invest with its own or self-raised funds as required based on the actual progress of the projects to be invested. When the proceeds are available,

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such funds used will be replaced by the proceeds so raised according to the procedures stipulated by relevant laws and regulations. In the event that the actual amount of proceeds from the Issuance after deducting issuance expenses is less than the amount of proceeds to be invested in the projects above, the Board may arrange the actual uses of the raised funds based on the importance and urgency of their respective purposes, and any shortfall will be made up by the Company with its own or self-raised funds. The Board may, without altering the projects to be invested by the proceeds raised, make appropriate adjustment to the sequence and amount of the proceeds proposed to be invested in the above projects according to the actual needs of the project. As advised by the Management, such arrangement may due to material changes in the relevant laws and regulations, policies or prevailing market conditions. In addition, the Management considered that it is impractical to accurately estimate the research and development progress of the projects. The Group may experience unexpected breakthroughs or encounter abnormal difficulties, which are not entirely within the control of the Group. In such events, it may be beneficial for the Group to (i) speed up or slow down the pace of certain projects; or (ii) adjust the investment size of the projects, which in turn affects the sequence and amount of the use of proceeds.

As at the Latest Practicable Date, taking into account the current regulatory policies, requirements and the conditions of the capital markets, the Board is of the view that the chance of making the aforementioned adjustment is low.

With reference to the 2022 Annual Report, the Group is engaged in the design, development and testing of large integrated circuits as well as provision of system solutions to customers. The Group has established and improved product lines such as security and identification IC chips, non-volatile memory, smart meter ASIC chips, FPGA chips and testing services for IC products, and the products are widely used in numerous fields such as finance, social security, urban public transportation, electronic certificates, mobile payment, anticounterfeiting traceability, smart phones, security monitoring, industrial control, signal processing and smart computing. The main products of the Group include security and identification IC chips, non-volatile memory, smart meter ASIC chips, FPGA chips and other products.

According to the 2022 Annual Report, in order to achieve a sustainable, rapid and healthy development of the Group, the Group intends to consolidate and enhance its comprehensive competitive advantages in technology, services, quality and branding, further expand its production capacity and product applications, as well as continuously increase the coverage of the Group's business in the industrial chain. As advised by the Management, the investment projects would serve the purpose of the Groups for developing advantages on the IC chips industry and will further enrich the pedigree of the Company's product series to continuously meet the needs of customers in various application fields.

Based on the above factors, we consider that the Group's proposed use of proceeds are in line with the Group's development strategies. Having also considered the estimated total project investment amounts, we are of the view that the proposed use of proceeds to be acceptable.

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Financing methods available to the Company

As advised by the Management, the Board has considered various fund raising alternatives apart from the Issuance of A Share Convertible Corporate Bonds such as debt financing or equity financing.

In respect of debt financing or bank borrowings from commercial banks, the Management considered that such alternatives were more time consuming and relatively uncertain as they will subject to the due diligence, the bank's internal risk assessment and negotiations with commercial banks that the requirement of collateral by the borrower.

In respect of equity financing, the Management consider that (i) rights issue/open offer is time-consuming for a company with A shares listed on the Shanghai Stock Exchange and H shares listed on the Stock Exchange; and (ii) placing/subscription of new Shares will have immediate dilution effect on the shareholding interests of the existing Shareholders.

In view of (i) the external debt financing may relatively uncertain and more time-consuming than the Issuance and may require of collateral; (ii) the time-consuming procedures for conducting rights issue/open offer; and (iii) the immediate dilution effect to the shareholding of the existing Shareholders if the Company conducts a fund raising exercise by issuance of new Shares, we concur with the Management's view that it is in the interests of the Company and the Shareholders as a whole to raise funds by the Issuance of A Share Convertible Corporate Bonds (including the Possible Subscriptions).

Furthermore, having considered (i) the Issuance of A Share Convertible Corporate Bonds will be applied to all A Shareholders, including both connected persons (who are A Shareholders) and existing public A Shareholders; (ii) participation by the connected subscribers will demonstrate its solid confidence in the prospect of the Group; (iii) the proposed use of proceeds from the Issuance is in line with the Group's strategy; and (iv) the financing alternatives as considered by the Company, we consider that although the Possible Subscriptions (being part of the Issuance) are not conducted in the ordinary and usual course of business of the Group, the Possible Subscriptions are in the common interests of the Company and the Shareholders as a whole.

5. The Terms of the Issuance of A Share Convertible Corporate Bonds and the Possible Subscriptions

5.1 *Principal terms of the Issuance of A Share Convertible Corporate Bonds*

The terms and conditions of the possible subscriptions for A Share Convertible Corporate Bonds by Fudan Fukong, Fuxin Fangao, Mr. Jiang Guoxing, Mr. Shi Lei, Shanghai Shenghao and Shanghai Yuhao are the same as the terms and conditions which are set out in the proposal on the Issuance to other public A Share Shareholders.

Set out below are the summary of key terms and conditions of the Possible Subscriptions (being part of the Issuance) as extracted from the Circular. Shareholders may refer to Appendix II to the Circular for the full set of the terms and conditions of the Issuance.

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(i) *Type of securities to be issued*

The type of the securities to be issued is convertible corporate bonds which can be converted into A Shares. The A Share Convertible Corporate Bonds and the A Shares to be converted will be listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange.

(ii) *Size of issuance*

The total amount of the A Share Convertible Corporate Bonds proposed to be issued will not exceed RMB2 billion (RMB2 billion inclusive). The actual amount of the Proceeds raised shall be determined by the Board and its authorised persons under the authorisation of the EGM and Class Meetings within the above range.

(iii) *Par value and issue price*

The A Share Convertible Corporate Bonds under the Issuance will be issued at par with a nominal value of RMB100 each.

(iv) *Bonds term*

The term of the A Share Convertible Corporate Bonds under the Issuance will be six years from the date of the Issuance.

(v) *Bond rate*

With reference to the Letter from the Board, it is proposed to authorise the Board and its authorised persons at the EGM and Class Meetings to determine the method for determination of coupon rate of the A Share Convertible Corporate Bonds and the final interest rate for the interest accrual year upon negotiation with the sponsor (the lead underwriter) in accordance with national policies, market conditions and the actual conditions of the Company, prior to the Issuance.

We understood from the Management that the above basis for the determination of coupon rate of the A Share Convertible Corporate Bonds was in compliance with the relevant PRC rules and regulations. In this respect, we noted from Article 61 of the Administrative Measures that the coupon rate of a convertible corporate bond shall be determined by the issuer and the leading underwriter through negotiations according to the relevant regulations. Further, we also noted from Article 44 of 《公司債券發行與交易管理辦法》 (Administrative Measures for the Issuance and Trading of Corporate Bonds, the “**Issuance and Trading Measures**”) that the issuer and the lead underwriter shall negotiate and determine the coupon rate of corporate bonds by market-based methods. As such, we consider that the basis for the determination of coupon rate of the A Share Convertible Corporate Bonds is in compliance with the Administrative Measures and the Issuance and Trading Measures.

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According to the table as set out under the subsection headed “5.2 Comparison with other market issues of the A Share convertible corporate bonds” below, the coupon rate of the convertible corporate bonds under the issuance of A share convertible corporate bonds by companies listed on the Stock Exchange and the Shanghai Stock Exchange or the Shenzhen Stock Exchange of the PRC (i) are not fixed before its relevant shareholders meeting; and (ii) shall be determined by their respective board of directors with reference to the government policies, market conditions and the actual conditions of the Company before the issuance.

After considering the above, we concur with the Management that it is acceptable that the coupon rate of the A Share Convertible Corporate Bonds was undetermined as at the Latest Practicable Date and the basis for the determination of the coupon rate is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

(vi) *Term and method of principal and interest payment*

The A Share Convertible Corporate Bonds under the Issuance adopt the payment method that interest shall be paid on an annual basis. When the A Share Convertible Corporate Bonds mature, the outstanding principal of the A Share Convertible Corporate Bonds shall be repaid and the interest for the last year shall be paid.

(vii) *Conversion period*

The conversion period of the A Share Convertible Corporate Bonds under the Issuance shall commence on the first trading day immediately following the expiry of the six-month period after the date of the Issuance, and end on the maturity date of the A Share Convertible Corporate Bonds. Convertible Bondholders have the option to convert or not convert shares and shall become the Shareholders on the day after the conversion.

(viii) *Determination and adjustment of the Conversion Price*

Basis for determining the initial Conversion Price

The initial Conversion Price of the A Share Convertible Corporate Bonds under the Issuance shall not be lower than the average trading price of A Shares for the 20 trading days preceding the date of publication of the Offering Document (in the event that the A Share price was adjusted due to ex-right and ex-dividend in the preceding 20 trading days, the average trading price of A Shares on the trading days prior to the adjustment shall be calculated based on the price after such ex-right and ex-dividend) and the average trading price of the A Shares on the preceding trading day, with no upward adjustment. It is proposed that the Board and its authorised persons shall be authorised at the EGM and Class Meetings to negotiate with the sponsor (the lead underwriter) for determining the actual initial Conversion Price prior to the Issuance in accordance with the prevailing market conditions.

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As advised by the Management, we understood that the above basis for determining of the initial conversion price was in compliance with the relevant PRC rules and regulations. We noted from the Article 64 of the Administrative Measures that the conversion price of a convertible corporate bond issued to unspecified targets shall not be lower than the average trading price of the company's shares in 20 trading days prior to the announcement date of the respective offering document and the average trading price on the trading day preceding the announcement date of the offering document. We also noted from Article 9 of 《可轉換公司債券管理辦法》 (Measures for the Administration of Convertible Corporate Bonds, the “**Convertible Corporate Bonds Measures**”) that the conversion price of a convertible corporate bond issued to unspecified targets shall not be lower than the average trading price of the company's shares in 20 trading days prior to the announcement date of the respective offering document and the average trading price on the trading day preceding the announcement date of the offering document, and shall not be amended upward. Accordingly, we consider that the basis for determining the initial conversion price is in compliance with the relevant provisions of the Administrative Measures and the Convertible Corporate Bonds Measures.

Furthermore, according to the table as set out under the subsection headed “5.2 Comparison with other market issues of the A Share convertible corporate bonds” below, we noted that the above basis for determining the initial Conversion Price of the A Share Convertible Corporate Bond is in line with the basis for determining the initial conversion price under the issuance of A share convertible corporate bonds by the A Share Comparables (as defined below).

We noted from the A Share Comparables that all of their basis for determining the initial conversion price included a term that the conversion price shall not be lower than the audited net asset value per share for the latest period. We also noted that, (i) the closing price of the A Share recorded between RMB50.25 and RMB98.00 for a period from 29 April 2022 up to the date of the Announcement (i.e. approximately an approximate one-year period); and (ii) the latest consolidated net assets attributable to the shareholders of the parent company per Share of approximately RMB5.55 (the “**Latest Net Asset Value per Share**”), calculated based on the Group's audited consolidated net assets attributable to the shareholders of the parent company of approximately RMB4,531 million as at 31 December 2022 and total of 816,656,500 Shares in issue as at the date of the Announcement.

Despite that the initial Conversion Price is not fixed at this stage, for illustration purpose, set out below is the minimum illustrative initial conversion price (the “**Minimum Illustrative Initial Conversion Price**”) arrived at on the basis for determining the initial Conversion Price as abovementioned assuming the date of publication of the Offering Document is the Announcement Date (i.e. 28 April 2023):

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Basis for determining the initial Conversion Price

RMB

Not be lower than the higher of:

- | | | |
|------|----------------------------------------------------------------------------------------------------------------------------|-------|
| (i) | the average trading price of A Shares for the 20 trading days preceding the date of publication of the Offering Document | 65.88 |
| (ii) | the average trading price of the A Shares on the preceding trading day of the date of publication of the Offering Document | 55.15 |

Based on the above, the Minimum Illustrative Initial Conversion Price would be RMB65.88, which represents huge premium over the Latest Net Asset Value per Share.

As per advised by the Management, although the basis for determining the initial Conversion Price does not contain a term that the initial Conversion Price shall not be lower than the audited net asset value per Share for the latest period of the Group, the Management considered that, based on (i) the historical closing price of the A Shares; (ii) the Minimum Illustrative Initial Conversion Price; (iii) the Latest Net Asset Value per Share, the initial Conversion Price (to be determined subject to the negotiation with the sponsor (the lead underwriter)) will be unlikely lower than the Latest Net Asset Value per Share. As such, we concur with the Management's view that the basis for determining the initial Conversion Price does not include a term that the initial Conversion Price shall not be lower than the audited net asset value per Share for the latest period of the Group is acceptable.

Despite that the initial conversion price does not fix at this stage, in light of the above factors including (i) the basis for the determination of the initial conversion price is in compliance with the Administrative Measures and the Convertible Corporate Bonds Measures; and (ii) in line with basis for determining the initial conversion prices under the issuance of A share convertible corporate bonds by A Share Comparables, we concur with the Management that it is acceptable that the conversion price was undetermined as at the Latest Practicable Date and the basis for the determination of initial conversion price is on normal commercial terms and fair and reasonable.

The initial Conversion Price will be adjusted according to the formula as set out under the sub-section headed "*(viii) Determination and adjustment of the Conversion Price – B. Method of adjustments and calculation formula of the Conversion Price*" of the Letter from the Board upon the Issuance in case of certain events, such as distribution of share dividends, conversion or increase of share capital, issuance of new shares (excluding any increase in the share capital as a result of conversion of the Convertible Bonds under the Issuance) or rights issue or distribution of cash dividends. We noted that the adjustment formula was in line with the market practice (i.e. adjustment method for the issuance of A share convertible corporate bonds by the A Share Comparables).

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(ix) *Terms of downward adjustment to Conversion Price*

A. Authorisation and magnitude of adjustment

If, during the term of the A Share Convertible Corporate Bonds under the Issuance, the closing prices of A Shares on at least 15 trading days out of any 30 consecutive trading days are lower than 85% of the prevailing Conversion Price, the Board of the Company is entitled to propose a downward adjustment to the Conversion Price and submit it to the Shareholders at the Shareholders' general meetings and Class Meetings for their consideration and voting.

The abovementioned proposal is subject to approvals of more than two-thirds of the Shareholders with voting rights who attend the Shareholders' general meetings and Class Meetings. Shareholders who hold the Convertible Bonds under the Issuance shall abstain from voting at the Shareholders' general meetings and Class Meetings. The adjusted Conversion Price should be no less than the higher of the average trading price of A Shares during the 20 trading days immediately preceding the date of such a general meeting and Class Meetings (in the event that during such 20 trading days, the share price has been adjusted due to ex-rights or ex-dividend, the closing price for the trading day before the adjustment shall be calculated based on the adjusted share price following the ex-rights or ex-dividend) the average trading price of A Shares of the Company on the trading day immediately preceding the date of the aforementioned general meeting and Class Meetings.

In the event that there is an adjustment to the share price due to ex-rights or ex-dividend during the aforementioned 30 consecutive trading days, in respect of the trading days prior to the adjustment to the Conversion Price, the calculation shall be based on the unadjusted Conversion Price and the closing price of the A Shares on each such day, and in respect of the days on which adjustment to the Conversion Price is made and the trading days afterwards, the calculation shall be based on the adjusted Conversion Price and the closing price of the A Shares on each such day.

In any event, the Conversion Price must be more than or equal to the nominal value of the A Shares with reference to Article 127 of the Company Law as stated in paragraph (4) under the sub-section headed "*(viii) Determination and adjustment of the Conversion Price - C. Regulatory requirements governing the Conversion Price*" of the Letter from the Board.

B. Procedures of adjustment

In the event that the Company decides to adjust the Conversion Price downwards, the Company shall publish an announcement in connection therewith on the website of Shanghai Stock Exchange (www.sse.com.cn) and media designated by the CSRC for information disclosure of listed companies. Such announcement

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shall disclose information including the magnitude of the adjustment, the registration date of shares, the suspension period of share conversion, if necessary, and other relevant information. Meanwhile, the Company shall disclose such information to the Hong Kong market in accordance with the Listing Rules and the Articles (if necessary). Application for conversion at adjusted Conversion Price shall be resumed upon the first trading day after the registration date, i.e. the Conversion Price adjustment date.

If the Conversion Price adjustment date is on or after the date on which a bondholder applies for conversion of his/her A Share Convertible Corporate Bonds but before the registration date of the A Shares to be issued upon conversion, then such conversion shall be executed based on the adjusted Conversion Price.

We noted from the A Shares Comparables that all of them have conversion price downward mechanisms. As mention above, the Board is entitled to propose a downward adjustment to the Conversion Price if the closing price of A Share of the Company on at least 15 trading days out of any 30 consecutive trading days are lower than 85% of the prevailing Conversion Price which is within the range of the thresholds ranging from 75% to 85% of the prevailing conversion price of the A Shares Comparables.

We also noted from the A Share Comparables that all of their terms of downward adjustment to the conversion price included a term that the adjusted conversion price shall not be lower than the audited net asset value per share for the latest period. As per advised by the Management, they considered that, based on (i) the historical closing price of the A Shares; (ii) the Minimum Illustrative Initial Conversion Price; and (iii) the Latest Net Asset Value per Share, the adjusted Conversion Price will be unlikely lower than the Latest Net Asset Value per Share. As such, we concur with the Management's view and based on the above, the terms of downward adjustment to the Conversion Price does not include a term that the adjusted Conversion Price shall not be lower than the audited net asset value per Share for the latest period of the Group is acceptable.

Furthermore, we also noted from Article 10 of the Convertible Corporate Bonds Measures that the conversion price shall be adjusted at the time when any change in the shares of the issuer is resulted from the allotment of shares, the issuance of rights issue, seasoned offering, share donation, dividends, split-up, capital reduction or any other event after the issuance of convertible corporate bonds, as long as the principle and method for adjusting the conversion price were stipulates in the offering document. Accordingly, we consider that the basis for the adjustment criteria is in compliance with the relevant provision of the Convertible Corporate Bonds Measures.

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After considering that (i) same A Share Convertible Corporate Bonds terms applied to all bondholders (including the Connected Subscriber); (ii) the adjustment provisions to the Conversion Price are similar to those of the A Share Comparables; (iii) the downward adjustment to the Conversion Price if the closing price of A Share of the Company on at least 15 trading days out of any 30 consecutive trading days are lower than 85% of the prevailing Conversion Price is within the range of the A Share Comparables; and (iv) the basis for the adjustment criteria is in compliance with the relevant provision of the Convertible Corporate Bonds Measures, we are of the view that the downward adjustment mechanism is fair and reasonable.

(x) *Method for determining the number of A Shares for conversion*

Where a bondholder applies to convert his/her A Share Convertible Corporate Bonds under the Issuance during the conversion period, the formula for calculating the number of A Shares to be issued upon conversion is as below: $Q = V/P$, any fractional A Share shall be rounded down to the nearest whole number. In which, “Q” denotes the number of A Shares to be converted; “V” denotes the aggregate nominal value of A Shares Convertible Corporate Bonds in respect of which the bondholder applies for conversion, and “P” denotes the prevailing Conversion Price as at the date of application for conversion.

The number of A Shares to be converted shall be in whole number where the bondholder applied for converting his/her A Share Convertible Corporate Bonds under the Issuance. Within five trading days from the date of conversion by the bondholder, the Company shall pay the bondholder in cash an amount equal to the remaining balance of such A Share Convertible Corporate Bonds which is insufficient to be converted into one A Share and the interest accrued on such balance in accordance with the relevant requirements of CSRC, the Shanghai Stock Exchange and other authorities.

(xi) *Terms of sale back*

A. Additional terms of sale back

If the actual use of the proceeds raised from the Issuance significantly differs from the undertakings of the use of proceeds set out by the Company in the Offering Document, and such change is considered as a change in the use of proceeds pursuant to the relevant requirements of the CSRC or the Shanghai Stock Exchange, the bondholders shall be entitled to a one-off right to sell all or part of their Convertible Bonds back to the Company at par plus the then accrued interest. The formula for calculating the then accrued interest is set out in the sub-section headed “(xi) *Terms of redemption*” of the Letter from the Board. Upon the satisfaction of the condition of sale back, the Convertible Bondholders may sell their A Share Convertible Corporate Bonds back to the Company during the sale back declaration period. If the Convertible Bondholders do not exercise their sale back rights during such period, they shall not exercise such rights later.

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B. Terms of conditional sale back

During the last two interest accrual years within the term of the A Share Convertible Corporate Bonds under the Issuance, if the closing prices of the A Shares on any 30 consecutive trading days are lower than 70% of the prevailing Conversion Price, the bondholders are entitled to sell back all or part of the A Share Convertible Corporate Bonds to the Company at par plus the then accrued interest.

In the event that an adjustment to the Conversion Price by the Company is made due to distribution of share dividends, conversion or increase of share capital, issuance of new shares (excluding any increase in the share capital as a result of conversion of the A Share Convertible Corporate Bonds under the Issuance) or rights issue, distribution of cash dividends during the aforementioned 30 trading days, in respect of the trading days prior to the adjustment, the calculation shall be based on the unadjusted Conversion Price and the closing price of the A Shares on each such day, and in respect of the trading days after the adjustment, the calculation shall be based on the adjusted Conversion Price and the closing price of the A Shares on each such day. In the event that there is a downward adjustment to the Conversion Price, the aforesaid "30 trading days" shall be re-counted from the first trading day following the adjustment to the Conversion Price.

The bondholders can exercise their sale back rights once every year when the sale back conditions are initially satisfied according to the abovementioned agreed terms in the last two interest accrual years within the term of the A Share Convertible Corporate Bonds. If the sale back conditions are initially satisfied, but the bondholders do not apply for and exercise their sale back rights during the sale back declaration period then announced by the Company, they shall not exercise the sale back rights during such interest accrual years. The bondholders are not allowed to exercise part of their sale back rights for multiple times.

(xii) Other terms

We also reviewed other terms of the Issuance and were not aware of any abnormal term based on the A Share Comparables.

In light of the above and that the terms of the A Share Convertible Corporate Bonds will be the same to all potential subscribers (including the Connected Subscribers), we are of the view that the terms of the Possible Subscriptions are fair and reasonable so far as the Independent Shareholders are concerned.

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5.2 *Comparison with other market issues of the A Share convertible corporate bonds*

In assessing the terms of the Possible Subscription, which is part of the Issuance, we have, on a best effort basis, searched on the website of the Stock Exchange and identified an exhaustive list of the proposal for issuance of A share convertible corporate bonds initially announced and not terminated by companies which are listed on both (i) the Shanghai Stock Exchange or the Shenzhen Stock Exchange of the PRC; and (ii) the Stock Exchange, from 29 April 2021 (being approximately two years prior to and including the date of announcement of the Issuance (i.e. 28 April 2023)) for comparison purpose. To the best of our knowledge and endeavour, we found three companies (the “**A Share Comparables**”) which meet the said criteria and they are exhaustive as far as we are aware of. Shareholders should note that the businesses, operations and prospects of the Group are not exactly the same as the A Share Comparables. We consider that the basis of selecting comparables with the criteria of companies had issued proposal announcement for issuance of A share convertible corporate bonds and not terminated within the period from 29 April 2021 to 28 April 2023 is fair and reasonable given that (i) such criteria and period is sufficiently recent to demonstrate the prevailing market practices for issuance of A share convertible bonds; (ii) able to identify sufficient relevant market issues for comparison within such period.

The following table sets out the key terms of those issuance as extracted from the respective announcements and offering documents (if applicable) of the A Share Comparables:

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The Comparables	Date of the announcement	Date of offering document	Term (years)	Size of issuance	Par value and issue price	Basis for determining bond rate	Bond Rate	Conversion Period	Basis for determining initial conversion price	Term of downward adjustment to the conversion price	Initial conversion price	Term of sale back
Zijin Mining Group Co., Ltd.* (紫金矿业集团股份有限公司) (2899.HK) ("Zijin Mining")	21/10/2022	Not published yet (Note 1)	6	Not exceed RMB10 billion	Same as the A Share Convertible Corporate Bonds and issue at par with a nominal value of RMB100 each	Same as the Issuance	Not announced yet (Note 1)	Same basis as the terms of the A Share Convertible Corporate Bonds which commence on the first trading day immediately following the expiry of the six-month period from the date of issuance, and end on the maturity date of the convertible bonds	Same as the Issuance, except the threshold is 75% of the prevailing conversion price and the adjusted conversion price shall not be lower than the audited net asset value per share for the latest period of Zijin Mining	Same as the Issuance, except that the threshold is the closing prices of the A Shares of Zijin Mining on any 30 consecutive trading days are lower than 65% of the prevailing conversion price	Not announced yet (Note 1)	Same as the Issuance, except that the threshold is the closing prices of the A Shares of Zijin Mining on any 30 consecutive trading days are lower than 65% of the prevailing conversion price
China Galaxy Securities Co., Ltd. (6881.HK) ("China Galaxy")	30/8/2021	22/3/2022	6	RMB7.8 billion (Note 2)	Same as the A Share Convertible Corporate Bonds and issue at par with a nominal value of RMB100 each	Same as the Issuance	First year: 0.2% Second year: 0.4% Third year: 0.6% Fourth year: 1.0% Fifth year: 1.8% Sixth year: 2.0%	Same basis as the terms of the A Share Convertible Corporate Bonds. Commence on 30 September 2022 to 23 March 2028, being the first trading day immediately following the expiry of the six-month period from the date of issuance, and end on the maturity date of the convertible bonds	Same as the Issuance, except the initial conversion price (i) shall not be lower than the average trading price of A Shares of China Galaxy during the 30 trading days immediately preceding the date of publication of the offering document; and (ii) shall be no lower than the latest audited net assets per share of China Galaxy	Same as the Issuance, except the threshold is 80% of the prevailing conversion price and the adjusted conversion price shall not be lower than the average trading price of A shares during the 30 trading days immediately preceding the date of publication of the offering document; and (ii) the average trading price of the A shares on the preceding trading day, and shall not be lower than the latest audited net asset value per share of China Galaxy	RMB10.24 per A share, not lower than the higher of (i) the average trading price of A Shares of China Galaxy during the (a) 30 and (b) 20 trading days immediately preceding the date of publication of the offering document; and (ii) the average trading price of the A shares on the preceding trading day, and shall not be lower than the latest audited net asset value per share of China Galaxy	If the actual usage of the proceeds from the issuance of the A Share convertible bonds materially differs from the underbrackets of the use of proceeds set out by China Galaxy in the offering document, and such change is deemed as a deviation in the use of the proceeds under the relevant requirements of the CSRC, the holders of A share convertible bonds shall have a one-off sale back right to sell all or part of their A share convertible bonds back to China Galaxy at a price equal to the nominal value of such bonds plus the then accrued interest
DynaGreen Environmental Protection Group Co., Ltd.* (绿色动力环保集团股份有限公司) (1330.HK) ("DynaGreen Environmental")	23/7/2021	23/2/2022	6	RMB2.36 billion (Note 2)	Same as the A Share Convertible Corporate Bonds and issue at par with a nominal value of RMB100 each	Same as the Issuance	First year: 0.2% Second year: 0.4% Third year: 0.6% Fourth year: 1.5% Fifth year: 1.8% Sixth year: 2.0%	Same basis as the terms of the A Share Convertible Corporate Bonds. Commence on 5 September 2022 to 24 February 2028, being the first trading day immediately following the expiry of the six-month period from the date of issuance, and end on the maturity date of the convertible bonds	Same as the Issuance, except the initial conversion price shall not be lower than the latest audited net asset value per share of DynaGreen Environmental	Same as the Issuance, except the adjusted conversion price shall not be lower than the latest audited net asset value per share of DynaGreen Environmental	RMB9.82 per A share, not lower than the higher of (i) the average trading price of A Shares for the 20 trading days preceding the publication date of the offering document; and (ii) the average trading price of the A shares on the preceding trading day, and shall not be lower than the latest audited net asset value per share of China Galaxy	Same as the Issuance

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Source: the website of the Stock Exchange and 巨潮資訊網 (Cninfo, www.cninfo.com.cn)*

- Note:*
1. As at the Latest Practicable Date, the offering document of the proposed issuance of A share convertible corporate bonds by Zijin Mining was yet to be published, therefore, the bond rate and the initial conversion price were not yet announced.
 2. The size of issuance representing the amount announced on their respective offering documents.

As depicted by the above table, the Issuance is not exceptional based on comparison with the A Share Comparables. Moreover, the key terms of the A Share Convertible Corporate Bonds are largely the same as those of the other convertible bonds proposed to be issued by A Share Comparables. In view of the above, we consider that the terms of the A Share Convertible Corporate Bonds are in line with market practice.

In light of the above factors, in particular (i) it is acceptable that the coupon rate of the A Share Convertible Corporate Bonds was undetermined as at the Latest Practicable Date and the basis for the determination of the coupon rate is on normal commercial terms and fair and reasonable; (ii) the terms of the A Share Convertible Corporate Bonds are in line with market practice; and (iii) the terms of the A Share Convertible Corporate Bonds will be the same for all potential subscribers (including the Connected Subscribers), we are of the view that the terms of Possible Subscriptions are fair and reasonable.

6. Potential dilution to the shareholding of the existing Shareholders upon the conversion of A Share Convertible Corporate Bonds

With reference to the Letter from the Board, the shareholding structures of the Company as at the Latest Practicable Date and after completion of the proposed Issuance of A Share Convertible Bonds and conversion of all the A Share Convertible Corporate Bonds into A Shares (assuming that (i) the Company has issued the A Share Convertible Corporate Bonds at the maximum issuance amount of RMB2 billion; (ii) all the A Shareholders have subscribed for the respective maximum subscription amount of the A Share Convertible Corporate Bonds on pro-rata basis on their current shareholding; (iii) all A Share Convertible Corporate Bonds are converted into A Shares at the minimum initial conversion price of approximately RMB56.82 per A Share, which shall not be lower than average trading price of A Shares of the Company for the 20 trading days preceding the date of the Latest Practicable Date and the average trading price of A shares of the Company on the preceding trading day; and (iv) the Company does not issue and allot any Shares before all the A Share Convertible Corporate Bonds are converted into A Shares) are as follows:

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Name/Class of Shareholders	As at the Latest Practicable Date			Immediately after completion of the Issuance and conversion of all the A Share Convertible Corporate Bonds into A Shares		
	Number of Shares <i>(Note)</i>	Approximate percentage of the number of issued A Shares	Approximate percentage of the number of issued Shares	Number of Shares <i>(Note)</i>	Approximate percentage of the number of issued A Shares	Approximate percentage of the number of issued Shares
Fudan Fukong	109,620,000 (A)	20.59%	13.42%	116,868,372 (A)	20.59%	13.72%
Fuxin Fangao	106,730,000 (A)	20.05%	13.07%	113,787,277 (A)	20.05%	13.36%
Mr. Jiang Guoxing	7,210,000 (A)	1.35%	0.88%	7,686,745 (A)	1.35%	0.90%
Mr. Shi Lei	7,210,000 (A)	1.35%	0.88%	7,686,745 (A)	1.35%	0.90%
Shanghai Shenghao	2,253,750 (A)	0.42%	0.28%	2,402,774 (A)	0.42%	0.28%
Shanghai Yuhao	366,000 (A)	0.07%	0.04%	390,201 (A)	0.07%	0.05%
Ms. Zhang Yanfeng	108,000 (H)	-	0.01%	108,000 (H)	-	0.01%
Public Shareholders (A Shares)	298,936,750 (A)	56.17%	36.62%	318,703,260 (A)	56.17%	37.41%
Public Shareholders (H Shares)	284,222,000 (H)	-	34.80%	284,222,000 (H)	-	33.37%
Total	816,656,500		100%	851,855,374		100%

Note: The letter “A” denotes A Shares and the letter “H” denotes H Shares.

As shown in the table above, for illustration purpose, assuming the Issuance is completed and all A Share Convertible Corporate Bonds are converted into A Shares, (i) the shareholding of the A Shareholders will be increased from approximately 65.19% to approximately 66.62%; and (ii) the shareholding of the H Shareholders will be decreased from approximately 34.81% to approximately 33.38%. Meanwhile, the overall shareholding of the public Shareholders will be slightly decreased from approximately 71.42% as at the Latest Practicable Date to approximately 70.78% immediately after the completion of the Issuance of A Share Convertible Corporate Bonds and conversion of all the A Share Convertible Corporate Bonds, assuming (i) the Company has issued the A Share Convertible Corporate Bonds at the maximum issuing amount of RMB2 billion; (ii) all the A Shareholders have subscribed for the respective maximum subscription amount of the A Share Convertible Corporate Bonds on pro-rata basis on their current shareholding; (iii) all A Share Convertible Corporate Bonds are converted into A Shares at the minimum initial conversion price of RMB56.82 per A Share; and (iv) the Company does not issue, allot and repurchase any Shares before all the A Share Convertible Corporate Bonds are converted into A Shares.

Taking into account of (i) the reasons for and benefits of the Issuance of A Share Convertible Corporate Bonds and Subscriptions as set out in the section headed “4. Reasons for and possible benefits of the Issuance and use of proceeds” in this letter; and (ii) the fairness and reasonableness of the principal terms of the Issuance, we are of the view that the dilution effect of the overall shareholding of the public Shareholders is acceptable.

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RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) the terms of the Possible Subscription for A Share Convertible Bonds are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Possible Subscription for A Share Convertible Bonds is not conducted in the ordinary and usual course of business of the Company, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolution(s) to be proposed at the EGM to approve the Possible Subscription under the Issuance.

Yours faithfully,
For and on behalf of
Amasse Capital Limited
Stephen Lau
Director

*Mr. Stephen Lau (“**Mr. Lau**”) is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Amasse Capital to carry out Type 6 (advising on corporate finance) and a representative of Amasse Capital to carry out Type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”). Mr. Lau is also a representative of Amasse Asset Management Limited licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and he has over 10 years of experience in the finance industry.*

**THE SATISFACTION OF THE CONDITIONS FOR THE ISSUANCE OF A SHARE
CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS OF THE COMPANY**

In accordance with the relevant provisions of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Measures for the Administration of Registration of Securities Offering by Listed Companies, the Opinions on the Application of Relevant Provisions of Articles 9, 10, 11, 13, 40, 57, and 60 of the Measures for the Administration of Registration of Securities Offering by Listed Companies - Opinions on the Application of Securities and Futures Laws No. 18 and other relevant laws, regulations and normative documents, after conducting an item-by-item self-check of the actual situation of the Company, the Company is of the view that conditions of the Company are in compliance with the existing laws, regulations and normative documents in relation to the issuance of A Share Convertible Corporate Bonds to non-specific investors, and the Company has the qualification and conditions to issue A Share Convertible Corporate Bonds to non-specific investors, in order to improve the Company's comprehensive strengths and enhance its sustainable development ability.



上海復旦微電子集團股份有限公司
Shanghai Fudan Microelectronics Group Co., LTD.
(Address: No. 220 Handan Road, Shanghai)

**PLAN OF THE ISSUANCE OF A SHARE
CONVERTIBLE CORPORATE BONDS TO
NON-SPECIFIC INVESTORS**

April 2023

**APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE
CORPORATE BONDS TO NON-SPECIFIC INVESTORS**

PRESENTATION

1. The Company and all Board members warrant that the contents in this announcement are true, accurate and complete and have no false representations, misleading statements or material omissions, and they will severally and collectively accept legal responsibility for the authenticity, accuracy and completeness of the information contained in the Plan.
2. The Company assumes the liabilities for any changes in operation and revenue of the Company after the Issuance of A Share Convertible Corporate Bonds to non-specific investors. Any investment risks arising from the Issuance of A Share Convertible Corporate Bonds to non-specific investors shall be borne by the investors.
3. The Plan is the statement of the Board of the Company on the Issuance of A Share Convertible Corporate Bonds to non-specific investors, and any contradictory statement constitutes misinterpretation.
4. Investors shall consult their stock brokers, solicitors, professional accountants or other professional advisors for any questions and doubts.
5. Matters mentioned in the Plan do not represent any substantive judgment, confirmation, approval from or registration with the approving or registration authorities regarding the Issuance of A Share Convertible Corporate Bonds to non-specific investors. Effect and completion of the matters relating to the Issuance of A Share Convertible Corporate Bonds to non-specific investors mentioned in the Plan shall be subject to consideration at the Shareholders' general meeting and Class Meetings of the Company, review of the Shanghai Stock Exchange for issuance and listing, and application to the CSRC for registration.

APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS

DEFINITIONS

In the Plan, unless the context otherwise requires, the following expressions have the following meanings:

Company, the Company, the Listed Company, Fudan Microelectronics	Shanghai Fudan Microelectronics Group Company Limited* (上海復旦微電子集團股份有限公司)
CSRC	China Securities Regulatory Commission
Articles	Articles of Association of Shanghai Fudan Microelectronics Group Company Limited
Shareholder's general meeting	the shareholder's general meeting of Shanghai Fudan Microelectronics Group Company Limited
Class Meetings	the class meetings of Shanghai Fudan Microelectronics Group Company Limited
Board	the board of Directors of Shanghai Fudan Microelectronics Group Company Limited
Supervisory Committee	the Supervisory Committee of Shanghai Fudan Microelectronics Group Company Limited
Company Law	the Company Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Issuance, Issuance of A Share Convertible Corporate Bonds	the issuance of A Share Convertible Bonds to non-specific investors
Convertible Bonds	A Share Convertible Corporate Bonds
Plan	the plan for the issuance of A Share Convertible Bonds to non-specific investors of Shanghai Fudan Microelectronics Group Company Limited
Offering Document	the offering document on the issuance of A Share Convertible Corporate Bonds to non-specific investors of Shanghai Fudan Microelectronics Group Company Limited
Reporting Period, last three years and one period	2020, 2021, 2022 and January-March 2023
RMB, RMB10,000	Renminbi 1 Yuan, Renminbi 10,000 Yuan

Note: Unless otherwise stated, the financial data and financial indicators referenced herein shall mean the financial data prepared on a consolidation basis and the financial indicators calculated based on such financial data, respectively. Figures shown in any table as totals herein may not be an arithmetic aggregation of the figures preceding them due to rounding adjustments.

APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS

I. DESCRIPTION OF COMPLIANCE OF THE ISSUANCE WITH THE CONDITIONS FOR ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS UNDER THE ADMINISTRATIVE MEASURES FOR THE ISSUANCE OF SECURITIES BY LISTED COMPANIES

In accordance with the relevant provisions of the Company Law, the Securities Law and the Administrative Measures for the Issuance of Securities by Listed Companies and other relevant laws, regulations and normative documents, as well as the requirements of the qualifications and conditions for issuance of A Share Convertible Corporate Bonds by companies listed on the Sci-Tech Innovation Board to non-specific investors, and after the Board of Directors of the Company has conducted an item-by-item self-check of the actual situation of the Company, the conditions of the Company are in compliance with the existing laws, regulations and normative documents in relation to the issuance of A Share Convertible Corporate Bonds by companies listed on the Sci-Tech Innovation Board to non-specific investors, and the Company is qualified to issue A Share Convertible Corporate Bonds to non-specific investors.

II. OVERVIEW OF THE ISSUANCE

(I) Type of Securities to be Issued

The type of the securities to be issued is the Convertible Corporate Bonds which can be converted into A Shares of the Company. The A Share Convertible Corporate Bonds and the A Shares of the Company to be converted will be listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange.

(II) Size of Issuance

In accordance with the relevant laws, regulations and normative documents, and in conjunction with the financial position and investment plans of the Company, the total amount of the A Share Convertible Corporate Bonds proposed to be issued will not exceed RMB2 billion (RMB2 billion inclusive). The actual size of issuance shall be determined by the Board (or its authorised persons) of the Company under the authorisation of the shareholders' meeting and Class Meetings of the Company within the above range.

(III) Par Value and Issue Price

The A Share Convertible Corporate Bonds under the Issuance will be issued at par with a nominal value of RMB100.00 each.

(IV) Bonds Term

The term of the A Share Convertible Corporate Bonds under the Issuance will be six years from the date of the Issuance.

APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS

(V) **Bond Rate**

It is proposed to authorise the Board (or its authorised persons) of the Company at the shareholders' meeting and Class Meetings of the Company to determine the method for determination of coupon rate of the A Share Convertible Corporate Bonds and the final interest rate for the interest accrual year upon negotiation with the sponsor (the lead underwriter) in accordance with national policies, market conditions and the actual conditions of the Company, prior to the Issuance.

(VI) **Term and Method of Principal and Interest Payment**

The A Share Convertible Corporate Bonds under the Issuance adopt the payment method that interest shall be paid on an annual basis. When the A Share Convertible Corporate Bonds mature, the outstanding principal of the A Share Convertible Corporate Bonds shall be repaid and the interest for the last year shall be paid.

1. *Calculation of annual interest*

The interest for the interest accrual year ("annual interest") means the interest accrued to a bondholder in each year on each anniversary of the date of Issuance of the A Share Convertible Corporate Bonds which is calculated based on the aggregate nominal value of the A Share Convertible Corporate Bonds held by him/her.

The formula for calculating the annual interest is: $I=B \times i$, in which:

I: denotes the annual interest;

B: denotes the aggregate nominal value of the A Share Convertible Corporate Bonds under the Issuance held by a bondholder of A Share Convertible Corporate Bonds as at the record date for interest payment in an interest accrual year ("that year" or "each year");

i: denotes the coupon rate of the A Share Convertible Corporate Bonds of that year.

2. *Method of interest payment*

- (1) Interest of the A Share Convertible Corporate Bonds under the Issuance shall be paid annually, accruing from the date of the Issuance of the A Share Convertible Corporate Bonds.
- (2) Interest payment date: the interest is payable annually on each anniversary of the date of Issuance of the A Share Convertible Corporate Bonds. If such date falls on a statutory holiday or rest day, the interest payment date shall be postponed to the first business day immediately thereafter, provided that no additional interest

APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS

will be accrued during the period of postponement. The period between an interest payment date and the immediately following interest payment date shall be an interest accrual year.

Matters in relation to interest and the ownership of share dividend in the year of conversion shall be determined by the Board of the Company according to relevant laws, regulations and provisions of the Shanghai Stock Exchange.

- (3) Record date for interest payment: the record date for interest payment in each year shall be the last trading day preceding the interest payment date. The Company shall pay the interest accrued in that year within five trading days from the interest payment date. The Company shall not pay any interest for that year and subsequent interest accrual years to the bondholders who have applied to convert their A Share Convertible Corporate Bonds into the A Shares of the Company on or before the record date for interest payment.
- (4) Tax payable on the interest income of a bondholder of the A Share Convertible Corporate Bonds under the Issuance shall be borne by such bondholder.

(VII) Conversion Period

The conversion period of the A Share Convertible Corporate Bonds under the Issuance shall commence on the first trading day immediately following the expiry of the six-month period after the date of the Issuance of the A Share Convertible Corporate Bonds, and end on the maturity date of the A Share Convertible Corporate Bonds. Bondholders have the option to convert or not convert shares and shall become shareholders of the Company on the day after the conversion.

(VIII) Determination and Adjustment of the Conversion Price

1. Determination of the initial conversion price

The initial conversion price of the A share convertible corporate bonds under the Issuance shall not be lower than the average trading price of A Shares of the Company for the 20 trading days preceding the date of publication of the offering document (in the event that the A Share price was adjusted due to ex-right and ex-dividend in the preceding 20 trading days, the average trading price of A Shares on the trading days prior to the adjustment shall be calculated based on the price after such ex-right and ex-dividend) and the average trading price of A Shares of the Company on the preceding trading day, with no upward adjustment. The actual initial conversion price shall be determined by the Board (or its authorised persons) under the authorisation of the general meeting of and Class Meeting of the Company upon negotiation with the sponsor (the lead underwriter) prior to the Issuance in accordance with the market and the Company specific conditions.

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The average trading price of A Shares of the Company for the preceding 20 trading days = total trading amount of A Shares of the Company for the preceding 20 trading days/total trading volume of A Shares of the Company for such 20 trading days. The average trading price of A Shares of the Company for the preceding trading day = total trading amount of A Shares of the Company for the preceding trading day/total trading volume of A Shares of the Company for such trading day.

2. *Method of adjustments and calculation formula to the conversion price*

The conversion price will be adjusted accordingly by the Company in case of certain events, such as distribution of share dividends, conversion or increase of share capital, issuance of new shares (excluding any increase in the share capital as a result of conversion of the A share convertible corporate bonds under the Issuance) or rights issue or distribution of cash dividends, based on order of occurrence. The specific formula is as the following:

Distribution of share dividends or conversion or increase of share capital: $P_1 = P_0 \div (1+n)$;

Issuance of new shares or rights issue: $P_1 = (P_0 + A \times k) \div (1+k)$;

The above two events occurring concurrently: $P_1 = (P_0 + A \times k) \div (1+n+k)$;

Distribution of cash dividends: $P_1 = P_0 - D$;

The above three events occurring concurrently: $P_1 = (P_0 - D + A \times k) \div (1+n+k)$.

Where: “ P_0 ” denotes the conversion price before adjustment; “ n ” denotes the rate of distribution of share dividends or conversion or increase of share capital; “ k ” denotes the rate of issuance of new shares or rights issue; “ A ” denotes the price of issuance of new shares or rights issue; “ D ” denotes the cash dividend per Share; “ P_1 ” denotes the adjusted conversion price.

Upon occurrence of any of the abovementioned changes in shares and/or Shareholder’s interests, the Company shall adjust the conversion price based on order of occurrence, and publish relevant announcement on the website of Shanghai Stock Exchange (www.sse.com.cn) or the media designated by the CSRC for other information disclosure of listed companies. Such announcement shall indicate the date of adjustment to the conversion price, adjustment method and suspension period of share conversion (if necessary). Meanwhile, the Company shall disclose such information to the Hong Kong market in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association (if necessary). If the conversion price adjustment date is on or after the date on which a bondholder applies for conversion of his/her A share convertible corporate bonds under the Issuance but before the registration date of the A Shares to be issued upon conversion, then such conversion shall be executed based on the conversion price adjusted by the Company.

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In the event that the creditor's interests or the interests derived from the share conversion of the holders of A share convertible corporate bonds are affected by the change in the Company's share class, quantity and/or Shareholders' interests due to any possible share repurchase, consolidation, division, capital reduction or any other circumstances, the Company shall adjust the conversion price based on the actual situations and in accordance with the principles of fairness, justice and equality so as to fully protect the interests of the holders of A share convertible corporate bonds. The details of adjustment to conversion price and its implementation measures shall be determined in accordance with prevailing national laws, regulations, the relevant requirements of the securities regulatory authorities and Shanghai Stock Exchange.

(IX) Terms of Downward Adjustment to Conversion Price

1. Authorisation and magnitude of adjustment

If, during the term of the A Share Convertible Corporate Bonds under the Issuance, the closing prices of A Shares of the Company on at least 15 trading days out of any 30 consecutive trading days are lower than 85% of the prevailing Conversion Price, the Board of the Company is entitled to propose a downward adjustment to the Conversion Price and submit it to the Shareholders at the Shareholders' general meetings and Class Meetings for their consideration and voting.

The abovementioned plan is subject to approvals of more than two-thirds of the Shareholders with voting rights who attend the Shareholders' general meetings and Class Meetings. Shareholders who hold the A Share Convertible Corporate Bonds under the Issuance shall abstain from voting at the Shareholders' general meetings and Class Meetings. The adjusted Conversion Price should be no less than the higher of the average trading price of A Shares of the Company during the 20 trading days immediately preceding the date of such general meetings and Class Meetings (in the event that during such 20 trading days, the share price has been adjusted due to ex-rights or ex-dividend, the closing price for the trading day before the adjustment shall be calculated based on the adjusted share price following the ex-rights or ex-dividend), and the average trading price of A Shares of the Company on the trading day immediately preceding the date of the aforementioned general meeting and Class Meetings.

In the event that there is an adjustment to the share price due to ex-rights or ex-dividend during the aforementioned 30 consecutive trading days, in respect of the trading days prior to the adjustment to the Conversion Price, the calculation shall be based on the unadjusted Conversion Price and the closing price of the A Shares on each such day, and in respect of the days on which adjustment to the Conversion Price is made and the trading days afterwards, the calculation shall be based on the adjusted Conversion Price and the closing price of the A Shares on each such day.

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2. *Procedures of adjustment*

In the event that the Company decides to adjust the Conversion Price downwards, the Company shall publish an announcement in connection therewith on the website of Shanghai Stock Exchange or other media designated by the CSRC for information disclosure of listed companies. Such announcement shall disclose information including the magnitude of the adjustment, the registration date of shares, the suspension period of share conversion, if necessary, and other relevant information. Meanwhile, the Company shall disclose such information to the Hong Kong market in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association (if necessary). Application for conversion at adjusted Conversion Price shall be resumed upon the first trading day after the registration date, i.e. the Conversion Price adjustment date. If the Conversion Price adjustment date is on or after the date on which a bondholder applies for conversion of his/her A Share Convertible Corporate Bonds but before the registration date of the A Shares to be issued upon conversion, then such conversion shall be executed based on the adjusted Conversion Price.

(X) **Method for Determining the Number of A Shares for Conversion**

Where a bondholder applies to convert his/her A Share Convertible Corporate Bonds under the Issuance during the conversion period, the formula for calculating the number of A Shares to be issued upon conversion is: $Q = V/P$, any fractional A Share shall be rounded down to the nearest whole number.

Among them, “Q” denotes the number of A Shares under the A Share Convertible Corporate Bonds to be converted; “V” denotes the aggregate nominal value of the A Share Convertible Corporate Bonds in respect of which the bondholder applies for conversion; and “P” denotes the prevailing Conversion Price as at the date of application for conversion.

The number of A Shares under the A Share Convertible Corporate Bonds to be converted shall be in whole number where the bondholder applied for converting his/her A Share Convertible Corporate Bonds. Within five trading days from the date of conversion by the bondholder, the Company shall pay the bondholder in cash an amount equal to the remaining balance of such A Share Convertible Corporate Bonds which is insufficient to be converted into one A Share and the interest accrued on such balance in accordance with the relevant requirements of CSRC, the Shanghai Stock Exchange and other authorities.

(XI) **Terms of Redemption**

1. *Terms of redemption upon maturity*

Within five trading days upon the maturity of the A Share Convertible Corporate Bonds under the Issuance, the Company shall redeem all of the outstanding A Share Convertible Corporate Bonds by then. It is proposed at the general meetings of the

APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS

Company and Class Meetings to authorise the Board or its authorised persons to determine the actual redemption price upon negotiation with the sponsor (the lead underwriter) with reference to the market conditions at issuance prior the Issuance.

2. *Terms of conditional redemption*

During the conversion period of the A Share Convertible Corporate Bonds under the Issuance, where the closing prices of A Shares during at least 15 trading days out of any 30 consecutive trading days in the conversion period are not less than 130%(130% inclusive) of the prevailing Conversion Price, or the balance of the outstanding A Share Convertible Corporate Bonds under the Issuance is lower than RMB30 million, the Company shall have the right to redeem all or part of the outstanding Convertible Bonds, at a price equal to the nominal value of the A Share Convertible Corporate Bonds plus then accrued interest.

Formula for calculating the accrued interest for the current period is: $IA = B \times i \times t / 365$

Among them, “IA” denotes the accrued interest for the current period; “B” denotes the aggregate nominal value of the A Share Convertible Corporate Bonds held by holders of the A Share Convertible Corporate Bonds under the Issuance; “i” denotes the coupon rate of the A Share Convertible Corporate Bonds under the Issuance for the current year; “t” denotes the number of days on which interest is accrued, i.e. the actual number of calendar days from the last interest payment date (inclusive) up to the redemption date of the current interest accrual year (excluding the redemption date).

In the event that an adjustment to the Conversion Price by the Company is made due to ex-right and ex-dividend during the aforementioned 30 consecutive trading days, in respect of the trading days prior to the adjustment, the calculation shall be based on the unadjusted Conversion Price and the closing price of the A Shares on each such day, and in respect of the date of adjustment and the trading days after the adjustment, the calculation shall be based on the adjusted Conversion Price and the closing price of the A Shares on each such day.

Redemption period of the A Share Convertible Corporate Bonds under the Issuance is the same as the conversion period, i.e., to commence from the first trading day immediately following the expiry of the six-month period after the date of the Issuance, and to end on the maturity date of the A Share Convertible Corporate Bonds.

(XII) Terms of Sale Back

1. *Additional terms of sale back*

If the actual use of the proceeds raised from A Share Convertible Corporate Bonds under the Issuance significantly differs from the undertakings of the use of proceeds set out by the Company in the Offering Document, and such change is considered by the

APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS

CSRC or the Shanghai Stock Exchange as a deviation in the use of proceeds, the bondholders of the A Share Convertible Bonds shall be entitled to a one-off right to sell all or part of the A Share Convertible Corporate Bonds they hold back to the Company at par plus then accrued interest. The formula for calculating the then accrued interest refers to the relevant content of “(XI) Terms of redemption”. Upon the satisfaction of the condition of sale back, the bondholders of the A Share Convertible Bonds may sell their Convertible Bonds back to the Company during the sale back declaration period. If the bondholders do not exercise their sale back rights during such period, they shall not exercise such rights later.

2. *Terms of conditional sale back*

During the last two interest accrual years within the term of the A Share Convertible Corporate Bonds under the Issuance, if the closing prices of the A Shares of the Company on any 30 consecutive trading days are lower than 70% of the prevailing conversion price, the bondholders of the A Share Convertible Corporate Bonds are entitled to sell back all or part of the A Share Convertible Corporate Bonds they hold to the Company at par plus the then accrued interest. The formula for calculating the then accrued interest refers to the relevant content of “(XI) Terms of redemption”.

In the event that an adjustment to the conversion price by the Company is made due to distribution of share dividends, conversion or increase of share capital, issuance of new shares (excluding increase in the share capital as a result of conversion of the A Share Convertible Corporate Bonds under the Issuance) or rights issue, distribution of cash dividends during the aforementioned 30 trading days, in respect of the trading days prior to the adjustment, the calculation shall be based on the unadjusted conversion price and the closing price of the shares on each such day, and in respect of the trading days after the adjustment, the calculation shall be based on the adjusted conversion price and the closing price of the shares on each such day. In the event that there is a downward adjustment to the conversion price, the aforesaid “30 trading days” shall be re-counted from the first trading day following the adjustment to the conversion price.

The bondholders of the A Share Convertible Bonds can exercise their sale back rights once every year when the sale back conditions are initially satisfied according to the abovementioned agreed terms in the last two interest accrual years within the term of the A Share Convertible Corporate Bonds under the Issuance. If the sale back conditions are initially satisfied, but the bondholders of the A Share Convertible Bonds do not apply for and exercise their sale back rights during the sale back declaration period then announced by the Company, they shall not exercise the sale back rights during such interest accrual years. The bondholders of the A Share Convertible Bonds are not allowed to exercise part of their sale back rights for multiple times.

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(XIII) Entitlement to Dividend upon Conversion

The A Shares to be issued as a result of the conversion of the A Share Convertible Corporate Bonds under the Issuance shall rank *pari passu* with all the existing A Shares, and all ordinary A Shareholders (including those derived from the conversion of the A Share Convertible Corporate Bonds) whose names are recorded on the register of members of the Company on the record date for dividend distribution shall be entitled to receive the dividend of that period and enjoy equal rights and interests.

(XIV) Method of the Issuance and Target Subscribers

The specific method of the Issuance of the A Share Convertible Corporate Bonds shall be determined by the Board or its authorised persons under the authorisation of the EGM and Class Meetings upon negotiation with the sponsor (the lead underwriter). The target subscribers of the A Share Convertible Corporate Bonds are natural persons, legal persons, securities investment funds and other investors in compliance with requirements of applicable laws and regulations who have maintained securities accounts at the China Securities Depository and Clearing Corporation Limited Shanghai Branch.

(XV) Subscription Arrangement for the Existing A Shareholders

The existing A Shareholders are entitled to subscribe for the A Share Convertible Corporate Bonds under the Issuance in priority. The existing A Shareholders have the right to surrender such rights. The proportion of subscription by the existing A Shareholders in priority shall be determined by the Board or its authorised persons in accordance with the market conditions before the Issuance upon negotiation with the sponsor (the lead underwriter), and shall be disclosed in the issuance announcements of the A Share Convertible Corporate Bonds under the Issuance. The subscription in priority will be subject to the Company Law and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or all applicable laws, regulations and rules of other governmental or regulatory authorities (including but not limited to related rules and requirements of connected transactions).

The A Share Convertible Corporate Bonds which are not subject to the abovementioned priority in subscription by existing A Shareholders and are not subscribed by the existing A Shareholders in priority will be offered to institutional investors offline and/or issued by way of online pricing through the trading system of the Shanghai Stock Exchange. Details of the issuance method shall be determined by the Board or its authorised persons upon negotiation with the sponsor (the lead underwriter) of the Issuance, which is subject to authorisation by the Shareholders at the general meetings. The remaining balance will be underwritten by the underwriters in case of under-subscription.

APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS

(XVI) Relevant Matters of the Bondholders' Meeting

1. *Rights of the convertible bondholders:*

- (1) Receive agreed interests in accordance with the number of Convertible Bonds held;
- (2) Request the Company to pay the principal and interest of the Convertible Bonds in accordance with the agreed period and by the agreed manner set out in the Offering Document;
- (3) Attend in person or appoint a proxy to attend convertible bondholders' meetings and exercise voting rights in accordance with the Rules of Meetings of Bondholders of Convertible Bonds; when the Bond Trustee should convene but fails to convene a convertible bondholders' meeting, holders of Convertible Bonds holding more than 10% of the total amount of convertible bonds for the current period, whether individually or collectively, have the right to convene a convertible bondholders' meeting on their own;
- (4) Supervise the Company's relevant acts involving the interests of convertible bondholders, and have the right to exercise or authorize the Bond Trustee to exercise the relevant rights of convertible bondholders on their behalf through the resolution of the convertible bondholders' meetings in accordance with the provisions of laws, rules, regulations and Offering Document, if matters that may harm their interests occur;
- (5) Supervise the fiduciary performance of the Bond Trustee and have the right to propose the replacement of the Bond Trustee;
- (6) Require the Company to perform the redemption terms and put provisions, if the redemption conditions and put provisions are met;
- (7) Select to convert the Convertible Bonds into A shares of the Company and become a shareholder of the Company on the day after the conversion, if the conditions for conversion are met;
- (8) Assign, bestow or pledge the Convertible Bonds held by the Convertible Bondholders in accordance with the provisions of laws, administrative regulations and the Articles;
- (9) Other rights of them as creditors of the Company ascribed by laws, administrative regulations and the Articles.

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2. *Obligations of the Bondholders*

- (1) Abide by the relevant terms of the Convertible Bonds under the Issuance by the Company;
- (2) Not to request the Company to make prepayment of the principal and interest of the Convertible Bonds, unless otherwise required by laws and regulations, or otherwise agreed in the Offering Document;
- (3) Pay the subscription amount in accordance with the number of Convertible Bonds subscribed by the Convertible Bondholders;
- (4) The legal consequences of the Bond Trustee's fiduciary management acts pursuant to the trustee management agreement shall be borne by the holders of the current convertible bonds; if the Bond Trustee does not have the right of agency, exceeds the right of agency or engages in acts after the termination of the right of agency, and is not confirmed by the resolution of the convertible bondholders' meeting, they will not be effective for all convertible bondholders, and the Bond Trustee shall bear the consequences and responsibilities thereof;
- (5) Accept and be bound by the resolutions of the convertible bondholders' meetings;
- (6) Do not engage in any activities that harm the legitimate rights and interests of the Company, the Bond Trustee and other convertible bondholders;
- (7) If the Bond Trustee initiates litigation, arbitration, application for property preservation or other legal proceedings against the Company in accordance with the trustee management agreement, the convertible bondholder shall bear the relevant expenses (including but not limited to litigation fees, lawyer fees, notary fees, various types of security deposits, guarantee fees, and other reasonable expenses or expenditures required by the Bond Trustee to take relevant actions at the request of the convertible bondholder), and shall not require the Bond Trustee to advance for him;
- (8) Other obligations that convertible bondholders should undertake in accordance with laws, rules, regulations and the Offering Document.

3. *Holding of the Bondholders' Meeting:*

During the term of the A Share Convertible Bonds and redemption, a Bondholders' Meeting shall be convened by the Board of the Company upon the occurrence of any of the following:

- (1) The Company proposes to change the terms of the Offering Document;

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- (2) The Company defaults in paying the principal and interests of Convertible Bonds on time;
- (3) The Company undertakes a capital reduction (other than a capital reduction resulting from an employee stock ownership scheme or share incentive scheme, or share repurchase necessary to maintain the Company's value and Shareholders' equity), merger, division or dissolution, or files for bankruptcy;
- (4) Any material adverse change arises from the guarantors (if any) or the collaterals (if any);
- (5) It is proposed to amend the Rules of Meetings of Bondholders of Convertible Bonds;
- (6) It is proposed to amend the main contents of the Bond Trustee or the trustee agreement;
- (7) The written plan by the Company, the Bondholder individually or collectively holding more than 10% of the total par value of the outstanding bonds of the convertible bonds to the Company for convening a meeting;
- (8) Measures shall be taken in accordance with laws when the Company's capability of solvency of its debt faces great uncertainties due to the failure of the Company's management to fulfill its responsibilities and duties;
- (9) The Company proposes a debt restructuring plan;
- (10) Other matters which may significantly and materially affect the interests of the Bondholders occur;
- (11) Other matters required to be considered and approved at the Bondholders' Meetings in accordance with the provisions of laws, administrative regulations, the CSRC, the Shanghai Stock Exchange and the Rules of Meetings of Bondholders of Convertible Bonds.

The following institutions or persons may propose a Bondholders' Meeting:

- (1) The Board of the Company;
- (2) The Convertible Bondholder individually or jointly holding 10% or more of the total par value of the outstanding Convertible Bonds;
- (3) Bond Trustee;

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- (4) Other institutions or persons stipulated by relevant laws, administrative regulations, the CSRC or the Shanghai Stock Exchange.

(XVII) Use of Proceeds

The total amount of proceeds to be raised from the issuance of A Share Convertible Corporate Bonds to Non-specific Investors will not exceed RMB2 billion (inclusive). The gross proceeds, after deducting issuance expenses, will be used for the following projects:

Unit: RMB0'000

No.	Project name	Total project investment	Proposed amount to be used from the proceeds
1	New generation Field Programmable Gate Array (FPGA) platform development and industrialization project	66,100.00	64,610.00
2	Intelligent and reconfigurable SoC platform development and industrialization project	64,330.00	63,330.00
3	New technical platform storage development and industrialization project	44,380.00	41,880.00
4	New high-end security controller development and industrialization project	18,810.00	17,810.00
5	Passive IoT basic chip development and industrialization projects	13,370.00	12,370.00
Total		206,990.00	200,000.00

Before the receipt of the proceeds from the issuance of A Share Convertible Corporate Bonds, the Company will invest with its own or self-raised funds as required based on the actual progress of the projects to be invested. When the proceeds are available, such funds used will be replaced by the proceeds so raised according to the procedures stipulated by the relevant laws and regulations. In the event that the actual amount of proceeds from the Issuance after deducting issuance expenses is less than the amount of proceeds proposed to be invested in the projects above, according to the importance and urgency of the purpose of the raised funds, the Board of the Company may, without altering the projects to be invested by the proceeds raised, make appropriate adjustment to the sequence and amount of the proceeds proposed to be invested in the above projects according to the actual needs of the project, and any shortfall will be made up by the Company with its own or self-raised funds.

For details of the investment projects of the proceeds, please refer to the Feasibility Report on the Use of Proceeds from the Issuance of A Share Convertible Corporate Bonds to Non-specific Investors by Shanghai Fudan Microelectronics Group Company Limited* in the Company's announcement on the same day.

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(XVIII) Management and Deposit Account for Proceeds Raised

The Company has formulated the Administrative Rules for Proceeds from Fund Raising. The proceeds raised from the issuance of A Share Convertible Corporate Bonds shall be deposited into a specific account for the proceeds designated by the Board of the Company. The Board of the Company or its authorised persons shall determine specific matters relating to the opening of the accounts before the Issuance, and disclose the relevant information of such specific account in the Issuance announcement.

(XIV) Guarantee

No guarantee will be provided for the Issuance of A Share Convertible Corporate Bonds.

(XX) Rating

A credit rating agency engaged by the Company will issue a credit rating report in respect of the Issuance of A Share Convertible Corporate Bonds.

(XXI) Validity Period of the Issuance Plan

Validity period of the plan for the Issuance of A Share Convertible Corporate Bonds to Non-specific Investors by the Company will be twelve months from the date on which the plan of the Issuance is considered and approved at the general meetings and Class Meetings.

III. FINANCIAL INFORMATION AND THE MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial reports for the years of 2020, 2021 and 2022 of the Company have been audited by Ernst & Young Hua Ming LLP, which has issued the standard unqualified audit reports, namely the Ernst & Young HM (2023) Shen Zi No. 60469429_B02, the Ernst & Young HM (2022) Shen Zi No. 60469429_B01 and the Ernst & Young HM (2023) Shen Zi No. 60469429_B01. The Company announced the first quarter report of 2023 on 29 April 2023.

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The financial data of the Company in this section for the years of 2020, 2021 and 2022 is extracted from the financial reports audited by Ernst & Young Hua Ming LLP; the financial data from January to March 2023 is extracted from the Company's published first quarter report of 2023 and has not been audited.

(I) Consolidated Financial Statements of the Company for the Past Three Years and the First Quarter

1. Consolidated Balance Sheet

Unit: RMB0'000

Items	31 March 2023	31 December 2022	31 December 2021	31 December 2020
Current assets				
Cash at bank and on hand	70,147.20	119,082.83	80,164.72	44,069.97
Financial assets held				
for trading	11,838.53	8,016.80	39,094.81	-
Notes receivable	25,189.96	25,214.41	37,236.36	29,671.69
Accounts receivable	91,380.24	73,020.43	45,170.31	43,947.74
Receivables for financing	13,124.97	8,170.84	-	-
Prepayments	40,370.73	47,470.22	8,436.29	6,409.80
Other receivables	1,888.71	2,035.24	1,847.37	1,175.20
Inventories	228,358.34	148,326.45	91,608.31	61,059.76
Other current assets	9,198.61	1,372.88	608.11	315.33
Total current assets	491,497.29	432,710.09	304,166.28	186,649.48
Non-current assets				
Long-term equity investments	4,139.39	4,250.89	7,550.88	7,029.57
Investments in other				
equity instruments	3,439.83	3,390.23	3,298.71	3,086.37
Investment properties	12,187.75	12,268.79	-	-
Fixed assets	71,499.08	69,444.67	56,787.65	34,758.83
Construction in progress	28,705.35	19,377.64	5,468.94	4,926.99
Right-of-use assets	4,211.19	4,188.70	4,794.24	4,767.63
Intangible assets	11,394.92	8,575.06	7,483.32	11,716.24
Development costs	37,708.03	31,652.17	17,272.81	10,487.55
Long-term prepaid expenses	7,023.62	6,624.45	5,737.88	2,903.99
Deferred tax assets	252.30	324.38	748.42	905.24
Other non-current assets	23,364.58	18,281.72	3,192.28	628.40
Total non-current assets	203,926.04	178,378.71	112,335.14	81,210.82
Total assets	695,423.32	611,088.81	416,501.42	267,860.30

**APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE
CORPORATE BONDS TO NON-SPECIFIC INVESTORS**

Items	31 March 2023	31 December 2022	31 December 2021	31 December 2020
Current liabilities				
Short-term borrowings	38,056.35	5,400.00	10.00	-
Accounts payable	50,483.46	20,118.25	20,026.29	15,959.51
Contract liabilities	22,524.98	21,040.23	12,627.48	2,570.45
Employee benefits payable	13,126.80	19,234.01	16,201.21	11,442.03
Taxes payable	2,581.58	1,073.51	1,573.11	1,843.12
Other payables	7,901.78	7,233.56	3,116.36	4,981.98
Current portion of non-current liabilities	1,681.65	1,518.14	4,483.29	999.98
Other current liabilities	14,370.72	14,769.94	13,277.11	10,016.10
Total current liabilities	150,727.32	90,387.63	71,314.85	47,813.18
Non-current liabilities				
Long-term borrowings	-	-	1,820.00	-
Lease liabilities	2,985.60	3,316.27	3,855.35	4,068.19
Deferred income	3,556.79	1,654.81	2,421.56	4,408.69
Deferred tax liabilities	413.14	413.15	399.40	365.12
Total non-current liabilities	6,955.54	5,384.23	8,496.31	8,842.00
Total liabilities	157,682.86	95,771.87	79,811.16	56,655.17
Owners' equity				
Paid up capital (or share capital)	8,166.57	8,166.56	8,145.02	6,945.02
Capital reserves	165,260.30	162,290.60	125,921.29	57,685.87
Other comprehensive income	1,368.93	1,368.45	1,050.91	933.68
Surplus reserves	4,083.28	4,083.28	4,072.51	3,547.81
Undistributed profits	296,040.42	277,214.14	174,834.84	123,912.86
Total equity attributable to owners of the parent company	474,919.50	453,123.04	314,024.57	193,025.24
Minority interests	62,820.97	62,193.90	22,665.68	18,179.89
Total owners' equity	537,740.46	515,316.94	336,690.25	211,205.13
Total liabilities and owner's equity	695,423.32	611,088.81	416,501.42	267,860.30

**APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE
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2. *Consolidated Income Statement*

Unit: RMB0'000

Items	From January to March 2023	2022	2021	2020
I. Total revenue	80,935.69	353,890.89	257,726.23	169,089.68
Including: Revenue	80,935.69	353,890.89	257,726.23	169,089.68
II. Total cost of sales	58,361.54	236,425.18	204,534.71	163,534.77
Including: Cost of sales	26,894.23	125,027.12	105,892.35	91,378.33
Taxes and surcharges	217.13	2,456.03	1,226.31	750.05
Selling expenses	5,868.65	22,281.89	17,163.94	11,743.09
Administrative expenses	3,586.81	13,893.55	11,205.55	10,298.50
Research and development expenses	21,934.46	73,541.97	69,163.73	49,054.81
Finance expenses	-139.73	-775.38	-117.17	309.99
Including: Interest expenses	133.39	435.47	452.75	195.60
Interest income	-479.27	1,481.31	843.12	629.09
Add: Other income	1,439.03	10,691.50	10,888.35	12,364.33
Investment income (loss is expressed with negative value)	-7.74	-167.44	-271.36	-20.35
Including: Investment income from associates and joint ventures	-98.50	-812.91	-552.65	-20.35
Gains on changes in fair value (loss is expressed with negative value)	21.73	186.65	94.81	-135.01
Credit impairment losses (loss is expressed with negative value)	-2,078.29	110.99	-131.10	-90.92
Asset impairment losses (loss is expressed with negative value)	-1,157.96	-16,280.43	-6,488.05	-669.05
Gains on disposals of assets (loss is expressed with negative value)	40.34	132.97	51.92	-1.57
III. Operating profit (loss is expressed with negative value)	20,831.26	112,139.96	57,336.10	17,002.34

**APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE
CORPORATE BONDS TO NON-SPECIFIC INVESTORS**

Items	From January to March 2023	2022	2021	2020
Add: Non-operating income	-	11.14	10.50	27.98
Less: Non-operating expenses	-	0.03	1.64	25.71
IV. Total profit (loss is expressed with negative value)	20,831.26	112,151.07	57,344.95	17,004.60
Less: Income tax expenses	1,377.91	424.59	1,412.48	976.39
V. Net profit (net loss is expressed with negative value)	19,453.35	111,726.48	55,932.47	16,028.20
(I) Classified by continuity of operations				
1. Net profit from continuing operations	19,453.35	111,726.48	55,932.47	16,028.20
2. Net profit from discontinued operations	-	-	-	-
(II) Classified by ownership of the equity				
1. Net profit attributable to shareholders of the parent company	18,826.28	107,684.33	51,446.68	13,286.79
2. Gains or losses of minority interests	627.06	4,042.14	4,485.79	2,741.41
VI. Other comprehensive income, net of tax	0.48	317.54	117.23	-238.24
Other comprehensive income, net of tax, attributable to shareholders of the parent company	0.48	317.54	117.23	-238.24
(I) Other comprehensive income that may not be reclassified to profit or loss	-	77.79	193.17	-92.67
(II) Other comprehensive income that will be reclassified to profit or loss	0.48	239.75	-75.94	-145.58
Other comprehensive income, net of tax, attributable to minority interests	-	-	-	-
VII. Total comprehensive income	19,453.83	112,044.02	56,049.70	15,789.96
Attributable to shareholders of the parent company	18,826.76	108,001.88	51,563.91	13,048.55
Attributable to minority interests	627.06	4,042.14	4,485.79	2,741.41

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CORPORATE BONDS TO NON-SPECIFIC INVESTORS**

3. *Consolidated Statement of Cash Flows*

Unit: RMB0'000

Items	From January to March 2023	2022	2021	2020
I. Cash flows from operating activities				
Cash received from sale of goods or rendering of services	60,036.32	382,927.34	287,928.63	180,034.85
Receipts of taxes and surcharges refunds	969.65	5,806.98	1,663.06	1,095.13
Cash received relating to other operating activities	3,094.30	6,626.44	8,830.76	12,063.18
Sub-total of cash inflows	64,100.27	395,360.76	298,422.46	193,193.16
Cash paid for goods and services	78,170.68	240,720.47	147,414.35	99,872.72
Cash payments to and on behalf of employees	30,123.00	82,655.00	68,991.66	50,159.07
Payments of taxes and surcharges	718.52	18,607.73	9,202.98	5,515.49
Cash paid relating to other operating activities	7,586.44	21,249.01	12,592.99	15,680.61
Sub-total of cash outflows	116,598.63	363,232.21	238,201.97	171,227.89
Net cash flows from operating activities	-52,498.36	32,128.55	60,220.49	21,965.27
II. Cash flows from investing activities				
Cash received from disposal of investments	22,154.91	114,625.98	51,400.00	3,602.39
Cash received from return on investments	90.76	645.47	281.30	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	43.35	252.81	66.09	5.72
Cash received relating to other investing activities	279.28	776.96	222.52	489.30
Sub-total of cash inflows	22,568.30	116,301.22	51,969.90	4,097.41
Cash paid to acquire fixed assets, intangible assets and other long-term assets	25,347.00	78,252.68	56,449.69	22,830.35

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CORPORATE BONDS TO NON-SPECIFIC INVESTORS**

Items	From January to March 2023	2022	2021	2020
Cash payments for investments	26,655.60	51,300.00	113,799.94	2,000.00
Net cash payments from subsidiaries and other operating entities	-	-	-	-
Cash paid relating to other investing activities	-	-	-	-
Sub-total of cash outflows from investing activities	52,002.60	129,552.68	170,249.63	24,830.35
Net cash flows from investing activities	-29,434.29	-13,251.45	-118,279.73	-20,732.94
III. Cash flows from financing activities				
Cash received from capital contribution	-	57,581.43	69,680.38	-
Cash received from borrowings	33,056.35	7,856.92	16,725.01	-
Cash received relating to other financing activities	-	-	-	-
Sub-total of cash inflow	33,056.35	65,438.35	86,405.39	-
Cash repayments of borrowings	-	7,366.92	11,735.01	-
Cash paid for distribution of dividends or profits or for interest expenses	77.41	5,513.39	219.10	7.36
Cash paid relating to other financing activities	655.82	2,099.35	2,570.70	-
Sub-total of cash outflows from financing activities	733.23	14,979.66	14,524.82	7.36
Net cash flows from financing activities	32,323.12	50,458.69	71,880.57	-7.36
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-192.67	1,117.38	-182.74	-93.57
V. Net increase in cash and cash equivalents	-49,802.21	70,453.16	13,638.59	1,131.40
Add: Cash and cash equivalents as at the beginning of the period	112,028.69	41,575.53	27,936.94	26,805.54
VI. Cash and cash equivalents as at the end of the period	62,226.49	112,028.69	41,575.53	27,936.94

**APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE
CORPORATE BONDS TO NON-SPECIFIC INVESTORS**

(II) The Change of Scope of the Consolidated Statements

1. *The change of scope of the consolidated financial statements from January to March 2023*

There was no change in the Company's scope of the consolidated financial statements from January to March 2023.

2. *The change of scope of the consolidated financial statements in 2022*

Name of Company	The direction of change	Way of acquisition or disposal
Shanghai Fuwei Xunjie Digital Technology Co., Ltd.*	Increase	Newly established

3. *The change of scope of the consolidated financial statements in 2021*

Name of Company	The direction of change	Way of acquisition or disposal
Shanghai Hualingshenci Integrated Circuit Co., Ltd.	Increase	Newly established

4. *The change of scope of the consolidated financial statements in 2020*

There was no change in the Company's scope of the consolidated financial statements in 2020.

(III) Principal Financial Indicators of the Company for the Last Three Years and One Period

1. *Principal financial indicators*

During the Reporting Period, the Company's basic financial indicators are as follows:

Financial indicators	As at the end			
	of March 2023	As at the end of 2022	As at the end of 2021	As at the end of 2020
Current ratio (times)	3.26	4.79	4.27	3.90
Quick ratio (times)	1.75	3.15	2.98	2.63
Gearing ratio (consolidated)	22.67%	15.67%	19.16%	21.15%

**APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE
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Financial indicators	As at the end			
	of March 2023	As at the end of 2022	As at the end of 2021	As at the end of 2020
Net assets attributable to shareholders of the parent company per share (RMB)	5.82	5.55	3.86	2.78
	From			
Financial indicators	From January to March 2023	2022	2021	2020
Trade receivables turnover ratio (times)	3.84	5.82	5.55	3.86
Inventory turnoverRatio (times)	0.51	0.93	1.25	1.34
Cash flow per share generated from operating activities (RMB)	-0.64	0.39	0.74	0.32
Net cash flow per share (RMB)	-0.61	0.86	0.17	0.02

Note: Trade receivables turnover ratio and inventory turnover ratio from January to March 2023 have been annualized

The above principal financial indicators are calculated as follows:

Current ratio = ending current assets/ending current liabilities

Quick ratio = (ending current assets – ending inventories)/ending current liabilities

Gearing ratio = total liabilities/total assets

Net assets attributable to shareholders of the parent company per share = equity attributable to shareholders of parent company/ending total share capital

Turnover of trade receivables = operating revenue/average book balance of trade receivables

Turnover of inventories = operating costs/average book balance of inventories

Cash flow per share generated from operating activities = net cash flow generated from operating activities/ending total share capital

Net cash flow per share = net increase (or decrease) in cash and cash equivalents/ending total share capital

**APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE
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2. *The Company's return on net assets and earnings per share for the last three years and one period*

Year	Item	Weighted average return on net assets	Basic earnings per share (RMB)	Diluted earnings per share (RMB)
From January to March 2023	Net profit attributable to ordinary shareholders of the Company	4.06%	0.23	0.23
	Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	3.88%	0.22	0.22
2022	Net profit attributable to ordinary shareholders of the Company	28.48%	1.32	1.31
	Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	26.96%	1.25	1.24
2021	Net profit attributable to ordinary shareholders of the Company	20.77%	0.69	0.69
	Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	17.93%	0.60	0.60
2020	Net profit attributable to ordinary shareholders of the Company	7.15%	0.19	0.19
	Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	2.15%	0.06	0.06

Note: Indicators from January to March 2023 have not been annualized

**APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE
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(IV) Analysis of the Company's Financial Position

1. Analysis of assets

As at the end of each reporting period, the Company's asset structure is set out as below:

Unit: RMB0'000

Item	As at the end of March 2023		As at the end of 2022		As at the end of 2021		As at the end of 2020	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Current assets	491,497.29	70.68%	432,710.09	70.81%	304,166.28	73.03%	186,649.48	69.68%
Non-current assets	203,926.04	29.32%	178,378.71	29.19%	112,335.14	26.97%	81,210.82	30.32%
Total assets	695,423.32	100.00%	611,088.81	100.00%	416,501.42	100.00%	267,860.30	100.00%

As at the end of each reporting period, the total assets of the Company were respectively RMB2,678.6030 million, RMB4,165.0142 million, RMB6,110.8881 million and RMB6,954.2332 million. Thanks to the continuous expansion of the Company's business scale, the assets of the Company as at the end of each reporting period recorded an upward trend.

From the perspective of the Company's asset structure, the Company's assets are mainly current assets, and the percentage is generally stable. At the end of each reporting period, the amount of current assets was RMB1,866.4948 million, RMB3,041.6628 million, RMB4,327.1009 million and RMB4,914.9729 million, respectively, and representing the percentage of total assets in the current period 69.68%, 73.03%, 70.81% and 70.68%, respectively.

As at the end of each reporting period, the current assets of the Company are set out as below:

Unit: RMB0'000

Item	As at the end of March 2023		As at the end of 2022		As at the end of 2021		As at the end of 2020	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Cash at bank and on hand	70,147.20	14.27%	119,082.83	27.52%	80,164.72	26.36%	44,069.97	23.61%
Financial assets held for trading	11,838.53	2.41%	8,016.80	1.85%	39,094.81	12.85%	-	0.00%
Notes receivable	25,189.96	5.13%	25,214.41	5.83%	37,236.36	12.24%	29,671.69	15.90%
Accounts receivable	91,380.24	18.59%	73,020.43	16.88%	45,170.31	14.85%	43,947.74	23.55%

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Item	As at the end of March 2023		As at the end of 2022		As at the end of 2021		As at the end of 2020	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Receivables for								
financing	13,124.97	2.67%	8,170.84	1.89%	-	0.00%	-	0.00%
Prepayments	40,370.73	8.21%	47,470.22	10.97%	8,436.29	2.77%	6,409.80	3.43%
Other receivables	1,888.71	0.38%	2,035.24	0.47%	1,847.37	0.61%	1,175.20	0.63%
Inventories	228,358.34	46.46%	148,326.45	34.28%	91,608.31	30.12%	61,059.76	32.71%
Other current assets	9,198.61	1.87%	1,372.88	0.32%	608.11	0.20%	315.33	0.17%
Total	491,497.29	100.00%	432,710.09	100.00%	304,166.28	100.00%	186,649.48	100.00%

As at the end of each reporting period, the current assets of the Company mainly comprised of cash at bank and on hand, notes receivable, accounts receivable and inventories, which in aggregate accounted for 95.77%, 83.57%, 84.50% and 84.45% of the total current assets of the Company as at the end of 2020, 2021, 2022 and March 2023, respectively. As at the end of 2021, the increase in financial assets held for trading of the Company was mainly due to the increase in structural deposits purchased by the Company with temporary idle funds for improving the return on funds. At the end of 2022, the Company's prepayment increased significantly compared with that at the end of 2021, which was mainly due to the increase in prepayment to suppliers to ensure supply chain security. At the end of March 2023, the Company's inventories increased significantly compared with that at the end of 2022, which was mainly due to the increase in stock of some products to meet continuous demand of customers.

As at the end of each reporting period, the non-current assets of the Company are set out as below:

Unit: RMB0'000

Item	As at the end of March 2023		As at the end of 2022		As at the end of 2021		As at the end of 2020	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Long-term equity								
investments	4,139.39	2.03%	4,250.89	2.38%	7,550.88	6.72%	7,029.57	8.66%
Investments in other								
equity instruments	3,439.83	1.69%	3,390.23	1.90%	3,298.71	2.94%	3,086.37	3.80%
Investment properties	12,187.75	5.98%	12,268.79	6.88%	-	-	-	-
Fixed assets	71,499.08	35.06%	69,444.67	38.93%	56,787.65	50.55%	34,758.83	42.80%
Construction in progress	28,705.35	14.08%	19,377.64	10.86%	5,468.94	4.87%	4,926.99	6.07%
Right-of-use assets	4,211.19	2.07%	4,188.70	2.35%	4,794.24	4.27%	4,767.63	5.87%
Intangible assets	11,394.92	5.59%	8,575.06	4.81%	7,483.32	6.66%	11,716.24	14.43%
Development costs	37,708.03	18.49%	31,652.17	17.74%	17,272.81	15.38%	10,487.55	12.91%

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CORPORATE BONDS TO NON-SPECIFIC INVESTORS**

Item	As at the end of March 2023		As at the end of 2022		As at the end of 2021		As at the end of 2020	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Long-term prepaid expenses	7,023.62	3.44%	6,624.45	3.71%	5,737.88	5.11%	2,903.99	3.58%
Deferred income tax assets	252.30	0.12%	324.38	0.18%	748.42	0.67%	905.24	1.11%
Other non-current assets	23,364.58	11.46%	18,281.72	10.25%	3,192.28	2.84%	628.40	0.77%
Total	203,926.04	100.00%	178,378.71	100.00%	112,335.14	100.00%	81,210.82	100.00%

As at the end of each reporting period, the non-current assets of the Company mainly comprised of the fixed assets, construction in progress, intangible assets, and development costs, which in aggregate accounted for 76.21%, 77.46%, 72.35% and 73.22% of the total non-current assets of the Company as at the end of 2020, 2021, 2022 and March 2023, respectively. As at the end of 2022, the additional investment properties of the Company mainly were the purchased properties from Tian Yu Eco-Environment Co., Ltd.* (天域生態環境股份有限公司) for the purpose of reserving office space for any future increase in headcounts resulted by the growing business. To improve the utilization efficiency of assets, the Company leased back the acquired properties and building to the seller on a short-term basis in the form of an operating lease, which constitutes an investment property of the Company. The increase of construction in progress of the Company was mainly due to the purchase of equipment which needed calibration as at the end of 2022.

2. *Analysis of liabilities*

As at the end of each reporting period, the liabilities structure of the Company is set out as below:

Unit: RMB0'000

Item	As at the end of March 2023		As at the end of 2022		As at the end of 2021		As at the end of 2020	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Current liabilities	150,727.32	95.59%	90,387.63	94.38%	71,314.85	89.35%	47,813.18	84.39%
Non-current liabilities	6,955.54	4.41%	5,384.23	5.62%	8,496.31	10.65%	8,842.00	15.61%
Total liabilities	157,682.86	100.00%	95,771.87	100.00%	79,811.16	100.00%	56,655.17	100.00%

As at the end of each reporting period, the liabilities of the Company amounted to RMB566.5517 million, RMB798.1116 million, RMB957.7187 million and RMB1,576.8286 million, respectively. Of which, the current liabilities amounted to

**APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE
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RMB478.1318 million, RMB713.1485 million, RMB903.8763 million and RMB1,507.2732 million, accounting for 84.39%, 89.35%, 94.38% and 95.59% of the total liabilities for the current period, respectively, with a relatively high percentage.

As at the end of each reporting period, the current liabilities of the Company are set out as below:

Unit: RMB0'000

Item	As at the end of March 2023		As at the end of 2022		As at the end of 2021		As at the end of 2020	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Short-term borrowings	38,056.35	25.25%	5,400.00	5.97%	10.00	0.01%	-	0.00%
Accounts payable	50,483.46	33.49%	20,118.25	22.26%	20,026.29	28.08%	15,959.51	33.38%
Contract liabilities	22,524.98	14.94%	21,040.23	23.28%	12,627.48	17.71%	2,570.45	5.38%
Employee benefits payable	13,126.80	8.71%	19,234.01	21.28%	16,201.21	22.72%	11,442.03	23.93%
Taxes payable	2,581.58	1.71%	1,073.51	1.19%	1,573.11	2.21%	1,843.12	3.85%
Other payables	7,901.78	5.24%	7,233.56	8.00%	3,116.36	4.37%	4,981.98	10.42%
Non-current liabilities due within 1 year	1,681.65	1.12%	1,518.14	1.68%	4,483.29	6.29%	999.98	2.09%
Other current liabilities	14,370.72	9.53%	14,769.94	16.34%	13,277.11	18.62%	10,016.10	20.95%
Total	150,727.32	100.00%	90,387.63	100.00%	71,314.85	100.00%	47,813.18	100.00%

As at the end of each reporting period, the current liabilities of the Company mainly comprised accounts payable, contract liabilities, employee benefits payable and other current liabilities, which in aggregate accounted for 83.63%, 87.12%, 83.16% and 66.68% of the current liabilities of the Company as at the end of 2020, 2021, 2022 and March 2023, respectively. The other current liabilities of the Company mainly comprised government grants, accrued expenses and output tax to be transferred. As at the end of March 2023, the carrying amounts of short-term borrowings of the Company increased by RMB326.5635 million as compared with that at the end of 2022, mainly due to the increase in unsecured bank borrowings to meet the working capital requirements arising from the expansion of operation scale and the increase in inventories.

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As at the end of each reporting period, the non-current liabilities of the Company are set out as below:

Unit: RMB0'000

Item	As at the end of March 2023		As at the end of 2022		As at the end of 2021		As at the end of 2020	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Long-term borrowings	-	0.00%	-	0.00%	1,820.00	21.42%	-	0.00%
Lease liabilities	2,985.60	42.92%	3,316.27	61.59%	3,855.35	45.38%	4,068.19	46.01%
Deferred income	3,556.79	51.14%	1,654.81	30.73%	2,421.56	28.50%	4,408.69	49.86%
Deferred tax liabilities	413.14	5.94%	413.15	7.67%	399.40	4.70%	365.12	4.13%
Total	6,955.54	100.00%	5,384.23	100.00%	8,496.31	100.00%	8,842.00	100.00%

At the end of each reporting period, the non-current liabilities of the Company mainly comprised lease liabilities and deferred income.

3. *Analysis of solvency*

As at the end of each reporting period, the main solvency indicators of the Company are set out as below:

Items	31 March 2023	31 December 2022	31 December 2021	31 December 2020
Current ratio (times)	3.26	4.79	4.27	3.90
Quick ratio (times)	1.75	3.15	2.98	2.63
Debt-to-asset ratio (consolidated)	22.67%	15.67%	19.16%	21.15%

At the end of each reporting period, the current ratio of the Company was 3.90 times, 4.27 times, 4.79 times and 3.26 times, respectively, and the quick ratio was 2.63 times, 2.98 times, 3.15 times and 1.75 times, respectively, both remaining in a reasonable range and with continuously increase. At the end of each reporting period, the consolidated debt-to-asset ratio of the Company was 21.15%, 19.16%, 15.67% and 22.67%, respectively, which was at a low level.

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CORPORATE BONDS TO NON-SPECIFIC INVESTORS**

4. *Analysis of asset turnover*

Items	From January to March 2023	2022	2021	2020
Accounts receivable turnover ratio (times/year)	3.84	5.82	5.55	3.86
Inventory turnover ratio (times/year)	0.51	0.93	1.25	1.34

Note: the turnover data from January to March 2023 has not been annualised

At the end of each reporting period, the accounts receivable turnover ratio of the Company was 3.86, 5.55, 5.82 and 3.84, respectively, remaining in a reasonable range. The accounts receivable management ability was good with normal overall accounts collection. The inventory turnover ratio was 1.34, 1.25, 0.93 and 0.51, respectively. The decrease in inventory turnover ratio was mainly attributable to the increased inventory of certain products to ensure the continuous demand from customers.

5. *Profitability analysis*

Unit: RMB0'000

Items	From January to March 2023	2022	2021	2020
Revenue	80,935.69	353,890.89	257,726.23	169,089.68
Cost of sales	26,894.23	125,027.12	105,892.35	91,378.33
Operating profit	20,831.26	112,139.96	57,336.10	17,002.34
Total profit	20,831.26	112,151.07	57,344.95	17,004.60
Net profit	19,453.35	111,726.48	55,932.47	16,028.20
Net profit attributable to shareholders of the parent company	18,826.28	107,684.33	51,446.68	13,286.79

As at the end of each reporting period, the revenue of the Company amounted to RMB1,690,896,800, RMB2,577,262,300, RMB3,538,908,900 and RMB809,356,900 respectively. The revenue of the Company from 2020 to 2022 maintained a growth trend.

APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS

As at the end of each reporting period, net profit of the Company amounted to RMB160,282,000, RMB559,324,700, RMB1,117,264,800 and RMB194,533,500 respectively, of which the net profit for 2021 and 2022 increased by 248.96% and 99.75% over the same period of the previous year, respectively.

In 2021 and 2022, the results of the Company maintained a stable and rapid growth trend, mainly due to the strong demand in the downstream application market of integrated circuit, where the Company has seized the development opportunities in the industry, actively explored market and new customers, optimized the product and customer structure, and achieved growth in the operating revenue of each product line. Meanwhile, benefiting from the introduction of new products and the increase of unit prices of some products, the comprehensive gross profit margin also increased.

IV. USE OF PROCEEDS FROM THE ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS

The total amount of proceeds to be raised from the issuance of A Share Convertible Corporate Bonds to Non-specific Investors will not exceed RMB2 billion (inclusive). The gross proceeds, after deducting issuance expenses, will be used for the following projects:

Unit: RMB0'000

No.	Project name	Total project investment	Proposed amount to be used from the proceeds
1	New generation Field Programmable Gate Array (FPGA) platform development and industrialization project	66,100.00	64,610.00
2	Intelligent and reconfigurable SoC platform development and industrialization project	64,330.00	63,330.00
3	New technical platform storage development and industrialization project	44,380.00	41,880.00
4	New high-end security controller development and industrialization project	18,810.00	17,810.00
5	Passive IoT basic chip development and industrialization projects	13,370.00	12,370.00
	Total	206,990.00	200,000.00

Before the receipt of the proceeds from the issuance of A Share Convertible Corporate Bonds to Non-specific Investors, the Company will invest with its own or self-raised funds as required based on the actual progress of the projects to be invested. When the proceeds are available, such funds used will be replaced by the proceeds so raised according to the procedures stipulated by the relevant laws and regulations. In the event that the actual amount of proceeds from the Issuance after deducting

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issuance expenses is less than the amount of proceeds proposed to be invested in the projects above, according to the importance and urgency of the purpose of the raised funds, the Board of the Company may, without altering the projects to be invested by the proceeds raised, make appropriate adjustment to the sequence and amount of the proceeds proposed to be invested in the above projects according to the actual needs of the project, and any shortfall will be made up by the Company with its own or self-raised funds.

V. THE COMPANY'S PROFIT DISTRIBUTION POLICY AND STATUS OF PROFIT DISTRIBUTION

(I) Profit Distribution Policy

The Company's existing Articles of Association in force provide for a profit distribution policy as follows:

“Article 176 The Board, the Supervisory Committee and the general meeting shall consider the opinions of the independent non-executive directors and minority shareholders when determining and evaluating the Company's profit distribution policy. The Company shall implement continuous, stable, scientific and proactive profit distribution policies, and attach importance to the provision of reasonable return to shareholders and ensure the continuity and stability of profit distribution policy.

(1) *The Company's profit distribution policy:*

1. The Company may distribute profits in cash, stock, a combination of cash and stock or other methods permitted by laws and regulations, with priority given to cash dividends for profit distribution. Profit distribution shall not exceed the scope of accumulated distributable profits and shall not impair the Company's ability to continue as a going concern;
2. Subject to the prevailing laws, regulations and regulatory requirements, the profit distributed by the Company in cash each year shall not be less than 10% of the distributable profits realized in that year;
3. On the premise of ensuring the normal operations of the Company, the Company insists on the principle of profit distribution mainly in the form of cash, and no stock shall be issued if no cash dividends are paid out in that year. The Board of Directors is obliged to propose cash dividends and state the arrangements or principles for the use of the undistributed portion of the distributable profits of the year;
4. If no cash dividends are proposed due to major investment plans or major cash expenditures, the Board of Directors shall disclose the reasons and the specific use of the retained funds in the profit distribution plan;

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5. Subject to the cash dividend distribution policy, the Company may formulate a stock dividend distribution plan in case the Board of Directors considers that the future growth of the Company is relatively favorable, the net assets per share is high, the price of the Company's stock does not match the size of the Company's share capital, and the stock dividend payouts are in the overall interests of all shareholders of the Company;
6. The Company distributes profit annually in general. The Board of Directors of the Company may also propose interim profit distribution plans subject to the Company's profitability and capital requirements, etc.

(2) *The Company's differentiated cash dividend policy*

The Board of Directors of the Company shall distinguish the following circumstances and propose a differentiated cash dividend policy in accordance with the procedures stipulated in the Articles of Association, taking into account the characteristics of the industry in which the Company operates, the stage of development, its own business model, profitability level and whether there are significant capital expenditure arrangements:

1. If the Company is in a mature stage of development and has no significant capital expenditure arrangements, the cash dividend distribution shall account for at least 80% of the profit distribution;
2. If the Company is in a mature stage of development and has significant capital expenditure arrangements, the cash dividend distribution shall account for at least 40% of the profit distribution;
3. If the Company is in a growing stage of development and has significant capital expenditure arrangements, the cash dividend distribution shall account for at least 20% of the profit distribution.

The provisions shall apply in case the Board of Directors of the Company considers that it is difficult to distinguish the development stage but there are significant capital expenditure arrangements.

(3) *The Company's deliberation procedures for profit distribution*

1. The Board of Directors shall be responsible for formulating the profit distribution plan;
2. The profit distribution plan approved by the Board of Directors shall be submitted to the General Meeting for deliberation before implementation;

**APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE
CORPORATE BONDS TO NON-SPECIFIC INVESTORS**

3. Where the Board of Directors has not made a cash dividend profit distribution plan, or the cash profit distribution plan made by the Board of Directors does not comply with the provisions of the Articles of Association, the Board of Directors shall disclose the detailed reasons and the use of retained funds not distributed as dividends in the regular report, the independent directors shall express independent opinions thereon;
4. The Supervisory Committee shall supervise the profit distribution plan formulated by the Board of Directors. When the Board of Directors fails to make a cash profit distribution plan in accordance with the Articles of Association, or when the cash profit distribution plan made by the Board of Directors does not comply with the provisions of the Articles of Association, the Supervisory Committee shall have the right to request the Board of Directors to make rectifications;
5. In case the profit distribution policy is subject to adjustment due to significant changes in the external operation environment or our own operation condition, the Board of Directors shall re-formulate the profit distribution policy and presented to the independent directors for advice. The profit distribution policy reformulated by the Board of Directors shall be proposed to the General Meeting for consideration and shall be implemented only after it has been approved by a two-thirds majority of the voting rights held by the shareholders present at the General Meeting; the General Meeting shall be convened in a combination of on-site polling and online polling to facilitate the participation of the minority shareholders in the formulation or revision of the profit distribution policy.

The dividends and other payments to be paid to holders of Domestic-Invested Shares shall be calculated and declared in Renminbi, and be paid for in Renminbi. The dividends and other payments to be paid to holders of Overseas-Listed Foreign-Invested Shares shall be calculated and declared in Renminbi, and be paid for in the local currency of the place where such foreign shares are listed (If such shares are listed in more than one markets, the dividends and other payments shall be paid by the currency of the principal listing place decided by the board of directors.)

The payment of dividends and other payments to holders of Overseas-Listed Foreign-Invested Shares shall be made in accordance with the PRC laws and regulations on foreign exchange control. If there is no applicable regulation, the exchange rate shall be the average closing rate for the relevant foreign currency as announced by the People's Bank of China one week before the announcement of payment of dividends and other payments.

Where power is taken to retrieve unclaimed dividends, that power shall only be exercised after the expiration of the applicable limitation period.”

**APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE
CORPORATE BONDS TO NON-SPECIFIC INVESTORS**

(II) Profit Distribution of the Company during the Reporting Period

Cash dividends of the Company in the latest three years are as follows:

Unit: RMB0'000

Year of distribution	Amount of cash dividend (Tax inclusive)	Net profit attributable to ordinary shareholders of the parent company in the consolidated financial statements for the year	Percentage of dividend to the net profit attributable to ordinary shareholders of the parent company in the consolidated financial statements for the year
2020	–	13,286.79	–
2021	5,294.26	51,446.68	10.29%
2022	11,024.86	107,684.33	10.24%

In 2020, the Company made no profit distribution after taking into account its requirement of working capital and then status of being in preparation for listing on the Sci-Tech Board.

Profit distribution plan of 2021: Based on the total share capital of the Company of 814,502,000 shares for the year ended 31 December 2021, a cash dividend of RMB0.65 (tax inclusive) will be distributed to every 10 shares, with a total amount of RMB52,942,600. The aforementioned plan was considered and approved by the Company at the 2021 AGM held on 2 June 2022.

Profit distribution plan of 2022: Based on the total share capital of the Company of 816,656,500 shares for the year ended 31 December 2022, a cash dividend of RMB1.35 (tax inclusive) will be distributed to every 10 shares, with a total amount of RMB110,248,600. The aforementioned plan was considered and approved by the Company at the 8th meeting of the 9th session of the Board, and shall be submitted to the 2022 AGM of the Company for consideration.

VI. STATEMENT BY THE BOARD OF THE COMPANY REGARDING THE ABSENCE OF BREACH OF TRUST OF THE COMPANY

According to the Memorandum of Cooperation on Implementation of Joint Punishments to the Defaulter (《關於對失信被執行人實施聯合懲戒的合作備忘錄》) (Fa Gai Cai Jin [2016] No. 141) and the Memorandum of Cooperation on Implementation of Joint Punishments to the Defaulted Customs Enterprise (《關於對海關失信企業實施聯合懲戒的合作備忘錄》) (Fa Gai Cai Jin [2017] No. 427) and by searching on www.creditchina.gov.cn and the National Enterprise Credit Information Publicity

**APPENDIX II PLAN OF THE ISSUANCE OF A SHARE CONVERTIBLE
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System, the Company and its subsidiaries have not been listed as defaulters such as defaulted customs enterprises, and no default has occurred that may affect the issuance of A Share Convertible Corporate Bonds to non-specific investors by the Company.

**VII. STATEMENT BY THE BOARD OF THE COMPANY REGARDING THE REFUNDING
PLAN OF THE COMPANY FOR THE NEXT TWELVE MONTHS**

With respect to other refunding plans for the next twelve months other than the Issuance of A Share Convertible Corporate Bonds to non-specific investors, the following statement is hereby made by the Board of the Company:

“From the date when the plan on the issuance of A Share Convertible Corporate Bonds to non-specific investors is considered and approved at the general meeting and class meeting of the Company, the Company will determine whether to implement other refunding plans within the next twelve months in accordance with its business development.”

It is hereby announced.

The Board of Directors of
Shanghai Fudan Microelectronics Group Company Limited

29 April 2023



上海復旦微電子集團股份有限公司
Shanghai Fudan Microelectronics Group Co., LTD.
(Address: No. 220 Handan Road, Shanghai)

DEMONSTRATION AND ANALYSIS REPORT
REGARDING THE PLAN FOR THE ISSUANCE OF
A SHARE CONVERTIBLE CORPORATE BONDS TO
NON-SPECIFIC INVESTORS

April 2023

**SECTION I NECESSITY FOR THE ISSUANCE AND
SELECTION OF THE TYPE OF SECURITIES**

Shanghai Fudan Microelectronics Group Company Limited (the “Company” or the “Issuer”) is a company listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange. Based on its actual situation and in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Securities Law of the People’s Republic of China (the “Securities Law”), the Administrative Measures for the Issuance of Securities by Listed Companies (the “Measures”) and other relevant regulations, the Company intends to raise proceeds by issuing A Share Convertible Corporate Bonds to non-specific investors (the “Issuance”), in attempt to meet its capital requirements for development, expand its operating scale, optimize its business layout in the semiconductor sector, enhance its research and development, design and supporting capabilities of chips, and strengthen its profitability and overall competitiveness.

I. TYPE OF SECURITIES TO BE ISSUED

The type of the securities to be issued is convertible corporate bonds which can be converted into A Shares of the Company. The A Share Convertible Corporate Bonds and the A Shares of the Company to be converted will be listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange.

II. FEASIBILITY AND NECESSITY OF THE PROJECTS TO BE INVESTED BY THE PROCEEDS RAISED

Upon a prudent demonstration by the Company, the projects to be invested by the proceeds raised from the Issuance present sound market prospects and economic effects, are conducive to enhancing the Company’s profitability and core competitive strength, and are in line with the interests of the Company and the shareholders as a whole. Therefore, it’s feasible for their implementation. For details of the analysis, please refer to the Feasibility Report on the Use of Proceeds from the Issuance of A Share Convertible Corporate Bonds to non-specific investors by Shanghai Fudan Microelectronics Group Company Limited published on the website of the Shanghai Stock Exchange on the same day.

**SECTION II APPROPRIATENESS OF THE SCOPE OF SELECTION,
QUANTITY AND STANDARD OF
THE TARGET SUBSCRIBERS OF THE ISSUANCE****I. APPROPRIATENESS OF THE SCOPE OF SELECTION OF THE TARGET SUBSCRIBERS OF THE ISSUANCE**

The Board (or its authorised persons) shall be authorised at the shareholders' meeting and Class Meetings to negotiate with the sponsor (the lead underwriter) for determining the specific method of the Issuance of the A Share Convertible Corporate Bonds. The target subscribers of the A Share Convertible Corporate Bonds are natural persons, legal persons, securities investment funds and other investors in compliance with the requirements of applicable laws and regulations who have maintained securities accounts at the China Securities Depository and Clearing Corporation Limited Shanghai Branch (other than those prohibited by national laws and regulations).

The existing A Shareholders have the pre-emptive rights to subscribe for the A Share Convertible Corporate Bonds under the Issuance and are entitled to surrender such rights. The proportion of subscription by the existing A Shareholders under the pre-emptive rights shall be determined by the Board (or its authorised persons) in accordance with the market conditions before the Issuance upon negotiation with the sponsor (the lead underwriter), subject to the authorisation at the shareholders' meeting and Class Meetings, and shall be disclosed in the issuance announcements of the A Share Convertible Corporate Bonds under the Issuance. The A Share Convertible Corporate Bonds which are not subject to the abovementioned pre-emptive rights of the existing A Shareholders of the Company and are not subscribed by the existing A Shareholders in priority will be offered to institutional investors offline and/or issued by way of online pricing through the trading system of the Shanghai Stock Exchange. The remaining balance will be underwritten by the underwriters.

The scope of selection of the target subscribers of the Issuance is in compliance with the provisions of the relevant laws, regulations and normative documents of the China Securities Regulatory Commission ("CSRC") and the Shanghai Stock Exchange, and therefore the scope of selection is appropriate.

II. APPROPRIATENESS OF THE QUANTITY OF THE TARGET SUBSCRIBERS OF THE ISSUANCE

The target subscribers of the A Share Convertible Corporate Bonds are natural persons, legal persons, securities investment funds and other investors in compliance with the requirements of applicable laws and regulations who have maintained securities accounts at the China Securities Depository and Clearing Corporation Limited Shanghai Branch (other than those prohibited by national laws and regulations). The standard for the target subscribers of the Issuance are in compliance with the provisions of the relevant laws, regulations and normative documents of the CSRC and the Shanghai Stock Exchange, and therefore the quantity of target subscribers is appropriate.

III. APPROPRIATENESS OF THE STANDARD FOR THE TARGET SUBSCRIBERS OF THE ISSUANCE

The target subscribers of the A Share Convertible Corporate Bonds shall possess certain risk identification and bearing capabilities as well as the corresponding capital strength.

The standard for the target subscribers of the Issuance shall comply with the provisions of the Measures and other relevant laws, regulations and normative documents, and therefore the standard for the target subscribers is appropriate.

**SECTION III RATIONALITY OF THE PRINCIPLES,
BASIS, METHODS AND PROCEDURES FOR
THE PRICING OF THE ISSUANCE****I. RATIONALITY OF THE PRINCIPLES FOR THE PRICING OF THE ISSUANCE**

The period for the Issuance will be determined upon negotiation with the sponsor (the lead underwriter) after the Company has obtained the decision of the CSRC regarding the consent to the registration of the Issuance. The principles for the pricing of the Issuance are as follows:

(I) Bond Rate

It is proposed to authorise the Board (or its authorised persons) of the Company at the shareholders' meeting and Class Meetings of the Company to determine the method for determination of coupon rate of the A Share Convertible Corporate Bonds and the final interest rate for the interest accrual year upon negotiation with the sponsor (the lead underwriter) in accordance with national policies, market conditions and the actual conditions of the Company, prior to the Issuance.

(II) Determination and Adjustment of the Conversion Price**1. *Determination of the initial Conversion Price***

The initial Conversion Price of the A Share Convertible Corporate Bonds under the Issuance shall not be lower than the average trading price of A Shares of the Company for the 20 trading days preceding the date of publication of the Offering Document (in the event that the A Share price was adjusted due to ex-right and ex-dividend in the preceding 20 trading days, the average trading price of A Shares on the trading days prior to the adjustment shall be calculated based on the price after such ex-right and ex-dividend) and the average trading price of A Shares of the Company on the preceding trading day, with no upward adjustment. The actual initial Conversion Price shall be determined by the Board (or its authorised persons) under the authorisation of the general meeting and Class Meetings of the Company upon negotiation with the sponsor (the lead underwriter) prior to the Issuance in accordance with the market and the Company's specific conditions.

The average trading price of A Shares of the Company for the preceding 20 trading days = total trading amount of A Shares of the Company for the preceding 20 trading days/total trading volume of A Shares of the Company for such 20 trading days. The average trading price of A Shares of the Company for the preceding trading day = total trading amount of A Shares of the Company for the preceding trading day/total trading volume of A Shares of the Company for such trading day.

2. *Method of adjustments and calculation formula to the Conversion Price*

The Conversion Price will be adjusted accordingly by the Company in case of certain events, such as distribution of share dividends, conversion or increase of share capital, issuance of new shares (excluding any increase in the share capital as a result of conversion of the A Share Convertible Corporate Bonds under the Issuance) or rights issue or distribution of cash dividends, based on order of occurrence. The specific formula is as the following:

Distribution of share dividends or conversion or increase of share capital: $P_1 = P_0 \div (1+n)$;

Issuance of new shares or rights issue: $P_1 = (P_0 + A \times k) \div (1+k)$;

The above two events occurring concurrently: $P_1 = (P_0 + A \times k) \div (1+n+k)$;

Distribution of cash dividends: $P_1 = P_0 - D$;

The above three events occurring concurrently: $P_1 = (P_0 - D + A \times k) \div (1+n+k)$.

Where: “ P_0 ” denotes the Conversion Price before adjustment; “ n ” denotes the rate of distribution of share dividends or conversion or increase of share capital; “ k ” denotes the rate of issuance of new shares or rights issue; “ A ” denotes the price of issuance of new shares or rights issue; “ D ” denotes the cash dividend per Share; “ P_1 ” denotes the adjusted Conversion Price.

Upon occurrence of any of the abovementioned changes in shares and/or Shareholder’s interests, the Company shall adjust the Conversion Price based on order of occurrence, and publish relevant announcement on the website of Shanghai Stock Exchange (www.sse.com.cn) or the media designated by the CSRC for other information disclosure of listed companies. Such announcement shall indicate the date of adjustment to the Conversion Price, adjustment method and suspension period of share conversion (if necessary). Meanwhile, the Company shall disclose such information to the Hong Kong market in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association (if necessary). If the Conversion Price adjustment date is on or after the date on which a bondholder applies for conversion of his/her A Share Convertible Corporate Bonds under the Issuance but before the registration date of the A Shares to be issued upon conversion, then such conversion shall be executed based on the Conversion Price adjusted by the Company.

In the event that the creditor’s interests or the interests derived from the share conversion of the holders of A Share Convertible Corporate Bonds are affected by the change in the Company’s share class, quantity and/or Shareholders’ interests due to any possible share repurchase, consolidation, division, capital reduction or any other

circumstances, the Company shall adjust the Conversion Price based on the actual situations and in accordance with the principles of fairness, justice and equality so as to fully protect the interests of the holders of A Share Convertible Corporate Bonds. The details of adjustment to Conversion Price and its implementation measures shall be determined in accordance with prevailing national laws, regulations, the relevant requirements of the securities regulatory authorities and Shanghai Stock Exchange.

II. REASONABLENESS OF THE PRICING BASIS OF THE ISSUANCE

The initial Conversion Price of the A Share Convertible Corporate Bonds under the Issuance shall not be lower than the average trading price of A Shares of the Company for the 20 trading days preceding the date of publication of the Offering Document (in the event that the A Share price was adjusted due to ex-right and ex-dividend in the preceding 20 trading days, the average trading price of A Shares on the trading days prior to the adjustment shall be calculated based on the price after such ex-right and ex-dividend) and the average trading price of A Shares of the Company on the preceding trading day, with no upward adjustment. The actual initial Conversion Price shall be determined by the Board (or its authorised persons) under the authorisation of the general meeting and Class Meetings of the Company upon negotiation with the sponsor (the lead underwriter) prior to the Issuance in accordance with the market and the Company's specific conditions.

The average trading price of A Shares of the Company for the preceding 20 trading days = total trading amount of A Shares of the Company for the preceding 20 trading days/total trading volume of A Shares of the Company for such 20 trading days. The average trading price of A Shares of the Company for the preceding trading day = total trading amount of A Shares of the Company for the preceding trading day/total trading volume of A Shares of the Company for such trading day.

The pricing basis of the Issuance is in line with the relevant provisions of the Measures and other relevant laws, regulations and normative documents, which is reasonable.

III. REASONABLE METHODS AND PROCEDURES FOR THE PRICING OF THE ISSUANCE

The pricing methods and procedures for the Issuance of A Share Convertible Corporate Bonds to non-specific investors are in accordance with the relevant provisions of laws and regulations such as the Measures. The Company has convened a board meeting to consider and approve matters relating to the Issuance of A Share Convertible Corporate Bonds and disclosed the relevant announcement on the website of the Shanghai Stock Exchange and the designated information disclosure media, and will submit it to the general meeting and the Class Meetings of the Company for consideration.

The pricing methods and procedures for the Issuance are in compliance with the relevant provisions of the Measures and other relevant laws, regulations and normative documents, which are reasonable.

In summary, the principles, basis, methods and procedures for the pricing of the Issuance meet the requirements of relevant laws, regulations and normative documents, which are compliant and reasonable.

SECTION IV FEASIBILITY OF METHOD FOR THE ISSUANCE

The Company will raise funds by way of the Issuance of A Share Convertible Corporate Bonds to non-specific investors, which is in line with the relevant issuance conditions stipulated in the Securities Law and the Measures.

I. THE ISSUANCE IS IN LINE WITH THE PROVISIONS OF THE MEASURES ON THE ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS**(I) The Company Has a Sound and Well-run Organization**

In strict compliance with the Company Law, the Securities Law and other relevant laws, regulations and normative documents, the Company has set up the general meeting, the Board, the Supervisory Committee and other relevant business organizations, with a sound corporate governance structure. The issuer has formulated and improved management systems of various departments. The general meeting, the Board and the Supervisory Committee exercise their respective rights and fulfill their respective obligations in accordance with the provisions of the Company Law, the Articles of Association and various working systems of the Company. The Company complies with the provision of Article 13(1) of the Measures, i.e., having a sound and well-run organization.

(II) The Average Distributable Profit in Recent Three Years is Sufficient for the Payment of Interest on Corporate Bonds for One Year

In 2020, 2021 and 2022, the net profit attributable to owners of the parent company (the lower of before or after deducting non-recurring profit and loss) is RMB39,879,000, RMB444,203,100 and RMB1,019,405,500, respectively, with an average distributable profit for three years of RMB501,162,500. After reasonable estimation, the average distributable profit of the Company in recent three years is sufficient for payment of the interest of A Share Convertible Corporate Bonds for one year on the assumption that proceeds of the Issuance of A Share Convertible Corporate Bonds to non-specific investors will be RMB2,000,000,000, and based on the recent interest rate level of the A share convertible corporate bonds market.

The Company complies with the provision of Article 13(2) of the Measures, i.e., the average distributable profit in recent three years is sufficient for payment of interest of corporate bonds for one year.

(III) The Company Has a Reasonable Balance Sheet Structure and Normal Cash Flow

As at 31 December 2020, 31 December 2021, 31 December 2022 and 31 March 2023, the gearing ratio (consolidated) of the Company was 21.15%, 19.16%, 15.67% and 22.67%, respectively, indicating a reasonable balance sheet structure. For the three months ended March 2020, 2021, 2022 and 2023, the net cash flows from operating activities of the Company was RMB219,652,700, RMB602,204,900, RMB321,285,500 and RMB-524,983,600, respectively.

The Company complies with the provision of Article 13(3) of the Measures, i.e., having a reasonable balance sheet structure and normal cash flow.

(IV) The Existing Directors, Supervisors and Senior Management Personnel Meet the Office Requirements Stipulated by Laws and Administrative Regulations

The existing directors, supervisors and senior management personnel of the Company are qualified to perform their duties in faithful and diligent manner, do not violate the provisions of Article 148 and Article 149 of the Company Law, and have not been subject to administrative punishment by the CSRC in the recent 36 months or public censure by the stock exchange in the recent 12 months.

The Company complies with the provision of Article 9(2) of the Measures, i.e., the existing directors, supervisors and senior management personnel meet the office requirements stipulated by laws and administrative regulations.

(V) The Company Has a Complete Business System and is Capable to Conduct Independent Operation Directly to the Market, Without Significant Adverse Impact on its Continuing Operation

The Company's personnel, assets, finance, organization and business are independent. The Company is able to operate and manage independently, has a complete business system and is capable to conduct independent operation directly to the market, without significant adverse impact on its continuing operation.

The Company complies with the provision of Article 9(3) of the Measures, i.e., having a complete business system and is capable to conduct independent operation directly to the market, without significant adverse impact on the continuing operation.

(VI) There are Basic Standards for Accounting Work and the Internal Control System is Sound and Effectively Implemented; the Preparation and Disclosure of Financial Statements Comply with the Provisions of the Accounting Standards for Business Enterprises and Relevant Information Disclosure Rules, and Fairly Reflect the Financial Condition, Operating Results and Cash Flow of Listed Companies in All Major Aspects; the Financial Accounting Report for the Last Three Years Has Been Issued with an Unqualified Audit Report

The Company's personnel, assets, finance, organization and business are independent. The Company is able to operate and manage independently, has a complete business system and is capable to conduct independent operation directly to the market, without significant adverse impact on its continuing operation.

In strict compliance with the Company Law, the Securities Law, the Listing Rules of SSE STAR Market and other relevant laws, regulations and normative documents, the Company establishes, improves and effectively implements internal control, reasonably assures the legal compliance of operation and management, asset safety, the authenticity and integrity of financial reports and relevant information, improves the efficiency and effect of operation, and promotes the realization of development strategy. The Company develops and improves the corporate governance structure, forms a scientific and effective division of responsibilities and checks and balances mechanism, which assures the standard and efficient operation of the governance structure.

The clear organizational structure of the Company accompanies with clear responsibilities of each department and position. The Company has a special financial management system in place, and carries out strict regulations and controls on the organizational structure, job responsibilities, financial approval and other aspects of the financial department. The Company implements the internal audit system and sets up the internal audit department with full-time auditors to conduct internal audit supervision on the Company's financial revenues and expenditures and economic activities.

The Company has maintained effective internal control related to the preparation of financial statements in all material aspects in accordance with the system of Norms for the Internal Control of Enterprises. The financial statements for the years of 2020, 2021 and 2022 of the Company have been audited by Ernst & Young Hua Ming LLP, which has issued the standard unqualified audit reports, namely the Ernst & Young HM (2023) Shen Zi No. 60469429_B02, the Ernst & Young HM (2022) Shen Zi No. 60469429_B01 and the Ernst & Young HM (2023) Shen Zi No. 60469429_B01.

The Company complies with the Article 9(4) of the Measures, i.e., there are basic standards for accounting work and the internal control system is sound and effectively implemented; the preparation and disclosure of financial statements comply with the provisions of the Accounting Standards for Business Enterprises and relevant information disclosure rules, and fairly reflect the financial condition, operating results and cash flow of listed companies in all major aspects; the financial accounting report for the last three years has been issued with an unqualified audit report.

(VII) No Financial Investment with a Large Amount as at the end of the Latest Period except for Financial Enterprises

As of the issue date of this demonstration and analysis report, the Company had no financial investment of large amount as at the end of the latest period. The Company complies with the provision of Article 9(5) of the Measures, i.e., there is no financial investment with a large amount as at the end of the latest period except for financial enterprises.

(VIII) There is no Circumstance Where the Company is prohibited to Issue Convertible Bonds to Non-specific Investors

As of the issue date of this demonstration and analysis report, none of the following situations as stipulated in Article 10 of the Measures exists:

1. Unauthorized change of the use of funds previously raised without correction, or without the approval of the general meeting;
2. The listed company or its current directors, supervisors and senior managers have been subject to administrative punishment by the CSRC in the past three years, or have been publicly condemned by the stock exchange in the past year, or are being investigated by the judiciary for suspected crimes or are being investigated by the CSRC for suspected violations of laws and regulations;
3. The listed company or its controlling shareholder or *de facto* controller has failed to fulfill the public commitments made to investors in the past year;
4. The listed company or its controlling shareholders or *de facto* controllers have committed criminal offenses of corruption, bribery, embezzlement, misappropriation of property, or disrupting the economic order of the socialist market in the past three years, or have seriously damaged the interests of listed company, the legitimate rights and interests of investors, and social and public interests and other serious violations.

The Company complies with the relevant requirements under Article 10 of the Measures.

(IX) There is no Circumstance Where the Company is prohibited to Issue Convertible Bonds

As of the issue date of this demonstration and analysis report, none of the following situations where the issuance of convertible bonds is prohibited as stipulated in Article 14 of the Measures exists:

1. The fact that there is a breach of contract or delay in payment of principal and interest on publicly issued corporate bonds or other debts is still going on;
2. The Company violated the provisions of the Securities Law due to changing the use of funds raised from the public issuance of corporate bonds.

(X) The Use of Proceed Complies with the Requirement

The total amount of proceeds to be raised from the issuance of A Share Convertible Corporate Bonds to non-specific investors will not exceed RMB2 billion (inclusive). The gross proceeds, after deducting issuance expenses, will be used for the following projects:

Unit: RMB0'000

No.	Project name	Total project investment	Proposed amount to be used from the proceeds
1	New generation Field Programmable Gate Array (FPGA) platform development and industrialization project	66,100.00	64,610.00
2	Intelligent and reconfigurable SoC platform development and industrialization project	64,330.00	63,330.00
3	New technical platform storage development and industrialization project	44,380.00	41,880.00
4	New high-end security controller development and industrialization project	18,810.00	17,810.00
5	Passive IoT basic chip development and industrialization projects	13,370.00	12,370.00
	Total	206,990.00	200,000.00

1. All the proceeds after deducting the issuance expenses will be invested in the above-mentioned investment projects, which will help to expand the Company's core business and thus improve the Company's strength and competitiveness by meeting the capital need for future product transformation and development. The investment projects are business in the field of technological innovation;
2. The use of proceeds raised for this round complies with the national industrial policies and relevant laws and regulations on environmental protection and land management;
3. After the implementation of the investment projects, the peer competition of significant adverse effects, and unfair related transactions with controlling shareholders, *de facto* controllers and other businesses under their control will be avoided, and it will not severely undermine the operating independence of the Company;
4. The proceeds will not be used to cover losses or as non-productive expenses.

The Company complies with the relevant requirements under Articles 12 and 15 of the Measures regarding to the use of proceeds.

II. THE ISSUANCE IS IN COMPLIANCE WITH THE SPECIAL REGULATIONS OF THE MEASURES RELATING TO THE UNDERWRITING OF CONVERTIBLE BONDS

- (I) Factors as Term, Par Value, Interest Rate, Ranking, Rights of Bondholders, Conversion Price and Adjustment Principle, Redemption and Sale Back, Downward Adjustment to Conversion Price shall be Stimulated for the Convertible Bonds; the Interest Rate of Convertible Bonds to be Issued to Non-specific Investors shall be Negotiated and Determined by the Listed Company and the Lead Underwriter by Law**

1. *Bonds term*

The term of the Convertible Corporate Bonds under the Issuance will be six years from the date of the Issuance.

2. *Par value of bonds*

The A Share Convertible Corporate Bonds under the Issuance will be issued at par with a nominal value of RMB100.00 each.

3. *Bond rate*

It is proposed to authorise the Board (or its authorised persons) of the Company at the shareholders' meeting and Class Meetings of the Company to determine the method for determination of coupon rate of the A Share Convertible Corporate Bonds and the final interest rate for the interest accrual year upon negotiation with the sponsor (the lead underwriter) in accordance with national policies, market conditions and the actual conditions of the Company, prior to the Issuance.

4. *Bond rating*

A credit rating agency engaged by the Company will issue a credit rating report in respect of the Issuance of A Share Convertible Corporate Bonds.

5. *Rights of bondholders*

The Company has formulated the Rules for Meetings of Holders of A Share Convertible Corporate Bonds of Shanghai Fudan Microelectronics Group Company Limited, which stipulates the measures for protecting the rights of bondholders, as well as the rights, procedures and conditions for the effective resolution of the bondholders' meeting.

6. Conversion price

The initial Conversion Price of the A share convertible corporate bonds under the Issuance shall not be lower than the average trading price of A Shares of the Company for the 20 trading days preceding the date of publication of the offering document (in the event that the A Share price was adjusted due to ex-right and ex-dividend in the preceding 20 trading days, the average trading price of A Shares on the trading days prior to the adjustment shall be calculated based on the price after such ex-right and ex-dividend) and the average trading price of A Shares of the Company on the preceding trading day, with no upward adjustment. The actual initial Conversion Price shall be determined by the Board (or its authorised persons) under the authorisation of the general meeting of and Class Meetings of the Company upon negotiation with the sponsor (the lead underwriter) prior to the Issuance in accordance with the market and the Company specific conditions.

The average trading price of A Shares of the Company for the preceding 20 trading days = total trading amount of A Shares of the Company for the preceding 20 trading days/total trading volume of A Shares of the Company for such 20 trading days. The average trading price of A Shares of the Company for the preceding trading day = total trading amount of A Shares of the Company for the preceding trading day/total trading volume of A Shares of the Company for such trading day.

7. Principle and method of adjustments to the Conversion Price

Subsequent to the Issuance, the conversion price will be adjusted accordingly by the Company in case of certain events, such as distribution of share dividends, conversion or increase of share capital, issuance of new shares (excluding any increase in the share capital as a result of conversion of the A share convertible corporate bonds under the Issuance) or rights issue or distribution of cash dividends, based on order of occurrence. The specific formula is as the following:

Distribution of share dividends or conversion or increase of share capital: $P_1 = P_0 \div (1+n)$;

Issuance of new shares or rights issue: $P_1 = (P_0 + A \times k) \div (1+k)$;

The above two events occurring concurrently: $P_1 = (P_0 + A \times k) \div (1+n+k)$;

Distribution of cash dividends: $P_1 = P_0 - D$;

The above three events occurring concurrently: $P_1 = (P_0 - D + A \times k) \div (1+n+k)$.

Where: “ P_0 ” denotes the Conversion Price before adjustment; “ n ” denotes the rate of distribution of share dividends or conversion or increase of share capital; “ k ” denotes the rate of issuance of new shares or rights issue; “ A ” denotes the price of issuance of new shares or rights issue; “ D ” denotes the cash dividend per Share; “ P_1 ” denotes the adjusted Conversion Price.

Upon occurrence of any of the abovementioned changes in shares and/or Shareholder’s interests, the Company shall adjust the Conversion Price based on order of occurrence, and publish relevant announcement on the website of Shanghai Stock Exchange (www.sse.com.cn) or the media designated by the CSRC for other information disclosure of listed companies. Such announcement shall indicate the date of adjustment to the Conversion Price, adjustment method and suspension period of share conversion (if necessary). Meanwhile, the Company shall disclose such information to the Hong Kong market in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association (if necessary). If the Conversion Price adjustment date is on or after the date on which a bondholder applies for conversion of his/her A share convertible corporate bonds under the Issuance but before the registration date of the A Shares to be issued upon conversion, then such conversion shall be executed based on the Conversion Price adjusted by the Company.

In the event that the creditor’s interests or the interests derived from the share conversion of the holders of A share convertible corporate bonds are affected by the change in the Company’s share class, quantity and/or Shareholders’ interests due to any possible share repurchase, consolidation, division, capital reduction or any other circumstances, the Company shall adjust the Conversion Price based on the actual situations and in accordance with the principles of fairness, justice and equality so as to fully protect the interests of the holders of A share convertible corporate bonds. The details of adjustment to Conversion Price and its implementation measures shall be determined in accordance with prevailing national laws, regulations, the relevant requirements of the securities regulatory authorities and Shanghai Stock Exchange.

8. *Terms of redemption*

(1) *Terms of redemption upon maturity*

Within five trading days upon the maturity of the A Share Convertible Corporate Bonds under the Issuance, the Company shall redeem all of the outstanding A Share Convertible Corporate Bonds by then. It is proposed at the general meetings of the Company and Class Meetings to authorise the Board or its authorised persons to determine the actual redemption price upon negotiation with the sponsor (the lead underwriter) with reference to the market conditions at issuance prior the Issuance.

(2) *Terms of conditional redemption*

During the conversion period of the A Share Convertible Corporate Bonds under the Issuance, where the closing prices of A Shares during at least 15 trading days out of any 30 consecutive trading days in the conversion period are not less than 130% (130% inclusive) of the prevailing Conversion Price, or the balance of the outstanding A Share Convertible Corporate Bonds under the Issuance is lower than RMB30 million, the Company shall have the right to redeem all or part of the outstanding Convertible Bonds, at a price equal to the nominal value of the A Share Convertible Corporate Bonds plus then accrued interest.

Formula for calculating the accrued interest for the current period is: $IA=B \times i \times t / 365$

Among them, “IA” denotes the accrued interest for the current period; “B” denotes the aggregate nominal value of the A Share Convertible Corporate Bonds held by holders of the A Share Convertible Corporate Bonds under the Issuance; “i” denotes the coupon rate of the A Share Convertible Corporate Bonds under the Issuance for the current year; “t” denotes the number of days on which interest is accrued, i.e. the actual number of calendar days from the last interest payment date (inclusive) up to the redemption date of the current interest accrual year (excluding the redemption date).

In the event that an adjustment to the Conversion Price by the Company is made due to ex-right and ex-dividend during the aforementioned 30 consecutive trading days, in respect of the trading days prior to the adjustment, the calculation shall be based on the unadjusted Conversion Price and the closing price of the A Shares on each such day, and in respect of the date of adjustment and the trading days after the adjustment, the calculation shall be based on the adjusted Conversion Price and the closing price of the A Shares on each such day.

Redemption period of the A Share Convertible Corporate Bonds under the Issuance is the same as the conversion period, i.e., to commence from the first trading day immediately following the expiry of the six-month period after the date of the Issuance, and to end on the maturity date of the A Share Convertible Corporate Bonds.

9. *Terms of sale back*

(1) *Additional terms of sale back*

If the actual use of the proceeds raised from A Share Convertible Corporate Bonds under the Issuance significantly differs from the undertakings of the use of proceeds set out by the Company in the Offering Document, and such change is

considered by the CSRC or the Shanghai Stock Exchange as a deviation in the use of proceeds, the bondholders of the A Share Convertible Bonds shall be entitled to a one-off right to sell all or part of the A Share Convertible Corporate Bonds they hold back to the Company at par plus then accrued interest. The formula for calculating the then accrued interest refers to the relevant content of “8. Terms of Redemption”. Upon the satisfaction of the condition of sale back, the bondholders of the A Share Convertible Bonds may sell their Convertible Bonds back to the Company during the sale back declaration period. If the bondholders do not exercise their sale back rights during such period, they shall not exercise such rights later.

(2) *Terms of conditional sale back*

During the last two interest accrual years within the term of the A Share Convertible Corporate Bonds under the Issuance, if the closing prices of the A Shares of the Company on any 30 consecutive trading days are lower than 70% of the prevailing Conversion Price, the bondholders of the A Share Convertible Corporate Bonds are entitled to sell back all or part of the A Share Convertible Corporate Bonds they hold to the Company at par plus the then accrued interest. The formula for calculating the then accrued interest refers to the relevant content of “(XI) Terms of Redemption”.

In the event that an adjustment to the Conversion Price by the Company is made due to distribution of share dividends, conversion or increase of share capital, issuance of new shares (excluding increase in the share capital as a result of conversion of the A Share Convertible Corporate Bonds under the Issuance) or rights issue, distribution of cash dividends during the aforementioned 30 trading days, in respect of the trading days prior to the adjustment, the calculation shall be based on the unadjusted Conversion Price and the closing price of the shares on each such day, and in respect of the trading days after the adjustment, the calculation shall be based on the adjusted Conversion Price and the closing price of the shares on each such day. In the event that there is a downward adjustment to the Conversion Price, the aforesaid “30 trading days” shall be re-counted from the first trading day following the adjustment to the Conversion Price.

The bondholders of the A Share Convertible Bonds can exercise their sale back rights once every year when the sale back conditions are initially satisfied according to the abovementioned agreed terms in the last two interest accrual years within the term of the A Share Convertible Corporate Bonds under the Issuance. If the sale back conditions are initially satisfied, but the bondholders of the A Share Convertible Bonds do not apply for and exercise their sale back rights during the sale back declaration period then announced by the Company,

they shall not exercise the sale back rights during such interest accrual years. The bondholders of the A Share Convertible Bonds are not allowed to exercise part of their sale back rights for multiple times.

10. Terms of downward adjustment to Conversion Price

(1) Authorisation and magnitude of adjustment

If, during the term of the A Share Convertible Corporate Bonds under the Issuance, the closing prices of A Shares of the Company on at least 15 trading days out of any 30 consecutive trading days are lower than 85% of the prevailing Conversion Price, the Board of the Company is entitled to propose a downward adjustment to the Conversion Price and submit it to the Shareholders at the Shareholders' general meetings and Class Meetings for their consideration and voting.

The abovementioned plan is subject to approvals of more than two-thirds of the Shareholders with voting rights who attend the Shareholders' general meetings and Class Meetings. Shareholders who hold the A Share Convertible Corporate Bonds under the Issuance shall abstain from voting at the Shareholders' general meetings and Class Meetings. The adjusted Conversion Price should be no less than the higher of the average trading price of A Shares of the Company during the 20 trading days immediately preceding the date of such general meetings and Class Meetings (in the event that during such 20 trading days, the share price has been adjusted due to ex-rights or ex-dividend, the closing price for the trading day before the adjustment shall be calculated based on the adjusted share price following the ex-rights or ex-dividend), and the average trading price of A Shares of the Company on the trading day immediately preceding the date of the aforementioned general meeting and Class Meetings.

In the event that there is an adjustment to the share price due to ex-rights or ex-dividend during the aforementioned 30 consecutive trading days, in respect of the trading days prior to the adjustment to the Conversion Price, the calculation shall be based on the unadjusted Conversion Price and the closing price of the A Shares on each such day, and in respect of the days on which adjustment to the Conversion Price is made and the trading days afterwards, the calculation shall be based on the adjusted Conversion Price and the closing price of the A Shares on each such day.

(2) Procedures of adjustment

In the event that the Company decides to adjust the Conversion Price downwards, the Company shall publish an announcement in connection therewith on the website of Shanghai Stock Exchange or other media designated by the CSRC for

information disclosure of listed companies. Such announcement shall disclose information including the magnitude of the adjustment, the registration date of shares, the suspension period of share conversion, if necessary, and other relevant information. Meanwhile, the Company shall disclose such information to the Hong Kong market in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association (if necessary). Application for conversion at adjusted Conversion Price shall be resumed upon the first trading day after the registration date, i.e. the Conversion Price adjustment date. If the Conversion Price adjustment date is on or after the date on which a bondholder applies for conversion of his/her A Share Convertible Corporate Bonds but before the registration date of the A Shares to be issued upon conversion, then such conversion shall be executed based on the adjusted Conversion Price.

The Issuance complies with the relevant provisions of Article 61 of the Measures.

(II) The Convertible Bonds May Be Converted Into Shares of the Company Six-Month Period After the Date of the Issuance. The Conversion Period Shall Be Determined By the Company In Accordance With the Duration of the Convertible Bonds and the Financial Position of the Company. Bondholders Have the Option to Convert or Not Convert Shares and Shall Become Shareholders of the Company on the Day after the Conversion

The Issuance Plan provides for: “The conversion period of the A Share Convertible Corporate Bonds under the Issuance shall commence on the first trading day immediately following the expiry of the six-month period after the date of the Issuance of the A Share Convertible Corporate Bonds, and end on the maturity date of the A Share Convertible Corporate Bonds. Bondholders have the option to convert or not convert shares and shall become shareholders of the Company on the day after the conversion.”

The rights of A Share Convertible Corporate Bonds include “Select to convert the Convertible Bonds into A Shares of the Company and become a shareholder of the Company on the day after the conversion, if the conditions for conversion are met.”

The Issuance complies with the relevant provisions of Article 62 of the Measures.

(III) The Conversion Price for the Issuance of Convertible Bonds to Unspecified Investors shall not be Lower than the Average Trading Price of the Listed Company’s Shares for 20 Trading Days Preceding the Date of Publication of the Offering Document and the Average Price of The Listed Company’s Shares on the Preceding Trading Day

The Issuance Plan provides for:

“The initial Conversion Price of the A share convertible corporate bonds under the Issuance shall not be lower than the average trading price of A Shares of the Company for the 20 trading days preceding the date of publication of the offering document (in the event that the A Share price was adjusted due to ex-right and ex-dividend in the preceding 20 trading days, the average trading price of A Shares on the trading days prior to the adjustment shall be calculated based on the price after such ex-right and ex-dividend) and the average trading price of A Shares of the Company on the preceding trading day, with no upward adjustment. The actual initial Conversion Price shall be determined by the Board (or its authorised persons) under the authorisation of the general meeting of and Class Meetings of the Company upon negotiation with the sponsor (the lead underwriter) prior to the Issuance in accordance with the market and the Company specific conditions.

The average trading price of A Shares of the Company for the preceding 20 trading days = total trading amount of A Shares of the Company for the preceding 20 trading days/total trading volume of A Shares of the Company for such 20 trading days. The average trading price of A Shares of the Company for the preceding trading day = total trading amount of A Shares of the Company for the preceding trading day/total trading volume of A Shares of the Company for such trading day.”

The Issuance complies with the relevant provisions of Article 64 of the Measures.

III. THE ISSUANCE IS IN COMPLIANCE WITH THE RELEVANT PROVISIONS OF THE SECURITIES LAW ON PUBLIC ISSUANCE OF CORPORATE BONDS

(I) The Company Has a Sound and Well-run Organization

In strict compliance with the Company Law, the Securities Law and other relevant laws, regulations and normative documents, the Company has set up the general meeting, the Board, the Supervisory Committee and other relevant business organizations, with a sound corporate governance structure. The issuer has formulated and improved management systems of various departments. The general meeting, the Board and the Supervisory Committee exercise their respective rights and fulfill their respective obligations in accordance with the provisions of the Company Law, the Articles of Association and various working systems of the Company. The Company complies with the provision of Article 15(1) of the Securities Law, i.e., having a sound and well-run organization.

(II) The Average Distributable Profit in Recent Three Years is Sufficient for the Payment of Interest on Corporate Bonds for One Year

In 2020, 2021 and 2022, the net profit attributable to owners of the parent company (the lower of before or after deducting non-recurring profit and loss) is RMB39,879,000, RMB444,203,100 and RMB1,019,405,500, respectively, with an average distributable profit for three years of RMB501,162,500. After reasonable estimation, the average distributable profit of the Company in recent three years is sufficient for payment of the interest of A Share

Convertible Corporate Bonds for one year on the assumption that proceeds of the Issuance of A Share Convertible Corporate Bonds to non-specific investors will be RMB2,000,000,000, and based on the recent interest rate level of the A share convertible corporate bonds market.

The Company complies with the provision of Article 15(2) of the Securities Law, i.e., the average distributable profit in recent three years is sufficient for payment of interest of corporate bonds for one year.

(III) Use of Proceeds Compliant with Regulations

The proceeds will be invested in the Company's new generation Field Programmable Gate Array (FPGA) platform development and industrialization project, intelligent and reconfigurable SoC platform development and industrialization project, new technical platform storage development and industrialization project, new high-end security controller development and industrialization project and passive IoT basic chip development and industrialization projects, which are in compliance with the national industrial policy and the provisions of laws and administrative regulations. The proceeds raised from the Issuance of A Share Convertible Corporate Bonds to non-specific investors shall be used in accordance with the use of the proceeds as set out in the Offering Document; any change in the use of the proceeds must be by resolution at a meeting of bondholders; the proceeds raised from the Issuance of A Share Convertible Corporate Bonds to non-specific investors shall not be used to make up for losses or non-productive expenditures.

The Issuance complies with Article 15 of the Securities Law: "The proceeds from the public issuance of corporate bonds shall be used in accordance with the use of proceeds set out in the rules for issuance of corporate bonds; changes to the use of proceeds shall be resolved by the bondholders' meeting. The proceeds from the public issuance of corporate bonds shall not be used to make up for losses or non-productive expenditures."

(IV) Ability to Continue as a Going Concern

The Company is engaged in the design, development and testing of very large integrated circuits as well as provision of system solutions to customers. The Company has established and improved product lines such as security and identification IC chips, non-volatile memory, smart meter chips, FPGA chips and testing services for IC products, and the products are widely used in numerous fields such as finance, social security, anti-counterfeit and traceability, anti-counterfeiting and traceability, network communications, home appliances, automotive electronics, industrial control, signal processing, data centers, artificial intelligence and many other aspects. In 2020, 2021 and 2022 and from January to March in 2023, the Company's revenue amounted to RMB1,690,896,800, RMB2,577,262,300, RMB3,538,908,900 and RMB809,356,900, respectively. This indicates that the Company's revenue has maintained steady growth and the Company has the ability to continue as a going concern.

The Company complies with Article 15 of the Securities Law: “The issuance of convertible corporate bonds by a listed company shall not only meet the requirements as provided for in paragraph 1 herein but also meet the requirements of paragraph 2 of Article 12 of this law.”

(V) No Circumstances under Which No More Public Issuance of Corporate Bonds May be Carried Out

The Company has existed none of the following circumstances, under which no more public issuance of corporate bonds may be carried out under Article 17 of the Securities Law: (1) Default of publicly issued corporate bonds or other debts or delay in payment of principals and interests and the default/delay is still on-going; (2) Violation of the provisions of the Securities Law and change in the use of proceeds raised from public issuance of corporate bonds.

IV. THE COMPANY NEITHER FALL WITHIN THE SCOPE OF ENTERPRISES SUBJECT TO SANCTIONS AS STIPULATED IN THE MEMORANDUM OF COOPERATION ON THE IMPLEMENTATION OF JOINT SANCTIONS FOR DEFAULTERS (《關於對失信被執行人實施聯合懲戒的合作備忘錄》) AND THE MEMORANDUM OF COOPERATION ON THE IMPLEMENTATION OF JOINT SANCTIONS FOR DEFAULTED ENTERPRISES IDENTIFIED BY CUSTOMS (《關於對海關失信企業實施聯合懲戒的合作備忘錄》), NOR GENERAL DEFAULTED ENTERPRISE AND DEFAULTED ENTERPRISE IDENTIFIED BY CUSTOMS

After self-examination, the Company neither fall within the scope of enterprises subject to sanctions as stipulated in the Memorandum of Cooperation on the Implementation of Joint Sanctions for Defaulters (《關於對失信被執行人實施聯合懲戒的合作備忘錄》) and the Memorandum of Cooperation on the Implementation of Joint Sanctions for Defaulted Enterprises Identified by Customs (《關於對海關失信企業實施聯合懲戒的合作備忘錄》), nor general defaulted enterprise and defaulted enterprise identified by customs.

SECTION V FAIRNESS AND RATIONALITY OF THE PROPOSED ISSUANCE

The proposed Issuance has been deliberated and approved by the Board. The implementation of the plan of the Issuance will be conducive to the business development and enhance the Company's comprehensive competitive advantages, and it will also benefit the return to all Shareholders.

The Proposed Issuance of A Share Convertible Corporate Bonds to non-specific investors and related documents are disclosed on the website of Shanghai Stock Exchange and the media designated for information disclosure and to the Hong Kong market in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles, which ensures the right of all Shareholders to be informed.

The Company will convene Shareholders' general meetings and Class Meetings to review the plan of the Issuance, and all Shareholders will vote on the Proposed Issuance of A Share Convertible Corporate Bonds by the Company to non-specific investors in a fair manner with Share having the same rights. Resolutions in relation to matters related to the Proposed Issuance of A Share Convertible Corporate Bonds to non-specific investors will be resolved at the Shareholders' general meetings and Class Meetings which must be passed by more than two-thirds of the voting rights held by Shareholders present at the meeting, and the votes of small and medium investors shall be counted separately. Meanwhile, A Shareholders may exercise their rights through on-site or online voting.

In summary, the Board has carefully studied the proposed Issuance of A Share Convertible Corporate Bonds to non-specific investors, and believes that such plan is in the interests of all Shareholders; the proposed Issuance and related documents have gone through relevant disclosure procedures to ensure Shareholders' right to be informed. At the same time, the proposed Issuance of A Share Convertible Corporate Bonds to non-specific investors will be subject to a fair vote by Shareholders attending the general meeting and the Class Meetings, which will be fair and reasonable.

SECTION VI IMPACT OF THE ISSUANCE ON THE EQUITY OF ORIGINAL SHAREHOLDERS OR DILUTION ON IMMEDIATE RETURNS AND SPECIFIC REMEDIAL MEASURES

Upon the Issuance of A Share Convertible Corporate Bonds to non-specific investors, the Company will be subject to the risk of dilution of immediate returns. The Company intends to adopt various measures to prevent the risk of dilution of immediate returns, so as to recover shareholders' returns, achieve its sustainable business development and enhance its sustainable return capability. The Company intends to take the specific remedial measures as follows: actively and steadily promote the construction of the proceeds investment projects to enhance the operating efficiency and profitability; strengthen the management of proceeds to ensure the regular and effective use of proceeds; continuously improve the corporate governance to enhance the operation management of the Company; further improve the profit distribution policy, especially the cash dividend policy, and optimize the investment return mechanism; and strengthen the construction of the talent team to enhance the market competitiveness of the Company.

The Board of the Company have carefully analyzed and reviewed the impact of the Issuance on the equity of original shareholders or dilution on immediate returns and specific remedial measures. To ensure that the remedial measures are effectively implemented, the directors and senior management of the Company have also issued relevant commitments, the specific content of which is detailed in the "Announcement on the Dilution on Immediate Returns of the Issuance of A Share Convertible Corporate Bonds to non-specific investors, Remedial Measures and Undertakings from Related Entities of Shanghai Fudan Microelectronics Group Company Limited" published on the website of the Shanghai Stock Exchange on the same date.

SECTION VII CONCLUSION

In summary, the proposed Issuance of A Share Convertible Corporate Bonds is fair and reasonable, and the Issuance of A Share Convertible Corporate Bonds to non-specific investors will be conducive to improving the sustainable profitability and comprehensive strength of the Company, in line with the development strategy of the Company, and in the interests of the Company and all its shareholders.

It is hereby announced.

The Board of Directors of
Shanghai Fudan Microelectronics Group Company Limited

29 April 2023

**FEASIBILITY REPORT ON THE USE OF PROCEEDS
RAISED FROM THE ISSUANCE OF A SHARE
CONVERTIBLE CORPORATE BONDS TO
NON-SPECIFIC INVESTORS BY SHANGHAI FUDAN
MICROELECTRONICS GROUP COMPANY LIMITED**

Shanghai Fudan Microelectronics Group Company Limited (the “Company”) proposes to issue A share convertible corporate bonds to non-specific investors to raise proceeds (the “Issuance”), in a view to improve its core competitiveness and enhance its profitability. The following is the feasibility analysis on the use of proceeds raised from the issuance of A share convertible corporate bonds to non-specific investors by the Board:

I. PROPOSED UTILIZATION OF PROCEEDS RAISED

The total amount of proceeds to be raised from the issuance of A Share Convertible Corporate Bonds to Non-specific Investors will not exceed RMB2 billion (inclusive). The gross proceeds, after deducting issuance expenses, will be used for the following projects:

Unit: RMB0'000

No.	Project name	Total project investment	Proposed amount to be used from the proceeds
1	New generation Field Programmable Gate Array (FPGA) platform development and industrialization project	66,100.00	64,610.00
2	Intelligent and reconfigurable SoC platform development and industrialization project	64,330.00	63,330.00
3	New technical platform storage development and industrialization project	44,380.00	41,880.00
4	New high-end security controller development and industrialization project	18,810.00	17,810.00
5	Passive IoT basic chips development and industrialization project	13,370.00	12,370.00
Total		206,990.00	200,000.00

Before the receipt of the proceeds from the issuance of A Share Convertible Corporate Bonds, the Company will invest with its own or self-raised funds as required based on the actual progress of the projects to be invested. When the proceeds are available, such funds used will be replaced by the proceeds so raised according to the procedures stipulated by the relevant laws and regulations. In the event that the actual amount of proceeds from the Issuance after deducting issuance expenses is less

than the amount of proceeds proposed to be invested in the projects above, according to the importance and urgency of the purpose of the raised funds, the Board of the Company may, without altering the projects to be invested by the proceeds raised, make appropriate adjustment to the sequence and amount of the proceeds proposed to be invested in the above projects according to the actual needs of the project, and any shortfall will be made up by the Company with its own or self-raised funds.

II. INFORMATION OF PROJECTS TO BE INVESTED BY RAISED PROCEEDS

(I) New Generation FPGA Platform Development and Industrialization Project

1. *General Information of the Project*

The project intends to develop new generation FPGA based on the advanced manufacturing process of 1xnm FinFET for computer vision, machine learning, high-speed digital processing and other application scenarios, providing low-cost, low-power, high-performance, and high-reliability product series for intelligent cockpits, video surveillance, medical imaging, network communications and other industry sectors. Upon completion, the project will enrich the Company's FPGA lineup, meet the market demand for next-generation FPGA products for artificial intelligence and digital communications, and further enhance the Company's market position and overall competitiveness.

2. *Background and Necessity of Project Implementation*

(1) *Iterations of FPGA technology towards higher performance and greater capacity*

The general FPGA adopts higher speed circuit design, more advanced fabrication process, system-level packaging form, complex heterogeneous SoC system, etc., and continues to develop towards high bandwidth, high capacity, high density, high integration and low power consumption. With higher system requirements for data throughput, high-end FPGAs for massive data processing must have high bandwidth. Therefore, FPGAs are required not only to increase the data bus bandwidth, but also conduct pipelining processing of the data path, bringing a series of requirements such as increased clock frequency, reduced latency, and high-speed data interfaces. Fabrication process is the basis of FPGA technology iteration, therefore, new-generation FPGA needs to adopt advanced fabrication process, reduce the interconnection delay between logic modules, increase the logic scale and the capacity of DSP, RAM, I/O and other resources, integrate DSP with higher operating frequency and computing speed, as well as high-speed interface IP such as PCIe, SerDes and DDR. High clock frequency operation brings excessive power consumption, so the performance-to-power ratio becomes an important technical indicator, reflecting the computing power that the device can provide per unit of power consumption. This project plans to develop new-

generation FPGA based on the advanced fabrication process of 1xnm FinFET, achieves the best performance-to-power ratio through design optimization, increases capacity with advanced fan-out and 2.5D packaging, integrates rich DSP and other resources, and enjoys parallel computing capabilities with high performance, low latency and high throughput, which can achieve a balance between performance and cost in the face of changing market demands, and compensate for the lack of flexibility and scalability of dedicated integrated circuits.

(2) *Strong demand for FPGA in artificial intelligence and digital communications markets*

FPGA is often used to process complex and multi-dimensional signals without occupying system memory during operation, which is suitable for fixed-point computing requiring flexible configuration. FPGA has a wide range of applications in digital communications, mainly in wired communications for access, transmission, routers, switches and other equipment, and in wireless communications for RF signal processing in base stations and other wireless communications equipment. FPGA is also an important AI chip, which is generally deployed in the cloud and at the edge. With the significant breakthrough of ChatGPT, AI technology will gradually be deeply integrated and widely applied in various industries. According to Grand View Research, the global AI market size was US\$136.55 billion in 2022. The market size is expected to reach US\$1,811.75 billion in 2030, with a compound annual growth rate of 37.3%. The generation of mass data and the development of algorithmic models bring rapid demands for three major resources: computing, storage, and network. According to IDC's forecast, the total global data volume will reach 221,000 EB in 2026, with a compound annual growth rate of 21.2%. AI chips mainly include GPU, FPGA and ASIC. According to Precedence Research, the global AI chip market size was US\$16.86 billion in 2022 and is expected to reach US\$227.48 billion in 2032, with a compound annual growth rate of 29.72%. Heterogeneous computing will become the mainstream trend of AI server computing power, making full use of the characteristics of different architecture processors to solve the bottleneck of computing power, therefore, the loading rate of GPU, FPGA and ASIC in intelligent computing power will be on the increase. According to Verified Market Research, the global FPGA market size was US\$7.06 billion in 2021 and is expected to reach US\$22.10 billion in 2030, with a compound annual growth rate of 15.12%.

3. *Feasibility of Project Implementation*

The Company is one of the leading companies in the field of FPGA technology in China. The Company's FPGA product line has successfully broken through key technologies including mega-scale FPGA architecture, programmable device compiler,

multi-protocol ultra-high-speed serial transceiver, heterogeneous intelligent computing architecture, highly reliable programmable devices, mega-scale programmable devices with full-flow EDA, etc., forming an obvious technology cluster advantage in the FPGA field, building a core technical barrier, and consolidating the competitive advantage. The Company now can provide 10 million-gate-level and 100 million-gate-level FPGA equipped with Procise™, the FPGA supporting EDA tool with full-process intellectual property. The Company has developed an extensive FPGA product spectrum in the 28nm process, and its series of products have been widely used in communications, industrial control and high reliability field, providing sufficient technology accumulation and market advantages for the development and industrialization of new-generation FPGA products.

4. *Project Investment Estimate and Implementation Subject*

The project will be constructed for a period of three years with a total investment of RMB661.0 million, of which RMB646.1 million comes from the proceeds raised. The project is to be implemented by Shanghai Fudan Microelectronics Group Company Limited. A breakdown of the specific investment expenses of the project is set out as follows:

Unit: RMB0'000

No.	Item	Amount of investment	Amount proposed to be used from the proceeds
1	Project costs	5,442.97	5,442.97
2	Other construction costs	57,764.50	57,764.50
3	Reserve funds	1,892.52	1,402.52
4	Initial working capital	1,000.00	-
	Total	66,100.00	64,610.00

Note: The difference between total amount and the sum of the breakdowns is due to rounding, the same below.

5. *Government Approvals for the Project*

As of the date of this report, the project approval procedures are still in progress.

(II) Intelligent Reconfigurable SoC Platform Development and Industrialization Project**1. Basic Information of the Project**

The project aims to develop a new-generation intelligent reconfigurable SoC technology platform and intelligent communication chip RFSoc, which will provide high performance, low power-consumption and high security product series for field sensing and other edge computing application scenarios in intelligent cockpit, intelligent communication, industrial control and other industrial fields. Intelligent communication chip RFSoc adopts 1xnm advanced process and realizes RF direct acquisition, signal processing, AI acceleration and other functions on a single chip, which will provide low power consumption, high performance, high integration, high security and high reliability product series for 5G small base stations, intelligent communication and other industrial fields. Upon completion of the project, the Company will launch domestic reconfigurable SoC chips with strong competitiveness. This will comprehensively improve the overall performance of the new-generation edge computing chips, closely follow the international leading level of intelligent reconfigurable technology, meet the market demand for high-performance, highly integrated AI chips for edge computing and intelligent communications, and further enhance the Company's market position and comprehensive competitiveness.

2. Background and Necessity of Project Implementation**(1) Performance improvement of edge intelligence technology driven by field sensing demands**

Edge computing chips are mainly used for edge-side field sensing, and the demands for various application scenarios vary greatly, which continuously lifts the requirements for AI chips in terms of computing power, bandwidth, power consumption, latency and security. With the continuous expansion of AI applications, AI applications targeted at data centers and other clouds generally suffer from issues such as high power consumption, low immediacy, insufficient bandwidth and low data transmission security. With the expansion of ubiquitously synergetic systems such as cloud-edge collaboration, edge computing and multi-device collaboration, the deployment of edge computing will continue to be enhanced, and increasing requirements will be raised for computing power, bandwidth and power consumption of the corresponding edge chips. Smart driving and industrial control are two typical scenarios of edge computing. Car manufacturers are promoting the development of intelligent driving by improving hardware settings such as arithmetic power and multi-sensor fusion, and iterating data-driven algorithm. In order to cope with the complex driving scenarios in urban areas and to ensure the safety of vehicle driving, multiple sensors including camera module, millimeter wave radar and laser radar are integrated by adopting advanced decision-making algorithms such

as fuzzy inference, reinforcement learning, neural networks and Bayesian networks to implement the algorithm based on intelligent chips, conduct edge-side intelligent computing and output the result to the decision-making system. Industrial control is mainly achieved through the intelligent iteration of the control system by PLC. In recent years, the world's leading automation manufacturers have integrated AI modules based on the expansion bus of existing PLC systems, and promoted the development of PLC towards the high-performance heterogeneous hardware and unified open software, which deeply supports the integrated application of complex logic, motion control, image processing, artificial intelligence, and etc. The artificial intelligence module identifies and classifies different complex working conditions, detects transient system changes with ultra-high speed and high accuracy, improves the response speed and processing capability of the control system, and predicts equipment failure and maintenance needs in a timely manner. The intelligent reconfigurable SoC chip integrates high-performance processors, programmable logic arrays, and AI accelerator units on a single chip, and assigns different tasks to different cores, allowing each core to handle the skilled tasks, realising system control at edge computing, fast algorithm iteration, AI acceleration and other functions, which can provide single-chip adaptive heterogeneous computing and intelligent control solutions for algorithm implementation in the field of intelligent driving and intelligent development in the field of industrial control.

(2) *Development of intelligent communication technology towards to “Software Radio”*

RFSoc, the intelligent communication chip, implements RF direct acquisition, signal processing and AI acceleration on a single chip, which simplifies the circuit design of RF front-end, improves signal integrity and communication quality, and reduces the size, power consumption and cost of the system. In the early development phase of semiconductors, RF, digital and analog were manufactured separately using different processes. The concept of “Software Radio” was first introduced by Jeseoph Mitola of MITRE at a conference on communication systems in the United States in May 1992. The core idea is to bring the analog-to-digital/digital-to-analog conversion closer to the antenna and minimize the analog circuit in the transceiver link, so that most of the signal processing can be done in a software-based, reconfigurable hardware platform to realize the functions of communication, interference, sensing, network attacks and other functions. Mobile communication has become the basic information network connecting human society since its birth in the 1980s. Compared with 4G network, 5G network has high signal frequency, many communication bands, which are susceptible to interference. The technical standards are still evolving, leading to greater difficulty and higher cost of band management. Since the transmission loss of high-frequency signals is much higher than that of low-frequency signals, 5G network needs to move the RF front-end from the base

station to the antenna to minimize the loss caused by antenna and RF circuit feeder. RFSoc achieves direct RF acquisition without the need of circuits and feeders composed of frequency mixers and high-speed analog-to-digital/digital-to-analog conversion devices, which greatly reduces the loss, delay, interference and power consumption brought forth by RF front-ends. In addition to RF direct acquisition unit, RFSoc also integrates programmable logic, digital signal processor, AI accelerator, security management unit and other resources to support the dynamic adaptation of system workload at both software and hardware levels using low latency AI inference, providing intelligent single-chip self-adjusting heterogeneous computing solutions for 5G and 6G mobile communication networks.

(3) *High growth in the market demand of 3D sensing and 5G small base station*

With the continuous expansion of AI applications, the market demands for high-performance and highly integrated AI chips are on a sharp rise in the edge computing and smart communication markets. Edge computing is closer to the physical device and can fully meet the system requirements for immediacy, data privacy and high security. According to China Academy of Information and Communication Technology, the market size of China's edge computing market was RMB43.6 billion in 2021 and is expected to reach RMB180.4 billion by 2024. 3D imaging and sensing are typical applications of edge intelligence, which are expanding from field of consumer electronics to intelligent driving, industrial control and other fields. According to Yole data, the market size of global 3D imaging and sensing market was USD8.2 billion in 2022 and is expected to reach USD17.2 billion by 2028, with an average compound annual growth rate of 13.2%, among which, the growth of applications in automotive and industrial fields will reach 38.5% and 13.6%, respectively. Smart communications will be prioritized for the 5G small base station market. Global 5G network is developing rapidly, and the first batch of 5G commercial network construction has been initially completed in leading countries. According to TD Alliance data, the total number of 5G base stations deployed worldwide was 3.64 million in 2022, representing a year-on-year increase of 72%, and the total number of users connected by 5G worldwide exceeded 1.01 billion with 5G penetration rate of 12%. 5G applications in China are heading into a critical period of scale replication, and the deployment of small base stations to achieve deep and dense high-band coverage is the focus of the next phase. According to Dell'Oro Group's forecast, the market size of the global small base station will reach USD25 billion and the shipment will reach 1.9 million stations by 2025.

3. Feasibility of implementing the project

Committed to the technology R&D and industrialization of heterogeneous integrated programmable devices, the Company has successfully broken through several heterogeneous integrated key technologies, and gained an obvious advantage of technology cluster in the PSoC field. The Company's PSoC products have been successfully put into mass production and applied by several customers, forming a series of PSoC products with the supporting EDA tool of the full process of the proprietary intellectual property PSoC. The Company has formed a rich PSoC product spectrum in 28nm process, with the products widely used in fields of communication, industrial control and high reliability, providing solid technical and market advantage for the development and industrialization of intelligent reconfigurable SoC products.

4. Project Investment Estimates and Implementation Subject

The project has a four-year construction period, with a total investment of RMB643.3 million, of which RMB633.3 million comes from the raised proceeds. The project implementation subject is Shanghai Fudan Microelectronics Group Company Limited. The specific investment expenses of the project are as follows:

Unit: RMB0'000

No.	Item	Amount of investment	Proposed amount to be used from the proceeds
1	Engineering cost	16,783.39	16,783.39
2	Other engineering construction expenses	44,711.18	44,711.18
3	Reserve funds	1,835.44	1,835.44
4	Initial working capital	1,000.00	-
	Total	64,330.00	63,330.00

5. Government Approvals for the Project

As of the date of this report, the project approval procedures are still in progress.

(III) Development and Industrialization Project of New Process Platform Memory**1. Basic Situations of the Project**

The project intends to develop niche non-volatile memory based on a new process platform, specifically including four product series, i.e. EEPROM, NOR Flash, NAND Flash and system-level memory products, for automotive electronics, consumer electronics, computers, network communications, industrial electronics, security monitoring and other applications, providing product series with various capacity range, several adaptable interfaces, high reliability, low power consumption, good compatibility and low cost. Upon completion, the project will further enhance the competitiveness of the Company's niche non-volatile memory product line and meet the broad market demands of various electronic information products for niche non-volatile memory products.

2. Background and Necessity of Project Implementation**(1) Evolution of non-volatile memory products towards more advanced process and systematic storage**

Although EEPROM, NOR Flash and NAND Flash are all non-volatile memory, the three types of memory have differentiated cost advantages in different capacity areas, forming their own relatively stable application areas and market segments. The process is the basis of memory technology iteration, and niche non-volatile memory generally uses relatively mature process with development towards high capacity, high performance, low power consumption and high reliability development. With the upgrade of technology in downstream applications, end-products demand higher memory function and performance, and require manufacturers to adopt higher processes, increase memory density, reduce costs, expand product lines, and maintain product competitiveness in the market. With the increase of capacity, the single chip cost of the three types of memory shows different trends, so the three types of memory adopt different processes within the range of their respective balanced performance cost. The EEPROM to be developed in this project are based on 95nm process, the NOR Flash will use the 50nm process, close to the 4Xnm limit, and the NAND Flash will use the 2Xnm process. With the clear demand of customers for higher capacity and reliability, we will develop the R&D and mass production capability of industrial customized system-level memory products with high reliability demand, and realize eMMC product series based on the improvement in particle performance, reliability and firmware algorithm and temperature expansion.

- (2) *The global memory market remains stagnant with new demands promoting upward market development*

Non-volatile memory belongs to universal integrated circuit, which can be widely used in automotive electronics, consumer electronics, computers, network communications, industrial electronics, security monitoring and other applications. Compared to other semiconductor products, the price of general memory has obvious fluctuations. The global semiconductor market experienced significant periodic fluctuations in 2022, with the memory market experiencing a sharp price decline in the second half of 2022. According to WSTS forecast, the global memory market size in 2022 was US\$134,407 million, down by 12.6% year-on-year. Computers and consumer electronics were still the main application areas of memory. As major economies entered the contraction cycle, enterprises and consumers were not willing to purchase, resulting in a relatively great decline in the demand in the end market. Smartphone and personal computer market shipments declined greatly. According to IDC data, the shipment of global smartphone market was 1.21 billion units in 2022, down by 11.3% year-on-year. According to Canalys, the shipment of global PC market was 285.1 million units in 2022, down by 16% year-on-year. Driven by personal remote business, enterprise digital transformation, and government infrastructure investment, the global server market was on high-speed rise. According to IDC data, the global server market size was US\$117.71 billion in 2022, up by 20.04% year-on-year. With the commercialization of the PCIe 5.0 bus standard and the rigid demand of artificial intelligence technology for intelligent computing power, the global server market will usher in a new round of development. Automotive electronics will be one of the applications with the highest growth rate in the memory market. With the development of the automotive electrical and electronics structure towards centralization, the centralized hardware brings forth the demand for three major resources: computing power, storage, and communication, of which storage resources are most easily compatible with existing memory products. According to Yole data, the global market size of automotive semiconductors was US\$44.1 billion in 2021, with memory accounting for 9% of the total; the market size is expected to reach US\$80.7 billion in 2027, with a CAGR of 11.1%, of which memory will account for 17% with a CAGR of 23.7%, making it the fastest growing segment of automotive semiconductors. From the relevant research data, it can be seen that the universal memory market, including non-volatile memory, will have the opportunity to jump out of the previous downward cycle, boosted by the rising demand for automotive, intelligent computing and other applications. The Company shall seize the opportunity to realize further improvement in the node iteration, performance and reliability improvement of the non-volatile memory process, and R&D capability development of larger-scale systematic products.

3. *Feasibility of Implementing Project*

The Company has formed three major product lines, i.e. EEPROM, NOR Flash and NAND Flash, establishing a complete niche non-volatile memory product architecture.

Since the launch of the first domestic serial EEPROM product in 2000, the Company has successfully developed many generations of EEPROM process node products such as 0.8 μ m, 0.6 μ m, 0.35 μ m, 0.13 μ m, etc. during 20 years of research and development, accumulating rich platform and product experience. The industry's smallest 1.0 μ m² cell product based on 0.13 μ m EEPROM process platform is currently put into mass production and has gained a foothold in the industrial and automotive standards. The first product of the new-generation of ultra-wide voltage, high-reliability EEPROM design platform has been successfully produced. Based on this platform, we plan to further optimize cost, improve performance and reliability, expand temperature, increase capacity coverage, etc., and develop a variety of products to achieve a wide range of applications in low-voltage, low-power consumption, high-reliability industrial and automotive standards, and fully upgrade and replace the Company's existing products. In addition, the Company will actively expand the application scenario solutions of small memory-based sensors in combination with the accumulated technology in the security and identification product lines.

Since the launch of NOR Flash products in 2011, the Company has gone through multiple iterations of 0.22 μ m, 130nm, 90nm, 65nm, and 55nm processes, and now has achieved a series of wide voltage 128Mb~8Mb NOR Flash products on the domestic leading ETOX NOR 55nm platform supplied in bulk for commercial, high-reliability industrial and automotive standard markets. With solid technology, market and customer base, the Company continues to invest in the development of ETOX NOR Flash 50/40nm process nodes and low voltage platform products. While continuing to consolidate and expand the existing 55nm product line, expand the scope of operating temperature and capacity, and the development of the next-generation low-voltage high-speed products, the first 50nm product platform has entered the test verification and reliability enhancement stage. The first unconventional ETOX cell structure product for the mid-capacity and higher reliability market has entered the verification and optimization phase. Considering the demand of the subsequent medium to high capacity and higher reliability products, the product line will continue to optimize the compression and density enhancement of the structured unit as the strategic partner of the tape-out supplier. Through the implementation of the project, the Company's NOR Flash product line will form a product pattern with multiple suppliers, several device structures, and richer voltage and reliability levels to fully satisfy Customers' segmented needs.

The Company's SLC NAND Flash product line has realized mature mass production of 40nm and 38nm platform 3.3V/1.8V products, with mature applications in wearable, internet, communication, security monitoring and other fields. In order to further optimize cost and expand capacity, we have already entered the 2Xnm process node,

and the first product has been designed, validated and optimized with a solid foundation. With the achievement of a new generation of process nodes, the NAND Flash product line will continue to optimize product cost and capacity with expanded capacity, improved performance and reliability, providing customers with product series with a wide capacity range, low cost and high reliability.

The Company has R&D reserves of various technical platforms including FLOTOX, ETOX, SONOS, etc. By developing new process design platforms and product series, and expanding its offerings of high-capacity system-level memory products, the Company is constantly enhancing its capabilities, optimizing product performance and achieving cost advantages. The Company has complete design, verification, production and sales capabilities and experience in non-volatile memory chips and controller, and has a deep understanding of memory chips applications with high reliability requirements. The Company also mastered a series of technologies in non-volatile memory direction, such as low-voltage and wide-voltage erasing and reading circuit design, high stability and high voltage charge pump design, error correction algorithm (ECC), design to improve the reliability of memory cell erasing and writing and data preservation, wide temperature range and high reliability design, so that all the parameters and reliability indicators of the products meet the international common standards and customers' multi-dimensional requirements in terms of capacity, performance, reliability and systematic storage. The Company offers a diverse range of memory products along with FPGA, MCU, security and identification product lines, catering to the needs of customers in commercial, high-industrial and automotive sectors. This provides one-stop solutions for applications in industrial control instruments, medical, communications, automotive and other applications.

4. *Project Investment Estimates and Implementation Subject*

The project will be constructed for a period of three years with a total investment of RMB443.8 million, of which RMB418.8 million is proposed to be used from the proceeds. The project is being implemented by Shanghai Fudan Microelectronics Group Company Limited. The breakdown of the project's investment costs is set out in the table below:

Unit: RMB0'000

No.	Item	Amount of investment	Proposed amount to be used from the proceeds
1	Engineering cost	5,996.65	5,996.65
2	Other engineering construction expenses	34,665.60	34,665.60
3	Reserve funds	1,217.75	1,217.75
4	Initial working capital	2,500.00	-
	Total	44,380.00	41,880.00

5. *Government Approvals for the Project*

As of the date of this report, the project approval procedures are still in progress.

(IV) New High-end Security Controller Development and Industrialization Project

1. *Basic Situations of the Project*

This project intends to develop a security controller with our existing security chip product line, optimize the existing security algorithm, including two product series of low power consumption and high performance, and provide security chip product series with low power consumption, high performance and extensibility to meet the demand for information security in intelligent card, consumable anti-counterfeiting, eSIM, T-BOX and financial POS markets. Upon completion, the project will enrich the Company's security chip product line, meet the growing market demands for information security in the IOT, and further enhance the Company's market position and overall competitiveness.

2. *Background and Necessity of Project Implementation*

(1) *Continuous release of laws and regulations related to information security*

The Third Plenary Session of the 18th CPC Central Committee established the Central Cyberspace Affairs Leading Group (reorganized as the Central Cyberspace Affairs Commission in 2018), bringing the issue of information security to the height of national security. The promulgation of the National Security Law, the Network Security Law, the Cryptography Law, the Data Security Law, and the Personal Information Protection Law has laid a solid legal foundation for the rapid development of national network information security. In July 2015, the National Security Law was published, which is the basic law governing the work in various fields of national security. In November 2016, the Cybersecurity Law was published, elevating the network information security to the strategic level of national security and stipulating that “the State shall implement a classified protection system for cybersecurity”. In May 2019, the “Network Security Classified Protection 2.0 Standard” was released, marking a new era of active defense from passive defense in terms of network classified protection construction. In October 2019, the Cryptography Law was promulgated, signifying that China’s commercial cryptography has entered into the stage of legislative regulation, and specifying the password management and application including commercial cryptography in the form of legislation. In June 2021, the Data Security Law was promulgated to protect the healthy development of the digital economy and promote data as a new factor of production. In August 2021, the Personal Information Protection Law was published, providing a legal basis for the privacy protection of personal information. Under the guidance and attention of national policies, various industries and fields in China have paid attention to information security with significantly increasing demands for technology and products.

(2) *Development of the security chip technology towards large capacity and high performance*

Attacks on security chips have prompted the continuous upgrade of security controller and cryptographic algorithms, and complex algorithms have raised higher requirements on the arithmetic power and capacity, as well as higher security through software and hardware integration. Currently, the security threats of the Internet of Things mainly concentrate in the perception layer, with a wide number and variety of terminal devices, different types of devices in multiple industries, professions and fields, and different communication protocols, interface modes and security requirements. The strong dispersion and weak organization of the terminal equipment of the Internet of Things have led to the failure to promptly update some high-risk vulnerabilities and insufficient network security protection measures, so that the terminal

equipment is exposed to security threats such as tampering and counterfeiting. The security chip implements the cryptographic algorithm in the form of hardware, which can guarantee the reliability of access and devices, and encrypt communication and storage processes to protect key data. Safety chips include safety SE chips, safety controllers, etc. At present, the security controller mainly uses 8-bit and 32-bit kernel, among which 8-bit kernel is low-cost, low-power consumption and easy to develop. The 32-bit kernel provides higher performance and security. With certain data and service processing capabilities for different applications in addition to the algorithm-based computing function, it is mainly applied in the mid and high-end scenarios with security requirements.

(3) *Rigid demands of the IOT for security chips*

The security chip is an efficient and secure way to conduct password algorithm. It can realize one or more kinds of password algorithms and is widely used in various authentication systems, encryption and decryption systems, intelligent terminal equipment and other fields. It can realize product anti-counterfeiting, identity authentication, data encryption, safe storage, safe startup and other functions to ensure system security more effectively. With the rapid growth of the number of wireless access devices, virtual space and physical space are more closely combined, the boundary of the network is gradually blurred, and the information security is confronted with more complex situations, which seriously restricts the development of IOT technology and application. According to IoT Analytics, the number of connected IOT devices in the world will reach 27 billion by 2025, with a compound annual growth rate of 22%; among them, the number of 5G network connections will experience the highest-speed growth, with a compound annual growth rate of 159%. The security threats of the IOT are mainly concentrated in the perception layer, with a wide number and variety of terminal devices, different types of devices in multiple industries, professions and fields, and different communication protocols, interface modes and security requirements. Security chips can be used in embedded system as a universal circuit, but also can be used independently in the form of financial IC card, telecom SIM card, certificate card, digital key, etc. In addition to encryption and decryption algorithm, the security controller has certain data processing capabilities, and is suitable for scenarios with higher level of security, a large number of ports, and high speed. According to Yole, the global smart card and security MCU market was worth \$2.76 billion in 2022 and is expected to reach \$3.93 billion by 2027.

3. *Project Implementation Feasibility*

After years of continuous research and development and technology accumulation, the Company's security chip product line has formed a relatively obvious technical and R&D advantage in key technical fields. The Company has launched a number of

security chips for the IOT and optimized security technology and low-power consumption technology to meet the needs of low power security applications in the IOT. The Company has maintained a high market share in financial, social security, transportation and other fields, and established the Company's market position in the smart card industry. At the same time, the Company has made breakthroughs in telecom SIM cards and security chips. In addition, the software and system department of the Company has developed a large number of application software and supporting security service platforms according to the needs of the industry and customers. After years of iteration, it has the ability to provide customers with one-stop services such as chip products, application software, system solutions, safety production and so on, so as to enhance the comprehensive competitiveness of products.

4. *Project Investment Estimates and Implementation Subject*

The project has a two-year construction period, with a total investment of RMB 188.1 million, of which RMB 178.1 million comes from the raised proceeds. The implementation entity of the project is Shanghai Fudan Microelectronics Group Company Limited*. The specific investment expenses of the project are as follows:

Unit: RMB0'000

No.	Item	Amount of investment	Proposed amount to be used from the proceeds
1	Engineering cost	909.50	909.50
2	Other engineering construction expenses	16,387.50	16,387.50
3	Reserve funds	513.00	513.00
4	Initial working capital	1,000.00	-
	Total	18,810.00	17,810.00

5. *Government Approvals for the Project*

As of the date of this report, the project approval procedures are still in progress.

(V) Development and Industrialization Project of Passive IOT Basic Chips

1. *Basic Information of the Project*

This project plans to develop passive IOT basic chips based on the existing RFID chip product line, and upgrade the technology of the existing products, including three product series, i.e. ultra-high frequency RFID tag chips, ultra-high frequency RFID

reader chips and microwave frequency RFID tag chips, providing identification chip product series with high sensitivity, anti-interference, low power consumption, low cost and high reliability for footwear management, library management, airport luggage, intelligent manufacturing and other scenarios in the retail, office, storage, medical care, industry and other industries. Upon completion, the project will enrich the Company's identification chip product line, meet the market demand for high-performance, low-cost and passive identification chip products in the IOT era, and further improve the Company's market position and comprehensive competitiveness.

2. *Background and Necessity of Project Implementation*

(1) *Passive ultra-high frequency and microwave RFID with higher technical advantages*

RFID technology connects non-intelligent objects with the IOT, realizing the identification, positioning, monitoring and centralized management of non-intelligent objects, so that the IOT can perceive, collect and control the physical world. With the progress of RFID technology, we can achieve better tag sensitivity, greater anti-interference ability, more complete anti-conflict mechanism, and lower chip size, power consumption and cost, which can integrate positioning, security, sensing and other modules to provide richer functions. RFID is divided into low-frequency, high-frequency, ultra-high frequency and microwave frequency bands by the working frequency band. Low-frequency RFID and high-frequency RFID adopt the inductive coupling principle to transmit energy and data in the full-duplex and half-duplex communication modes respectively. The tags are required to be stationary near the reader antenna with an effective identification distance no more than 1.2 meters, which will realize limited reading speed and management scale. Ultra-high frequency and microwave RFID adopt electromagnetic back scattering, and the passive tag identification distance is generally about 10 meters. Compared with low frequency and high frequency, ultra-high frequency and microwave RFID have faster reading and writing speed, longer identification distance, with the ability to identify several static and mobile tag at a time, and diversified application scenarios. Ultra-high frequency and microwave RFID can not only enable the system to quickly obtain tag information, but also manage large-scale input tags more effectively, significantly improving the application experience of industry users. In the active application scenarios, the deployment of power supply network, battery life, environmental protection, cost, maintenance and other problems impose great limitations on the actual application. The passive design is more suitable for the needs of users, so the passive IOT has aroused great interest in the industry in recent years. The passive IOT basic chips to be developed in this project include three product series, i.e. ultra-high frequency RFID tag chip, ultra-high frequency RFID reader chip and microwave RFID tag chip, which have more complete anti-conflict mechanism, safer and more reliable

performance, and technical characteristics of high sensitivity, anti-interference, low power consumption, low cost and high reliability. It can realize efficient and centralized management of large-scale, non-intelligent objects in a passive state.

(2) *Retail demands will promote the development of RFID market*

RFID system consists of electronic tag, reader and application system. The performance and cost of RFID are important factors to determine its commercial scale. Compared with bar code and two-dimensional code, RFID can read several pieces of tag information all at once and repeatedly add, modify and delete all the stored data with rapid reading and writing speed, long transmission distance, large storage capacity and high security. As the IoT enters a new phase of cross-border integration and scale development, the number of wireless access devices is growing dramatically. According to IoT Analytics forecast, the number of connected devices in the global IoT will be 27 billion by 2025, with a compound annual growth rate of 22%. As a bridge between non-intelligent items and the IoT, RFID is widely used in various scenarios such as tickets, electronic price tags, anti-counterfeit labels, asset management, traffic toll, etc. According to IDTechEx data, the global RFID market size in 2022 was \$12.8 billion, and the market size is expected to reach \$14 billion in 2023, an increase of 9.4% year-on-year. Retail is the largest application area for UHF RFID shipments. According to IDTechEx data, the global retail apparel shipment in the RFID market will reach 24 billion in 2023, and more retail products are using UHF RFID as electronic tags.

3. *Project Implementation Feasibility*

After years of continuous research and development and technical accumulation, the Company's RFID chip product line has formed a relatively obvious technical advantage in key technology areas. The Company has launched UHF RFID chips with sensing characteristics, and the performance and reliability of the products have been recognized by customers in small batch trials, gaining a higher market position in the rapidly developing UHF RFID application field. The Company has also made technical deployment in the sensing field, and launched the IoT solutions with supporting sensing chips and RF chips in combination with the Company's RF technology advantage.

4. *Project Investment Estimates and Implementation Subject*

The project has a two-year construction period, with a total investment of RMB133.70 million, of which RMB123.70 million comes from the raised proceeds. The project implementation subject is Shanghai Fudan Microelectronics Group Company Limited. The specific investment expenses of the project are as follows:

Unit: RMB'0,000

No.	Item	Amount of investment	Proposed amount to be used from the proceeds
1	Engineering cost	1,150.60	1,150.60
2	Other engineering construction expenses	10,863.50	10,863.50
3	Reserve funds	355.90	355.90
4	Initial working capital	1,000.00	-
	Total	13,370.00	12,370.00

5. *Government Approvals for the Project*

As of the date of this report, the project approval procedures are still in progress.

III. STATEMENT OF THE USAGE OF PROCEEDS IN THE MAIN BUSINESS OF SCIENTIFIC AND TECHNOLOGICAL INNOVATION FIELD

(I) **Main Investment of the Proceeds in Scientific and Technological Innovation Field**

The raised proceeds are invested in the main business, i.e. the new-generation FPGA platform development and industrialization project, intelligent reconfigurable SoC platform development and industrialization project, new process platform memory development and industrialization project, passive IoT basic chip development and industrialization project and new high-end security controller development and industrialization project.

IC industry is the core of the information technology industry, and a strategic, fundamental and pioneering industry to support economic and social development. According to the “Several Policies for Promoting High-Quality Development of IC Industry and Software Industry in the New Era” issued by the State Council in 2020, the IC industry and software industry are the core of the information industry and the key force leading a new round of technological and industrial revolution. According to the “Announcement on Enterprise Income Tax Policies for Promoting High-Quality Development of IC Industry and Software Industry” issued by the National Development and Reform Commission, the Ministry of Industry and Information

Technology and other six ministries in 2020, the enterprise income taxes of IC design, equipment, materials, packaging, testing and software enterprises encouraged by the State shall be exempted. According to the “Outline of the 14th Five-Year Plan and Vision 2035 for National Economic and Social Development of the People’s Republic of China” adopted by the National People’s Congress in 2021, it is necessary to foster advanced manufacturing clusters and promote the innovative development of IC and other industries.

In summary, the proceeds raised are mainly invested in the field of scientific and technological innovation mainly supported by national strategies and policies, which are in compliance with the requirements of the “Administrative Measures for the Issuance and Registration of Securities by Listed Companies” and other relevant regulations.

(II) Investment Projects will Promote the Continuous Enhancement of the Scientific and Technological Innovation Level of the Company

Through the implementation of this investment project, the Company will promote the development of the main business and enhance the continuous enhancement of the scientific and technological innovation by increasing the investment in R&D, strengthening the capability of technology R&D, promoting the R&D design and industrialization capability of new-generation FPGA platform, intelligent reconfigurable SoC platform, new process platform memory, passive IoT basic chip and new high-end security controller, and lifting the level of core technology and product competitiveness.

In future, the Company will insist on continuous R&D and technological innovation, continuously improve its R&D innovation capability and core technology level to promote the continuous improvement of product competitiveness.

IV. THE IMPACT OF THE ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS ON THE COMPANY’S OPERATION MANAGEMENT AND FINANCIAL CONDITIONS

(I) The Impact of the Issuance of A Share Convertible Corporate Bonds to Non-specific Investors on the Company’s Operation Management

There weren’t any changes in the main business of the Company before and after the issuance of the A share convertible corporate bonds to non-specific investors.

The proceeds raised by issuance of A-share convertible bonds to non-specific investors are mainly used for the construction of new-generation FPGA platform development and industrialization projects, intelligent reconfigurable SoC platform development and industrialization projects, new process platform memory development and industrialization projects, passive IoT basic chip development and industrialization projects and new high-end security controller development and industrialization projects, based on the existing main

business, in combination with market demands and future development trends, in order to increase investment in key products and important research directions in the core business areas of the Company.

The completion of the investment project will enrich the variety of the Company's product lines, further enhance the competitiveness and market share of the Company's products, and drive the synergistic development of the upstream and downstream of the semi-conductor industry chain.

(II) The Impact of the Issuance of A Share Convertible Corporate Bonds to Non-specific Investors on the Company's Financial Conditions

After the proceeds from the issuance of A-share convertible bonds to non-specific investors are fully received, the total assets and liabilities of the Company will be increased accordingly, which will thus enhance the overall capital strength of the Company and provide strong assurance for the business development of the Company. Before the conversion of the convertible bonds, the Company had lower financial cost for using the proceeds and lower risks of interest repayment. With the successive conversion by convertible bondholders, the gearing ratio of the Company will be on the gradual decrease, which can help optimize the Company's capital structure and enhance the Company's risk resistance capability.

The investment project with raised funds has good economic benefits, although the financial indicators such as return on net assets and earnings per share may decrease to a certain extent during the construction period. However, after the benefits are gradually released upon completion of the investment projects, the scale of operation and profitability of the Company will be further enhanced, which will be conducive to strengthening the Company's comprehensive competitive strength, promoting the sustainable and healthy development of the Company and contributing to the return for the shareholders of the Company.

V. FEASIBILITY CONCLUSION OF THE ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS

After careful analysis, the Board of Directors holds the view that the investment projects with the raised proceeds comply with the relevant national industrial policies and the overall strategic development plan of the Company in the future, with good market prospects and economic effects, and in the interest of the Company and all shareholders. At the same time, the issue of A-share convertible bonds to non-specific investors is beneficial to enhancing the Company's profitability and core competitive strength, optimizing the Company's capital structure, improving the Company's influence and providing foundation for the future business development. In summary, the investment projects with the raised proceeds have the feasibility of implementation.

The Board of Directors of
Shanghai Fudan Microelectronics Group Company Limited

29 April 2023

**SHANGHAI FUDAN MICROELECTRONICS GROUP COMPANY LIMITED
DILUTION OF IMMEDIATE RETURNS BY THE ISSUANCE OF
A SHARE CONVERTIBLE
CORPORATE BONDS TO NON-SPECIFIC INVESTORS,
REMEDIAL MEASURES AND
UNDERTAKINGS FROM RELATED ENTITIES**

Shanghai Fudan Microelectronics Group Company Limited (hereinafter referred to as “Fudan Microelectronics” or the “Company”) intends to issue Convertible Corporate Bonds to non-specific investors. According to the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Minority Investors in the Capital Market (Guo Ban Fa [2013] No.110), the Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (Guo Fa [2014] No.17) and the Guiding Opinions of the China Securities Regulatory Commission on Matters Relating to the Dilution of Immediate Returns by Initial Offering, Refinancing and Material Asset Restructuring (CSRC Announcement [2015] No.31) and other relevant laws, regulations and normative documents, in order to protect the interests of minority investors, the Company has analyzed the impact of the Issuance on the dilution of immediate returns and put forward relevant measures to remedy the diluted immediate returns, specifically as follows:

I. IMPACT OF THE DILUTION OF IMMEDIATE RETURNS BY THE ISSUANCE ON THE COMPANY’S MAJOR FINANCIAL INDICATORS

(1) Assumptions and preconditions

1. It is assumed that there will be no major adverse changes in the future macroeconomic environment, industrial policies, industry development status, product market conditions, and the Company’s operating conditions.
2. The conversion period of the Convertible Bonds under the Issuance to non-specific investors shall be six years, commencing on the first trading day immediately following the expiry of the six-month period after the completion date of the Issuance, and ending on the maturity date of the Convertible Corporate Bonds. Assuming that the Issuance will be completed by the end of December 2023, there are two scenarios thereafter - all of the holders of the A Share Convertible Corporate Bonds have completed the conversion by the end of June 2024 or none of the bondholders has completed the conversion by the end of December 2024. The aforesaid time is only used to calculate the impact of the Issuance on the immediate returns, and does not constitute a commitment to the actual completion time. Investors should not make investment decisions based on these grounds, and the Company will not be held liable for any loss of investors thus incurred. The actual completion time for the Issuance and conversion by the bondholders after passing the review of the Shanghai Stock Exchange for issuance and listing and obtaining the endorsement of the China Securities Regulatory Commission for registration shall prevail.

3. It's assumed that the gross proceeds raised from the Issuance is RMB2,000,000,000, while the impact of the issuance costs are not considered for the time being. The actual proceeds raised from the Issuance of A Share Convertible Corporate Bonds to non-specific investors will be finally determined based on the review and registration status of the regulatory authorities, subscription for issuance and issuance costs.
4. It's assumed that the conversion price of the Convertible Corporate Bonds is RMB 65.88 per share (which shall be the higher of the average trading price of A Shares of the Company for the 20 trading days preceding the date as of 28 April 2023, and the average trading price of A Shares of the Company on the previous trading day). Such conversion price is only used to calculate the impact of the diluted immediate returns of the Issuance on the major financial indicators, and does not constitute a numerical forecast of the actual conversion price. The final initial conversion price will be determined by the Board of Directors of the Company under the authorisation of the shareholders' meeting and Class Meetings prior to the Issuance in accordance with the market conditions.
5. The impact on the Company's production and operation and financial position (such as operating income, financial expenses and investment gains) after the proceeds raised from the Issuance are not considered.
6. In 2022, the Company's net profit attributable to the owners of the parent company and the net profit attributable to the owners of the parent company after deducting non-recurring gains and losses were RMB1,076,843,300 and RMB1,019,405,500 respectively. It's assumed that there are three scenarios for the annual growth rate corresponding to the net profit attributable to the owners of the parent company, and the net profit attributable to the owners of the parent company after deducting non-recurring gains and losses in 2023 and 2024: (1) 0%; (2) 10%; (3) 20%. (The above growth rate does not represent the Company's forecast for future profits, but is only used to calculate the impact of the diluted immediate returns of the Issuance on the key indicators, and Investors shall not make investment decisions in reliance upon aforesaid statement, and the Company shall not be liable for any losses caused by investors making investment decisions in this regard.)
7. It is assumed that apart from the Issuance, other behaviors that will have an impact or potential impact on the Company's total share capital, such as equity incentives, dividends, and additional issuance, will not be considered for the time being.
8. It is assumed that the influence of the coupon rate of the convertible bond is not considered for the time being, and the calculation is only for the purpose of comparison, which does not constitute a forecast of the actual coupon rate.

The above assumptions are only used to calculate the dilutive impact of issuance of the Convertible Corporate Bonds on major financial indicators of the Company's immediate returns, and do not represent the Company's judgment on the operation and financial conditions for 2023 and 2024, nor do they constitute the Company's profit forecast for 2023 and 2024. The actual revenue of the Company in 2023 and 2024 depends on many factors, such as national macroeconomic policies, industry development, market competition, and the Company's business development, which exhibits a great uncertainty. Investors shall not make investment decisions in reliance upon aforesaid statement, and the Company shall not be liable for any losses caused by investors making investment decisions in this regard.

(2) Impact of the issuance of A Share Convertible Corporate Bonds to non-specific investors on major financial indicators

Based on the above assumptions, the dilutive impact of the issuance of Convertible Corporate Bonds to non-specific investors on major financial indicators of the Company's immediate returns is estimated as follows:

Items	Year 2022/ 31 December 2022	Year 2023/ 31 December 2023	Year 2024/ 31 December 2024	
			Convert into shares in full	All unconverted
Total share capital at the end of the period (shares)	816,656,500	816,656,500	847,014,727	816,656,500

Assumption 1: The net profit before/after non-recurring gains and losses attributable to the owners of the parent in 2023 and 2024 will be the same as that of the previous year

Net profit attributable to owners of the parent (RMB'0,000) (before non-recurring gains and losses)	107,684.33	107,684.33	107,684.33	107,684.33
Net profit attributable to owners of the parent (RMB'0,000) (after non-recurring gains and losses)	101,940.55	101,940.55	101,940.55	101,940.55
Basic earnings per share (RMB/share) (before non- recurring gains and losses)	1.32	1.32	1.29	1.32
Basic earnings per share (RMB/share) (after non- recurring gains and losses)	1.25	1.25	1.23	1.25

APPENDIX V

**DILUTIVE IMPACT OF IMMEDIATE RETURNS BY THE ISSUANCE OF
A SHARE CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS,
REMEDIAL MEASURES AND UNDERTAKINGS FROM RELATED ENTITIES**

Items	Year 2022/ 31 December 2022	Year 2023/ 31 December 2023	Year 2024/ 31 December 2024	
			Convert into shares in full	All unconverted
Diluted earnings per share (RMB/share) (before non- recurring gains and losses)	1.31	1.32	1.27	1.27
Diluted earnings per share (RMB/share) (after non- recurring gains and losses)	1.24	1.25	1.20	1.20
Assumption 2: The net profit before/after non-recurring gains and losses attributable to owners of the parent in 2023 and 2024 will increase by 10% compared with the previous year				
Net profit attributable to owners of the parent (RMB'0,000) (before non-recurring gains and losses)	107,684.33	118,452.76	130,298.04	130,298.04
Net profit attributable to owners of the parent (RMB'0,000) (after non-recurring gains and losses)	101,940.55	112,134.61	123,348.07	123,348.07
Basic earnings per share (RMB/ share) (before non-recurring gains and losses)	1.32	1.45	1.57	1.60
Basic earnings per share (RMB/ share) (after non-recurring gains and losses)	1.25	1.37	1.48	1.51
Diluted earnings per share (RMB/share) (before non- recurring gains and losses)	1.31	1.45	1.54	1.54
Diluted earnings per share (RMB/share) (after non- recurring gains and losses)	1.24	1.37	1.46	1.46

**DILUTIVE IMPACT OF IMMEDIATE RETURNS BY THE ISSUANCE OF
A SHARE CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS,
REMEDIAL MEASURES AND UNDERTAKINGS FROM RELATED ENTITIES**

Items	Year 2022/ 31 December 2022	Year 2023/ 31 December 2023	Year 2024/ 31 December 2024 Convert into shares in full	All unconverted
	Assumption 3: The net profit before/after non-recurring gains and losses attributable to owners of the parent in 2023 and 2024 will increase by 20% compared with the previous year			
Net profit attributable to owners of the parent (RMB'0,000) (before non-recurring gains and losses)	107,684.33	129,221.20	155,065.44	155,065.44
Net profit attributable to owners of the parent (RMB'0,000) (after non-recurring gains and losses)	101,940.55	122,328.66	146,794.39	146,794.39
Basic earnings per share (RMB/share) (before non-recurring gains and losses)	1.32	1.58	1.86	1.90
Basic earnings per share (RMB/share) (after non-recurring gains and losses)	1.25	1.50	1.76	1.80
Diluted earnings per share (RMB/share) (before non-recurring gains and losses)	1.31	1.58	1.83	1.83
Diluted earnings per share (RMB/share) (after non-recurring gains and losses)	1.24	1.50	1.73	1.73

Note: Basic earnings per share, diluted earnings per share, and weighted average return on net assets are calculated in accordance with the “Rules Governing the Preparation and Disclosure of Information on Companies Issuing Public Securities No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings per Share” (Revised in 2010), the “Accounting Standards for Enterprises No.34 - Earnings per Share” and the relevant application guidelines.

II. SPECIAL REMINDER ON RISKS OF DILUTION OF IMMEDIATE RETURNS CAUSED BY THE ISSUANCE

The Company shall pay interests on the outstanding A Share Convertible Corporate Bonds at the coupon rate agreed in advance after the issuance of A Share Convertible Corporate Bonds and before any conversion thereof. As the coupon rate of A Share Convertible Corporate Bonds is relatively low, the income generated from the use of proceeds from issuance of A Share Convertible Corporate Bonds will exceed the interest payments of A Share Convertible Corporate Bonds in general, thus, the

earnings per share will not be diluted. However, in case the income generated from the use of proceeds from issuance of A Share Convertible Corporate Bonds is less than the interest payables thereof, the Company's profit after tax may decrease, which will dilute the immediate returns to the ordinary shareholders of the Company.

After the A Share Convertible Corporate Bonds held by investors are partially or completely converted into shares, the total share capital and net assets of the Company will increase to a certain extent, which may have a certain diluting effect on the original shareholders' shareholding ratio and earnings per share of the Company. In addition, the A Share Convertible Corporate Bonds issued to non-specific investors have a revision clause of reduced conversion price. When this clause is triggered, the Company may apply for revision of reduced conversion price, resulting in an increase in the total new share capital due to the conversion of A Share Convertible Corporate Bonds, and thus expanding the potential diluting effect of the conversion of A Share Convertible Corporate Bonds issued to non-specific investors on the original ordinary shareholders of the Company.

There is a risk that the immediate returns of the Company after issuing A Share Convertible Corporate Bonds to non-specific investors will be diluted, the investors should pay attention to the investment risks.

III. NECESSITY AND RATIONALITY OF THE ISSUANCE

The issuance of A Share Convertible Corporate Bonds to non-specific investors conforms to relevant national industrial policies and the Company's overall strategic development plan in the future and has good market prospects and economic effects. It is also in line with the interests of the Company and all shareholders and conducive to enhancing the Company's profitability and core competitiveness, optimizes the Company's capital structure, enhances the Company's influence, and provides guarantee for subsequent business development. For detailed analysis, please refer to the "Feasibility Analysis Report of Shanghai Fudan Microelectronics Group Company Limited on the Use of Funds Raised from Issuing A Share Convertible Corporate Bonds to Non-specific Investors" which published on the website of the Shanghai Stock Exchange (www.sse.com.cn) on the same day.

IV. RELATIONSHIP BETWEEN THE FUNDRAISING INVESTMENT PROJECT AND THE COMPANY'S EXISTING BUSINESS

The Company is a professional company engaged in the design, development, testing of VLSI, and providing system solutions for customers. At present, the Company has established and improved product lines such as security and identification chips, non-volatile memory, smart meter chips, FPGA chips and integrated circuit testing services. Products are widely used in finance, social security, security traceability, network communication, household appliances, automotive electronics, industrial control, signal processing, data center, artificial intelligence and many other fields.

After deducting the issuance expenses, the funds raised this time will be used for the Company's research and development and industrialization projects of new generation of FPGA platform, intelligent reconfigurable SoC platform, new technical platform storage, new high-end security

control device and passive IoT basic chips, which are closely related to the Company's existing business. The fundraising projects are in line with the national industrial policy of encouraging the development of high-end core general-purpose integrated circuits, conform to the development trend of upgrading integrated circuit products in the direction of high performance, low power consumption, low cost, and high reliability, and meet the increasing demands of artificial intelligence, the Internet of Things, data centers, network communications, automotive electronics, industrial control and other fields for new-generation integrated circuits. The implementation of the fundraising projects will enrich the Company's product lineages, further improve the Company's product competitiveness and market share, and drive the coordinated development of the upstream and downstream of the semiconductor industry chain.

V. THE COMPANY'S RESERVES IN TERMS OF PERSONNEL, TECHNOLOGY AND MARKET FOR FUNDRAISING INVESTMENT PROJECTS

(1) Personnel reserve

As integrated circuit design is a technology-intensive industry, the Company attaches great importance to the exploration and training of high-end technical talents. At present, it has formed a diversified and multi-level R&D talent echelon, with talents in digital circuit, simulation circuit design and system design. As of December 31, 2022, the Company has 885 R&D personnel, accounting for 52.34% of the total number of employees. Yu Jun, executive director and deputy general manager of the Company, Cheng Junxia, executive director and chief engineer, Shen Lei, deputy general manager and deputy chief engineer, Meng Xiangwang, manager and product director of Power Electronics Division, and Wang Lihui, director of Safety Laboratory, are all the core technical personnel. Among them, Yu Jun, Cheng Junxia and Shen Lei are all from the State Key Laboratory of ASIC & System of Fudan University, with profound professional academic background and rich experience in R&D and design. They are fully responsible for the technology, engineering realization and quality assurance of product development in the Company, and have won many awards such as the Government Science and Technology Progress Award. They have a deep understanding of the development trend of the integrated circuit industry and have high influence in the industry. Meng Xiangwang is responsible for the overall work of the Company's power electronics product line, and leads the team to achieve the Company's goal of ranking first in the market share of single-phase smart meter MCU in the State Grid after more than ten years of unremitting efforts. Wang Lihui is responsible for the research and development of the security technology of the Company's cryptographic chips, and has nearly ten years of experience in cryptographic security design, especially in the security design of cryptographic algorithms.

Most of the core employees from the business department team, quality control team and marketing team in each product line of the Company graduated from well-known universities at home and abroad, and have solid reserves and rich experience in professional skills, product research and development, market development and other aspects. In addition, the Company attaches great importance to the construction of talent echelon, and adopts the mode of mentoring to train young technical talents internally. In the process of project implementation,

members at all levels work together and get full practical training opportunities, which is conducive to maintaining the overall competitiveness of the team. The Company has formed a stable and complementary talent team from top to bottom, covering operation, management, research and development, sales, quality control and other aspects, and ensuring the effectiveness of the Company's management, decision-making and implementation.

Therefore, the Company has sufficient reserves in personnel for fund-raising investment projects.

(2) Technical reserve

Since its establishment, the Company has continued to focus on integrated circuit design and research and development. After more than 20 years of development, it has accumulated rich industry experience and technology. It currently has four major categories of products: security and identification, non-volatile memories, smart meter chips, and FPGA, with stronger technology and research and development advantages in such fields. The proceeds to be raised from the Issuance of A Share Convertible Corporate Bonds to non-specific investors will be invested to three major product categories of the Company, among which:

In terms of security and identification of chips, the Company has formed relatively obvious technical and R&D advantages in the two key technical fields of radio frequency and security after years of continuous research and development and technology accumulation. Based on the accumulation of radio-frequency chip design technology for many years, we have further developed a new generation of NFC technology to support more types of NFC devices, and at the same time launched UHF RFID technology with perceptual characteristics, which is expected to obtain more opportunities in the rapidly developing UHF RFID application field as the product performance and reliability have been recognized by customers in small batch trials.

In terms of non-volatile memories, the Company's new generation of ultra-wide voltage and high reliability EEPROM design platform products has already achieved mass production, and successively developed a number of products, which are gradually promoted in the application scenarios of industrial and automotive levels with low voltage, low power consumption and high reliability, gradually replacing the existing product series. At the same time, in combination with the sensing technology of the Company's similar product line, it is actively expanding the products related to small storage with sensors; in terms of NOR FLASH, while consolidating and expanding the existing 55nm product line, completing the expansion of operating temperature range and capacity, and developing the next generation of low-voltage and high-speed products, the 50nm product platform has entered the stage of testing verification and reliability improvement. For the market of medium capacity and high reliability, the first unconventional ETOX unit structure product has entered the stage of verification and optimization; for SLC NAND, the product line has completed the establishment of 2Xnm platform, the first product has entered the stage of reliability verification and optimization, with several products designed.

In terms of FPGA chips, the FPGA product line has successfully broken through key technologies such as UltraScale FPGA architecture technology, programmable device compiler technology, multi-protocol hyperspeed serial transceiver technology, heterogeneous intelligent computing architecture technology, highly reliable programmable device technology, and ultra-large-scale programmable device supporting full-process EDA technology, forming obvious technical cluster advantages in FPGA and PSoC, and building core technical barriers to consolidate competitive advantages.

On the whole, the Company has sufficient technical reserves to engage in the investment of the proceeds.

(3) Market reserve

After more than 20 years of development, the Company has accumulated extensive market foundation and customer resources in the four product lines of security and identification, non-volatile memories, smart meter chip and FPGA. The proceeds to be raised from the Issuance of A Share Convertible Corporate Bonds to non-specific investors will be invested to three major product categories of the Company, among which:

In terms of security and identification: In the field of smart cards and security chips, the Company has maintained a stable development momentum in the financial field, adhered to the continuous supply in the transportation field, increased investment in the three-generation social security field, achieved good results, and consolidated the Company's market position in the smart card industry. At the same time, the Company has made breakthroughs in the market fields such as telecom SIM cards and security chips; in the field of radio frequency identification and sensor chips, the Company's high-frequency RFID series products continue to maintain leading market share in consumables anti-counterfeiting, education, game props, unmanned retail, libraries and other fields. In the field of UHF RFID, EPC protocol reader chips, tag chips, dual-frequency temperature measurement chips and other products are being actively promoted, which are expected to form a new market breakthrough in the application scenarios of UHF RFID. In the field of NFC series chips, it has introduced many well-known smart appliance manufacturers.

In terms of non-volatile memories, the Company has strengthened its market expansion in the industrial market, high reliability market, automotive electronics and other fields. The Company's FM24C512DA1 (EEPROM) has passed the AEC-Q100 Grade 1 automotive certification and has been used on board one after another. This product is suitable for T-BOX, intelligent cockpit, domain control station, entertainment system, transmission system, safety and site and other scenarios; the Company also has corresponding products of NOR Flash\Nand Flash series in the process of certification and promotion.

In terms of the FPGA chips, the Company is currently able to provide three series of products including ten-million gate FPGA chips, billion gate FPGA chips, and embedded programmable device chips (PSoC), and has the first embedded programmable PSoC launched in the market

in China, which can well meet the needs of high-speed communication, signal processing, image processing, industrial control and other application fields, and receive a good market response; at present, the Company is actively developing billion gate product development to ensure that the Company's leading position in the field of domestic programmable devices. At the same time, the Company is further enriching the FPGA and PSoC chip pedigree types of the 28nm process to meet the needs of different levels of the market, continuously improving product competitiveness, achieving sustained and stable development and winning customer brand loyalty.

To sum up, the Company has sufficient market reserve for fundraising investment projects.

VI. MAIN MEASURES TAKEN BY THE COMPANY TO DILUTED IMMEDIATE RETURNS OF THE ISSUANCE

In order to protect the legitimate rights and interests of investors and reduce the impact of the Issuance that may dilute immediate returns, the Company plans to take various measures to ensure the effective use of funds raised in the Issuance and effectively prevent the risk of dilution of immediate returns. The Company's specific measures to fill in the immediate returns are as follows:

(1) Actively and steadily promote the construction of fundraising investment projects to improve operating efficiency and profitability

The implementation of this fundraising project will enhance the Company's profitability and core competitiveness, optimize the Company's capital structure, enhance the Company's influence, and provide a guarantee for subsequent business development. The Company will actively and steadily promote the construction of fundraising projects, improve the efficiency of the use of raised funds, and strive to realize the expected benefits of fundraising projects as soon as possible, so as to improve the Company's profitability, enhance shareholder returns, and reduce the risk of dilution of immediate returns caused by issuance.

(2) Strengthen the management of raised funds to ensure the standardized and effective use of raised funds

After the funds raised from the Issuance are in place, the Company will strictly implement the Securities Law of the People's Republic of China, the Administrative Measures for the Registration of Securities Issuance of Listed Companies, the Listing Rules of Shanghai Stock Exchange on Science and Technology Innovation Board Stock, the Guidelines for Self-regulation of Listed Companies in Science and Technology Innovation Board of Shanghai Stock Exchange No.1-Standardized Operation, the Guidelines for the Supervision of Listed Companies No.2-Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies and other regulations, as well as the requirements of the Company's raised funds management system, and store and use the raised funds in a specific account so as to ensure that the raised funds are fully and effectively used in accordance with the original purpose, and effectively prevent the risk of using the raised funds.

(3) Continue to improve corporate governance and improve the Company's operation and management level

The Company will strictly follow the requirements of laws, regulations and normative documents such as the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and the Code of Corporate Governance for Listed Companies, and continuously improve the corporate governance structure to ensure that shareholders can fully exercise their rights, the Board of Directors can exercise powers in accordance with the provisions of the Company's articles of association, independent directors can conscientiously perform their duties, and the Supervisory Committee can independently and effectively exercise the supervision and inspection rights over the Company's directors, senior management personnel and the Company's finances, providing a scientific and effective governance structure and system guarantees for the Company's sustainable and stable development. At the same time, the Company will continue to improve business processes, improve operating efficiency, strengthen the management of research and development, procurement, sales and other links, and further improve the Company's management level.

(4) Further improve the profit distribution policy (especially the cash dividend policy), and optimize the investment return mechanism

According to relevant requirements from the Opinions of the State Council on Further Enhancing the Protection of the Legitimate Rights and Interests of Small and Medium-sized Investors in the Capital Market, the Notice of China Securities Regulatory Commission on Further Implementing Matters Concerning Cash Dividends of Listed Companies and the Guidelines for the Supervision of Listed Companies No. 3 - Cash Dividends of Listed Companies, the Company formulated the Shareholder Return Program of Shanghai Fudan Microelectronics Group Company Limited for the Next Three Years (Years 2023-2025) to further clarify and stabilize the profit distribution to shareholders, especially the cash dividend return mechanism. After the completion of the Issuance, the Company will strictly implement the Company's dividend policy to ensure that the interests of the Company's shareholders, especially minority shareholders, are protected.

(5) Strengthen the construction of talent team and enhance the Company's market competitiveness

The Company will establish a talent structure that matches the Company's development, continue to strengthen the construction of R&D and sales teams, introduce excellent management talents, develop a more effective employment incentive and competition mechanism, and a scientific, reasonable and practical talent introduction and training mechanism, and build the market-oriented talent operation mode to provide reliable talent guarantee for the Company's sustainable development and continuously improve the Company's market competitiveness.

VII. MAIN MEASURES TAKEN BY THE COMPANY TO DILUTED IMMEDIATE RETURNS OF THE ISSUANCE

According to relevant requirements from the Opinions of the General Office of the State Council on Further Enhancing the Protection of the Legitimate Rights and Interests of Small and Medium-sized Investors in the Capital Market (Guo Ban Fa [2013] No. 110), the Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (Guo Fa [2014] No. 17) and the Guiding Opinions of the China Securities Regulatory Commission on Matters Related to Initial Offering and Refinancing, Dilution of Immediate Returns by Major Asset Restructuring (CSRC Announcement [2015] No. 31), in order to protect the interests of investors, the Company analyzed the impact of the Issuance of diluted immediate returns on major financial indicators and proposed specific measures to fill returns. In order to effectively implement the fill-in measures taken by the Company to issue diluted immediate returns of A Share Convertible Corporate Bonds to non-specific investors, the directors and senior managers of the Company solemnly promise as follows:

- “1. I promise not to transfer benefits to other units or individuals free of charge or under unfair conditions, nor to use other methods to damage the interests of the Company;
2. I promise to restrict my duty consumption behavior;
3. I promise not to use the Company’s assets to engage in investment and consumption activities that have nothing to do with my performance of duties;
4. I promise that the remuneration system formulated by the Board of Directors or the remuneration and appraisal committee will be linked to the implementation of the Company’s fill-in measures;
5. I promise that if the Company implements a new equity incentive plan in the future, I will, within the scope of my own duties and authority, urge to link the exercise conditions of the equity incentive plan formulated by the Company with the implementation of the Company’s fill-in return measures;
6. From the date of issuing this commitment to the completion of the Company’s issuance of Convertible Corporate Bonds to non-specific investors, if the China Securities Regulatory Commission and other securities regulatory agencies make other new regulatory requirements on fill-in measures and commitments, and if the above commitment fails to meet the requirements of the China Securities Regulatory Commission and other securities regulatory agencies, I promise to issue supplementary commitments in accordance with the latest regulations of the China Securities Regulatory Commission and other securities regulatory agencies.

As one of the relevant responsible parties for filling the return measures, if I violate the above commitments or refuse to perform the above commitments, I agree to receive relevant penalties or management measures in accordance with the relevant regulations and rules formulated or issued by securities regulatory agencies such as the China Securities Regulatory Commission and the Shanghai Stock Exchange.”

VIII. THE PROPOSAL ON THE REMEDIAL MEASURES AND UNDERTAKINGS IN RELATION TO DILUTIVE IMPACT ON IMMEDIATE RETURNS OF THE ISSUANCE

The Company held the ninth meeting of the ninth session of the Board of Directors and the eighth meeting of the ninth session of the Supervisory Committee on 28 April 2023, and respectively reviewed and approved the Proposal of the Company on Diluting Immediate returns, the Proposal in Relation to the Remedial Measures and Undertakings from Related Entities in relation to Dilutive Impact on Immediate Returns of the Issuance of A Share Convertible Corporate Bonds of the Company to Non-specific Investors, and the independent directors have expressed independent opinions expressly agreeing on this matter. The aforementioned proposal shall be submitted to the Company’s general meeting of shareholders for consideration.

It is hereby announced.

The Board of Directors of
Shanghai Fudan Microelectronics Group Company Limited

29 April 2023

**SHAREHOLDER RETURN PROGRAM OF SHANGHAI FUDAN
MICROELECTRONICS GROUP COMPANY LIMITED FOR
THE NEXT THREE YEARS (YEARS 2023-2025)**

Based on full consideration of the actual operating conditions and future development needs of the Company, the Board of Directors of the Company has formulated the Shareholder Return Program of Shanghai Fudan Microelectronics Group Company Limited for the Next Three Years (Years 2023-2025) (《上海復旦微電子集團股份有限公司未來三年(2023-2025年)股東分紅回報規劃》) (hereinafter referred to as the “Program”) in accordance with the Company Law (《公司法》), the Securities Law (《證券法》), the Notice of China Securities Regulatory Commission Regarding Further Implementation of Matters Relating to Distribution of Cash Dividends of Listed Companies (《中國證監會關於進一步落實上市公司現金分紅有關事項的通知》) (Zheng Jian Fa [2012] No. 37) and the Regulatory Guidelines for Listed Companies No. 3 - Distribution of Cash Dividends of Listed Companies (《上市公司監管指引第3號——上市公司現金分紅》) (2022 Revision) (Announcement [2022] No. 3 of the China Securities Regulatory Commission) and other relevant laws and regulations, regulatory documents and relevant provisions of the Articles of Association of Shanghai Fudan Microelectronics Group Company Limited (《上海復旦微電子集團股份有限公司章程》) (hereinafter referred to as the “Articles of Association”), in order to further improve and perfect the profit distribution decision-making and supervision mechanism of the Company, strengthen the awareness of return to shareholders, enhance the transparency of profit distribution of the Company, maintain the continuity and transparency of the profit distribution policy, and provide shareholders with continuous, stable and reasonable investment returns.

I. BASIC PRINCIPLES FOR FORMULATION OF THE PROGRAM

The Company attaches great emphasis on a reasonable return for shareholders’ investment in profit distribution, and the profit distribution policy shall maintain continuity and stability while taking into account the actual operating conditions and long-term strategic development goals of the Company. The Company shall fully consider the opinions of the independent directors and minority shareholders in the argumentation and decision-making process of the profit distribution policy.

II. CONSIDERATIONS FOR FORMULATION OF THE PROGRAM

With a view to seeking long-term and sustainable development, the Company, combined with the characteristics of the industry in which it operates and its development trend, has established a sustainable, stable and scientific return mechanism for investors based on a balance between stable development of the Company and return for shareholders, taking various factors into consideration, such as the scale of the Company’s future earnings, cash flow position, stage of development, project investment needs and external financing environment. On the premise of ensuring the normal operations of the Company, we will actively reward investors and build up a good corporate image.

**APPENDIX VI SHAREHOLDER RETURN PROGRAM FOR THE NEXT
THREE YEARS (YEARS 2023-2025)**

III. SPECIFIC PLANS FOR SHAREHOLDER RETURN IN NEXT THREE YEARS (YEARS 2023-2025)

(I) Basic principles of profit distribution policy

The Company will give full consideration to the return to investors and distribute dividends to shareholders each year at a certain percentage of the Company's distributable profit in that year. The basic principles of the profit distribution policy are shown as follows:

1. To give full consideration to reasonable investment returns to investors and not to impair the legitimate rights and interests of investors;
2. To maintain the continuity and stability of the profit distribution policy, taking into account the long-term interests of the Company, the overall interests of all shareholders and the sustainable development of the Company;
3. To give priority to the profit distribution in the form of cash dividends;
4. To fully listen to and consider the requirements of the minority shareholders;
5. To give full consideration to the monetary policy environment.

(II) Specific policies on profit distribution

1. The Company may distribute profits in cash, stock, a combination of cash and stock or other methods permitted by laws and regulations, with priority given to cash dividends for profit distribution. Profit distribution shall not exceed the scope of accumulated distributable profits and shall not impair the Company's ability to continue as a going concern;
2. Subject to the prevailing laws, regulations and regulatory requirements, the profit distributed by the Company in cash each year shall not be less than 10% of the distributable profits realized in that year;
3. On the premise of ensuring the normal operations of the Company, the Company insists on the principle of profit distribution mainly in the form of cash, and no stock shall be issued if no cash dividends are paid out in that year. The Board of Directors is obliged to propose cash dividends and state the arrangements or principles for the use of the undistributed portion of the distributable profits of the year;
4. If no cash dividends are proposed due to major investment plans or major cash expenditures, the Board of Directors shall disclose the reasons and the specific use of the retained funds in the profit distribution proposal;

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THREE YEARS (YEARS 2023-2025)**

5. Subject to the cash dividend distribution policy, the Company may formulate a stock dividend distribution proposal in case the Board of Directors considers that the future growth of the Company is relatively favorable, the net assets per share is high, the price of the Company's stock does not match the size of the Company's share capital, and the stock dividend payouts are in the overall interests of all shareholders of the Company;
6. The Company distributes profit annually in general. The Board of Directors of the Company may also propose interim profit distribution plans subject to the Company's profitability and capital requirements, etc.

(III) Differentiated cash dividend policy

The Board of Directors of the Company shall distinguish the following circumstances and propose a differentiated cash dividend policy in accordance with the procedures stipulated in the Articles of Association, taking into account the characteristics of the industry in which the Company operates, the stage of development, its own business model, profitability level and whether there are significant capital expenditure arrangements:

1. If the Company is in a mature stage of development and has no significant capital expenditure arrangements, the cash dividend distribution shall account for at least 80% of the profit distribution;
2. If the Company is in a mature stage of development and has significant capital expenditure arrangements, the cash dividend distribution shall account for at least 40% of the profit distribution;
3. If the Company is in a growing stage of development and has significant capital expenditure arrangements, the cash dividend distribution shall account for at least 20% of the profit distribution.

The foregoing provisions shall apply in case the Board of Directors of the Company considers that it is difficult to distinguish the development stage but there are significant capital expenditure arrangements.

(IV) Deliberation procedures for profit distribution

1. The Board of Directors shall be responsible for formulating the profit distribution plan;
2. The profit distribution plan approved by the Board of Directors shall be submitted to the General Meeting for deliberation before implementation;

**APPENDIX VI SHAREHOLDER RETURN PROGRAM FOR THE NEXT
THREE YEARS (YEARS 2023-2025)**

3. Where the Board of Directors has not made a cash dividend profit distribution plan, or the cash profit distribution plan made by the Board of Directors does not comply with the provisions of the Articles of Association, the Board of Directors shall disclose the detailed reasons and the use of retained funds not distributed as dividends in the regular report, the independent directors shall express independent opinions thereon;
4. The Supervisory Committee shall supervise the profit distribution plan formulated by the Board of Directors. When the Board of Directors fails to make a cash profit distribution plan in accordance with the Articles of Association, or when the cash profit distribution plan made by the Board of Directors does not comply with the provisions of the Articles of Association, the Supervisory Committee shall have the right to request the Board of Directors to make rectifications;
5. In case the profit distribution policy is subject to adjustment due to significant changes in the external operation environment or our own operation condition, the Board of Directors shall re-formulate the profit distribution policy and presented to the independent directors for advice. The profit distribution policy reformulated by the Board of Directors shall be proposed to the General Meeting for consideration and shall be implemented only after it has been approved by a two-thirds majority of the voting rights held by the shareholders present at the General Meeting; the General Meeting shall be convened in a combination of on-site polling and online polling to facilitate the participation of the minority shareholders in the formulation or revision of the profit distribution policy.

IV. FORMULATION CYCLE AND ADJUSTMENT MECHANISM FOR THE SHAREHOLDERS' RETURN PLAN

The Company shall formulate the dividend distribution plan and the next three-year dividend distribution plan. The dividend distribution plan shall focus on the long-term and sustainable development of the Company with a continuous, stable and scientific return mechanism for investors based on comprehensive consideration of the development trend of the industry, the actual operations and development goals of the Company, the requirements and wishes of shareholders, the social financing environment and the cost of capital, and make institutional arrangements for dividend distribution to ensure the continuity and stability of dividend distribution.

The Company shall review the dividend return program and plans every three years, and make appropriate and necessary adjustments to the dividend program and plans based on the opinions of shareholders (especially the minority shareholders), independent directors and external supervisors. The adjustments to the dividend program and plans shall be in line with the protection of shareholders' rights and interests and shall not contradict with the relevant provisions of the Articles of Association. The Company shall ensure that the adjusted shareholder return program do not violate the principles established in the Articles of Association.

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Where a shareholder return program is formulated or adjusted by the Company, the Company shall deliberate and approve it in accordance with the relevant procedures of the Program regarding the formulation and revision of the Company's profit distribution policy.

V. MISCELLANEOUS

Matters not mentioned in the Program shall be implemented in accordance with relevant laws and regulations, regulatory documents, and the Articles of Association. The Program shall be interpreted by the Board of Directors of the Company and shall be implemented from the date of deliberation and approval at the General Meeting of the Company, and the same shall apply to any amendment or adjustment.

The Board of Directors of
Shanghai Fudan Microelectronics Group Company Limited

29 April 2023

**APPENDIX VII RULES FOR MEETINGS OF HOLDERS OF A SHARE
 CONVERTIBLE CORPORATE BOND**

**SHANGHAI FUDAN MICROELECTRONICS GROUP COMPANY LIMITED
 RULES FOR MEETINGS OF HOLDERS OF
 A SHARE CONVERTIBLE CORPORATE BONDS**

CHAPTER 1 GENERAL RULES

Article 1 In order to standardize the organization and behavior of the meetings of holders of A Share convertible corporate bonds of Shanghai Fudan Microelectronics Group Company Limited (the “Company”), define the powers and duties of the bondholders, and protect the legitimate rights and interests of bondholders, the Rules are formulated in accordance with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Administrative Measures for the Issuance of Securities by Listed Companies, the Listing Rules of Sci-Tech Innovation Board of Shanghai Stock Exchange and other laws, regulations and normative documents, and in combination with the actual situation of the Company.

Article 2 The convertible corporate bonds mentioned herein refer to the A Share convertible corporate bonds (the “Convertible Bonds”) issued by the Company as agreed in the Offering Document of A Share Convertible Corporate Bonds Issued to Non-specific Investors by Shanghai Fudan Microelectronics Group Company Limited (the “Offering Document”), and bondholders refer to investors that obtain the Convertible Bonds through acquisition, trading, transfer or other legitimate means.

The Company will appoint the underwriter of the Convertible Bonds or other agencies recognized by China Securities Regulatory Commission (the “CSRC”) as the trustee of the Convertible Bonds (the “Bond Trustee”).

Article 3 The bondholders’ meetings are constituted by all bondholders in accordance with the Rules. The bondholders’ meeting shall be convened and held in accordance with the procedures set forth in the Rules, and shall deliberate and vote on matters within the scope of authority set forth in the Rules in accordance with the law.

Article 4 The resolutions considered and approved at the Bondholders’ meetings in accordance with the Rules are equally binding upon all the Bondholders (including all the Bondholders present or not present at the meeting, against the resolution or with the abstention vote, as well as the holders accepting the transferred Convertible Bonds after the approval of relevant resolutions, the same below).

Article 5 The subscription for, possession or acceptance of the transfer of the Convertible Bonds will be deemed as the agreement with all the provisions herein and willingness to be bound by the Rules.

CHAPTER 2 RIGHTS AND OBLIGATIONS OF BONDHOLDERS

Article 6 Rights of the bondholders:

- (1) Receive agreed interests in accordance with the number of Convertible Bonds held;

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- (2) Request the Company to pay the principal and interest of the Convertible Bonds in accordance with the agreed period and by the agreed manner set out in the Offering Document;
- (3) Attend in person or appoint a proxy to attend convertible bondholders' meetings and exercise voting rights in accordance with the Rules of Meetings of Bondholders of Convertible Bonds; when the Bond Trustee should convene but fails to convene a convertible bondholders' meeting, holders of Convertible Bonds holding more than 10% of the total amount of convertible bonds for the current period, whether individually or collectively, have the right to convene a convertible bondholders' meeting on their own;
- (4) Supervise the Company's relevant acts involving the interests of convertible bondholders, and have the right to exercise or authorize the Bond Trustee to exercise the relevant rights of convertible bondholders on their behalf through the resolution of the convertible bondholders' meetings in accordance with the provisions of laws, rules, regulations and Offering Document, if matters that may harm their interests occur;
- (5) Supervise the fiduciary performance of the Bond Trustee and have the right to propose the replacement of the Bond Trustee;
- (6) Require the Company to perform the redemption terms and put provisions, if the redemption conditions and put provisions are met;
- (7) Select to convert the Convertible Bonds into A Shares of the Company and become a shareholder of the Company on the day after the conversion, if the conditions for conversion are met;
- (8) Assign, bestow or pledge the Convertible Bonds held by the Convertible Bondholders in accordance with the provisions of laws, administrative regulations and the Articles;
- (9) Other rights of them as creditors of the Company ascribed by laws, rules and the Articles.

Article 7 Obligations of the Convertible Bondholders:

- (1) Abide by the relevant terms of the Convertible Bonds under the Issuance by the Company;
- (2) Not to request the Company to make prepayment of the principal and interest of the Convertible Bonds, unless otherwise required by laws and regulations, or otherwise agreed in the Offering Document;
- (3) Pay the subscription amount in accordance with the number of Convertible Bonds subscribed by the Convertible Bondholders;
- (4) The legal consequences of the trustee's fiduciary management acts pursuant to the trustee management agreement shall be borne by the holders of the current convertible bonds; if the bond trustee does not have the right of agency, exceeds the right of agency or engages in acts after the

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termination of the right of agency, and is not confirmed by the resolution of the convertible bondholders' meeting, they will not be effective for all convertible bondholders, and the Bond Trustee shall bear the consequences and responsibilities thereof;

- (5) Accept and be bound by the resolutions of the convertible bondholders' meetings;
- (6) Do not engage in any activities that harm the legitimate rights and interests of the Company, Bond Trustees and other convertible bondholders;
- (7) If the Bond Trustee initiates litigation, arbitration, application for property preservation or other legal proceedings against the Company in accordance with the trustee management agreement, the convertible bondholder shall bear the relevant expenses (including but not limited to litigation fees, lawyer fees, notary fees, various types of security deposits, guarantee fees, and other reasonable expenses or expenditures required by the Bond Trustee due to the relevant actions taken by the convertible bondholder), and shall not require the Bond Trustee to advance for him;
- (8) Other obligations that convertible bondholders should undertake in accordance with laws, rules, regulations and the Offering Document.

CHAPTER 3 SCOPE OF AUTHORITY OF THE BONDHOLDERS' MEETINGS

Article 8 The scope of authority of the Bondholders' Meetings is as follows:

- (1) Make resolutions on whether to agree with the Company's proposal when the Company proposes to change the terms of the Offering Document, but the Bondholders' Meetings shall not make resolutions to approve the non-payment of the bond principal and interests, change of the bond interest rate and term, or cancellation of the redemption or sales-back clauses in the Offering Document;
- (2) Resolve on whether to agree with the relevant solutions, whether to force the Company and guarantor (if any) to repay the bond principal and interests through litigations or other procedures, or whether to participate in the Company's legal procedures of reorganization, reconciliation, restructuring or bankruptcy, when the Company fails to pay the principal and interests of the Convertible Bonds on time;
- (3) Resolve on whether accept the Company's relevant proposal and exercise the legitimate rights of the Bondholders when the Company undertakes a capital reduction (other than a capital reduction resulting from the implementation of employee stock ownership plan or share incentive scheme, or share repurchase as necessary to maintain the Company's value and Shareholders' equity), merger, spinoff or dissolution, or files for bankruptcy;
- (4) Resolve on the proposal to exercise the rights of the Bondholders in case there is any material adverse change from the guarantors (if any) or the collaterals (if any);

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- (5) Resolve on the proposal to exercise the rights of the Bondholders in case there are other matters which may have significant impact on the interests of the Bondholders;
- (6) Resolve on the amendment to the Rules within the scope permitted by the laws;
- (7) Other circumstances stipulated in laws, administrative regulations and normative documents where relevant resolutions shall be made at the Bondholders' Meetings.

CHAPTER 4 CONVENING BONDHOLDERS' MEETINGS

Article 9 The Board of Directors or the Bond Trustee shall be responsible for convening a Bondholders' Meeting. The Board of Directors or the Bond Trustee shall convene a Bondholders' Meeting within 30 days from the date of proposing or receiving a proposal to convene a Bondholders' Meeting. The notice of the meeting shall be sent to all Bondholders and the relevant attendees 15 days prior to the date of the meeting convening.

Article 10 During the term of the A Share Convertible Bonds and redemption, a Convertible Bondholders' Meeting shall be convened by the Board of the Company upon the occurrence of any of the following:

- (1) The Company proposes to change the terms of the Offering Document;
- (2) The Company defaults in paying the principal and interests of Convertible Bonds on time;
- (3) The Company undertakes a capital reduction (other than a capital reduction resulting from an employee stock ownership scheme or share incentive scheme, or share repurchase necessary to maintain the Company's value and Shareholders' equity), merger, division or dissolution, or files for bankruptcy;
- (4) Any material change arises from the guarantors (if any) or the collaterals (if any);
- (5) It is proposed to amend the Rules of Meetings of Bondholders of Convertible Bonds;
- (6) It is proposed to amend the main contents of the Bond Trustee or the trustee agreement;
- (7) The written proposal by the Company, the Convertible Bondholder individually or collectively holding more than 10% of the total par value of the outstanding bonds of the convertible bonds to the Company for convening a meeting;
- (8) Measures shall be taken in accordance with laws when the Company's capability of solvency of its debt faces great uncertainties due to the failure of the Company's management to fulfill its responsibilities and duties;
- (9) The Company proposes a debt restructuring plan;

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- (10) Other matters which may significantly and materially affect the interests of the Bondholders occur;
- (11) Other matters required to be considered and approved at the Bondholders' Meetings in accordance with the provisions of laws, regulations, the CSRC, the Shanghai Stock Exchange and the Rules.

The following institutions or persons may propose a Bondholders' Meeting in writing:

- (1) The Board of the Company;
- (2) The Convertible Bondholder individually or jointly holding more than 10% of the total par value of the outstanding Convertible Bonds;
- (3) Bond trustee;
- (4) Other institutions or persons stipulated by relevant laws, regulations, the CSRC or the Shanghai Stock Exchange.

Article 11 Should the Board of the Company or bond trustees fail to fulfill their responsibilities as stipulated herein within 15 days since the date of occurrence of the item stipulated in Article 10, the Bondholder individually or jointly holding more than 10% of the total par value of the outstanding Convertible Bonds has the right to issue an announcement to convene the Bondholders' Meeting.

Article 12 After the notice of the Bondholders' Meeting has been issued, the Bondholders' Meeting shall not be rescheduled or the Meeting shall not be canceled, nor shall the proposal specified in the notice of the Meeting be changed, except due to force majeure; where the Bondholders' Meeting needs to be rescheduled changed or the Meeting needs to be canceled, or shall the proposal specified in the notice of the Meeting needs to be changed because of force majeure, the convener shall notify all the Bondholders and specify the reasons by way of announcement within at least five trading days prior to the former date of convening, but the record date of the Bondholders shall not be altered accordingly. A supplementary notice of the Bondholders' Meeting shall be announced in the same designated media in which the notice of the Meeting is published.

If, after a notice of the Bondholders' Meeting has been given, the proposed resolution for which the Bondholders' Meeting is held disappears, the convener may cancel such a meeting by way of announcement and specify the reasons therefor.

Article 13 The convener of the Bondholders' Meeting shall publish the notice of the Bondholders' Meeting in the media prescribed by the CSRC. The notice of the Bondholders' Meeting shall include following contents:

- (1) Time, place, convener and way of voting of the meeting;
- (2) Issues submitted to the meeting for deliberation;

**APPENDIX VII RULES FOR MEETINGS OF HOLDERS OF A SHARE
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- (3) State in explicit language that: all Bondholders are entitled to attend the Bondholders' Meeting and may entrust proxies to attend and vote at the meeting;
- (4) The confirmed record date of the Bondholders entitled to attend the Bondholders' Meeting;
- (5) The documents that must be prepared and the procedures that must be performed by those attending the meeting, including but not limited to the power of attorney of the agent attending the meeting on behalf of the Bondholders;
- (6) Name of the convener, name and telephone number of the permanent contact person;
- (7) Other matters that shall be notified by the convener.

Article 14 The record date of the Bondholders' Meeting shall be no earlier than 10 days prior to the date of the Bondholders' Meeting and no later than 3 days prior to the date of the Bondholders' Meeting. The Outstanding Convertible Bondholders registered on the trusteeship register of China Securities Depository and Clearing Corporation Limited or other applicable institutions according to the law after closing of the stock market on the record date are the Bondholders that are entitled to attend the Bondholders' Meeting and exercise the voting right.

Article 15 In principle, the on-site Bondholders' Meeting shall be held at the domicile of the Company. The meeting venue shall be provided by the Company or by the convener of the Bondholders' Meeting.

The Company may also facilitate the participation in the meetings by the Bondholders on the Internet or in other ways recognized by the CSRC. Bondholders are deemed to be present if they participate in the meeting by the above means.

Article 16 Institutions or persons who issue the notice of the Bondholders' Meeting in according with the Rules shall be the conveners of the meeting.

Article 17 The convener of the Bondholders' Meeting shall engage a lawyer to give a legal opinion on the following matters:

- (1) Whether the meeting is convened and held with the procedures stipulated in laws, regulations and the Rules;
- (2) Qualification of attendees, and the legality and validity of the qualification of conveners;
- (3) Whether the voting procedures and results of the meeting are legal and valid;
- (4) Legal opinions on other relevant matters as required by the conveners.

Article 18 The convener shall prepare a register of the persons attending the meeting. The register shall contain the names (or unit names), identity certificate numbers, domiciles, par value of bonds held or representing voting rights, and the names of proxies (or unit names) of the participants in the meeting.

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**CHAPTER 5 PROPOSALS, ATTENDEES AND THEIR RIGHTS OF
THE BONDHOLDERS' MEETING**

Article 19 Proposals to be submitted to the Bondholders' Meeting for deliberation shall be drafted by the convener. The contents of proposals shall comply with the laws and regulations with explicit topics for discussion and proposed resolutions within the scope of authority of the Bondholders' Meeting.

Article 20 The proposed resolutions of the Bondholders' Meeting shall be determined by the conveners in accordance with Article 8 and Article 10 hereof.

Bondholders individually or jointly holding more than 10% of the total par value of the outstanding Convertible Bonds have the right to propose a tentative proposal to the Bondholders' Meeting. The Company and its related parties may attend the Bondholders' Meeting and propose a tentative proposal. The tentative proposer shall submit a complete tentative proposal to the convener no later than 10 days prior to the Bondholders' Meeting, and the convener shall issue a supplementary notice of the Bondholders' Meeting within 5 days from the date of receipt of the tentative proposal and announce the names of the bondholders proposing the tentative proposal, the percentage of bonds held and the contents of the tentative proposal, and the supplementary notice shall be announced in the same designated media in which the notice of the meeting is published.

Except as provided above, the convener shall not amend the proposals already specified in the notice of the Bondholders' Meeting or add new proposals after issuing the notice of the Bondholders' Meeting. Proposals that are not specified in the notice of the Bondholders' Meeting (including the supplementary notice for the addition of tentative proposals) or that do not meet the requirements of the contents of these Rules shall not be voted on and deliberated on.

Article 21 Bondholders may attend the Bondholders' Meeting in person and exercise their voting right, or entrust proxies to do the above. The travelling expenses and accommodation expenses for the Bondholders and their proxies to attend the Bondholders' Meeting shall be borne by the Bondholders.

Article 22 If the Bondholder attends the meeting in person, he/she shall present his/her identity certificate, the securities account card of the outstanding bonds, or other certificate documents required by applicable laws. If the legal representative or the person in charge of the Bondholder attends the meeting, he/she shall present his/her identity certificate, valid proof of the qualification of the legal representative or the person in charge, the securities account card of the outstanding bonds or other certificate documents required by applicable laws.

If a proxy is entrusted to attend the meeting, the proxy shall present his/her identity certificate, the power of attorney issued by the principal (or the legal representative or person in charge) in accordance with the law, identity certificate of the principal, the principal's securities account card of the outstanding bonds or other certificate documents required by applicable law.

Article 23 The power of attorney issued by the Bondholders to appoint another person to attend the Bondholders' Meeting shall contain the following information:

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- (1) Name and ID No. of the proxy;
- (2) Licensed right of the proxy, including but not limited to whether he/she has the voting right;
- (3) Instructions to respectively vote for or against or abstain from voting on each matter to be considered in the agenda of the Bondholders' Meeting;
- (4) Date of issuing and valid term of the power of attorney;
- (5) Signature or seal of the principal.

It shall be specified in the power of attorney whether the proxy of the Bondholder can vote at his/her own discretion in the absence of specific instructions from the Bondholder. The power of attorney shall be delivered to the convener 24 hours prior to the Bondholders' Meeting.

Article 24 The convener and the lawyer shall jointly verify the qualification and legality of the Bondholders attending the meeting based on the register of the Bondholders holding the Convertible Bonds as of the close of trading on the record date provided by the securities registration and clearing institution, and register the names of the Bondholders and their proxies attending the Bondholders' Meeting and the number of sheets of the Convertible Bonds for which they hold voting rights.

The above register of Bondholders shall be obtained by the Company from the securities registration and clearing institution and shall be provided for the convener free of charge.

CHAPTER 6 HOLDING OF THE BONDHOLDERS' MEETING

Article 25 The representative authorized by the Company's Board to attend the meeting shall preside over the Bondholders' Meeting as a chairman. Should the Board of the Company be unable to perform its duties, a bondholder (or the proxy thereof) shall be elected to preside over the meeting as the chairman with the consent from a majority of the voting rights represented by bondholders (or the proxy thereof) present at the meeting; in case of failure to do the above within one hour after the commencement of the meeting, the Bondholder (or the proxy thereof) present at the meeting with the most voting rights represented by the outstanding Convertible Bonds shall preside over the meeting as the chairman.

Article 26 At the request of the convener or the Bondholder individually or collectively holding more than 10% of the voting right of the convertible bonds, the Company shall designate directors, supervisors or senior management to attend the Bondholders' Meeting. The directors or senior management of the Company present at the meeting shall reply to or explain the inquiries and suggestions of the Bondholders, except when they involve the Company's trade secrets or are subject to the restrictions of applicable laws and disclosure requirements of listed companies.

Article 27 Following institutions and persons may be present at the Bondholders' Meeting: the bond issuers (i.e. the Company) or the authorized representative thereof, the Company's directors, supervisors, senior management, bond trustees, bond guarantors (if any) and other important related parties of the bonds agreed by the chairman. The above persons or related parties have the right to explain the relevant matters at

APPENDIX VII RULES FOR MEETINGS OF HOLDERS OF A SHARE CONVERTIBLE CORPORATE BOND

the Bondholders' Meeting. The aforesaid persons or related parties do not have any voting rights at the Bondholders' Meeting unless they are entitled to the right of voting due to holding the Convertible Bonds of the Company.

The registration of the meeting shall be terminated before the moderator announces the number of bondholders and proxies present at the meeting or the total number of convertible bonds held or represented by them.

Article 28 The chairperson of the meeting has the right to adjourn, resume and change the venue of the meeting with the consent of the meeting. Upon the deliberation of the meeting, the chairperson of the meeting shall amend the date of meeting and change the place of meeting in accordance with the resolution. If the meeting is resumed after adjournment, no resolution shall be made on matters beyond the scope of the original proposal.

CHAPTER 7 VOTING, RESOLUTION AND MINUTES OF THE BONDHOLDERS' MEETING

Article 29 Each proposal submitted to the meeting shall be voted on by the Bondholder or the formally entrusted proxy who has the right to attend the Bondholders' Meeting. Each outstanding bond (with the par value of RMB100) is equal to one vote.

Article 30 Various matters to be deliberated specified in the meeting notice or various topics listed in the same matter to be deliberated shall be considered and voted on separately. Except for force majeure and other special reasons resulting in the suspension of the meeting or the failure to make a resolution, the meeting shall not lay aside or refuse to vote on the matters to be deliberated specified in the meeting notice. If the meeting has different proposals on the same matter, the proposals shall be voted on in chronological order, and a resolution shall be made.

The Bondholders' Meeting shall not vote on matters that have not been announced. No change shall be made to the matters to be considered at the Bondholders' Meeting, and any change to the matters to be considered shall be deemed as a new matter to be considered and shall not be voted on at this meeting.

Article 31 Voting at the Bondholders' Meetings shall take place by way of open ballot.

When the Bondholders or their proxies vote for the matters to be considered, they shall only vote for or against or abstain. The un-filled, wrongly-filled, illegible votes shall be considered as spoilt votes and shall not be included in the voting results. Un-voted votes shall be deemed as the voters' waiver of voting rights and shall not be included in the voting results.

The same voting right shall only be exercised by selecting to vote at the scene, online or otherwise. If the same right to vote has been exercised for multiple times, only the first voting result shall prevail.

Article 32 The following bondholders may express their views at the Bondholders' Meeting without the voting right, and the number of convertible bonds represented by them is not counted in the number of bonds present at the Bondholders' Meeting:

APPENDIX VII RULES FOR MEETINGS OF HOLDERS OF A SHARE CONVERTIBLE CORPORATE BOND

- (1) The Bondholders are the Company's shareholders representing more than 5% of the corporate shares;
- (2) The related parties of the aforesaid shareholders, the Company and guarantors, if any.

Article 33 The meeting has one teller and one scrutineer, respectively responsible for counting and supervising the votes at the meeting. The teller and scrutineer shall be recommended by the chairman of the meeting and assumed by the Bondholder (or the proxy thereof) present at the meeting. The Bondholder and the proxy thereof related to the Company shall not act as the scrutineer.

Where any votes are cast for each matter to be considered, at least two Bondholders (or the proxy thereof) and an authorized representative of the Company shall take part in the counting of votes, and the counter shall announce the voting results on the spot. Lawyers are responsible for witnessing the voting process.

Article 34 The chairman of the meeting shall confirm whether the resolution of the Bondholders' Meeting is passed or not based on the voting result and shall announce the voting result at the meeting. The voting result of the resolution shall be recorded in the minutes of the meeting.

Article 35 If the chairman of the meeting has any doubts about the result of the resolution submitted for voting, he may recount the votes cast; if the chairman of the meeting does not propose to recount the votes, a bondholder (or the proxy thereof) present at the meeting have the right to request a recount immediately after the announcement of the voting result if he has an objection to the results announced by the chairman of the meeting, and the chairman of the meeting shall forthwith organize a recount.

Article 36 Unless otherwise provided in the Rules, a resolution made at a Bondholders' Meeting can be valid only with the consent of at least half of the holders (or the proxy thereof) present at the meeting of the face value of outstanding bonds.

Article 37 The resolution of the Bondholders' Meeting shall be effective since the date when the resolution is adopted by voting, and it can only be effective upon approval by the competent authority when such approval is required. In accordance with the relevant laws, regulations, the Prospectus and the Rules, the resolution of the Bondholders' Meeting shall be legally binding on all Bondholders (including those who do not attend the meeting or expressly disagree with the resolution) after adopted by voting.

If any resolution relating to the Convertible Bonds results in a change of the rights and obligations between the Company and the Bondholders, except when the resolutions made by the Bondholders are binding on the Company as provided by laws, regulations, departmental rules and the Prospectus:

- (1) If such resolution is made based on the proposal of the Bondholders, such resolution shall be legally binding on the Company and all Bondholders after it has been adopted by voting at the Bondholders' Meeting and agreed in writing by the Company;
- (2) If such a resolution is made based on the proposal of the Company, it will be legally binding on the Company and all bondholders after it is adopted by voting at the Bondholders' Meeting.

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Article 38 The convener of the Bondholders' Meeting shall announce the resolution on the media designated by the regulatory authority within 2 trading days after the date of the resolution of the Bondholders' Meeting. The announcement shall specify the date, time, place, manner, convener and moderator of the meeting, the number of Bondholders and proxies present at the meeting, the number of Convertible Bonds represented by the Bondholders and proxies present at the meeting and the proportion to the total number of Convertible Bonds, the voting results of each matter to be considered and the content of each resolution adopted.

Article 39 The Bondholders' Meeting shall have meeting minutes, which include following contents:

- (1) The time, place, agenda and name of the convener of the meeting;
- (2) The names of the moderator and the persons attending or present at the meeting, as well as the name of the attorney, teller, scrutineer and counter who witnessed the meeting;
- (3) The number of Bondholders and proxies attending the meeting, the number of Convertible Bonds representing the voting rights and the proportion of the number of Convertible Bonds representing their voting rights to the total number of Convertible Bonds of the Company;
- (4) Speech keynotes for each matter to be considered;
- (5) Voting result of each matter to be considered;
- (6) The contents of the inquiry opinions and suggestions of Bondholders and the replies or explanations of the directors, supervisors or senior management of the Company;
- (7) Other contents that shall be included into the meeting minutes as required by laws, administrative regulations, normative documents and the Bondholders' Meeting.

Article 40 The convener and the moderator shall ensure that the minutes of the Bondholders' Meeting are true, accurate and complete. The minutes of the Bondholders' Meeting shall be signed by the moderator, the convener (or the representative entrusted), the witness lawyer, the recorder and the scrutineer. The minutes of the Bondholders' Meeting, the votes, the signature book of the persons attending the meeting, the power of attorney, the legal opinion issued by the lawyer and other meeting documents shall be kept by the Board of the Company for a period of ten years.

Article 41 The convener shall ensure that the Bondholders' Meeting is held continuously until a final resolution is formed. In case the meeting is suspended, cannot be held normally or cannot make a resolution due to force majeure, emergencies or other special reasons, necessary measures shall be taken to resume the meeting as soon as possible or terminate the meeting directly, and the above situation shall be announced in a timely manner. At the same time, the convener shall report to the local agency of CSRC where the Company is located and Shanghai Stock Exchange. If the meeting is interrupted, disturbances are caused or the legitimate rights and interests of the Bondholders are infringed upon, relevant measures shall be taken to stop such behavior and promptly report to the relevant authorities for investigation and punishment.

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Article 42 The Board of the Company shall strictly enforce the resolutions of the Bondholders' Meetings, communicate with the relevant parties on behalf of the Bondholders regarding the contents of the relevant resolutions in a timely manner, and supervise the specific implementation of the resolutions of the Bondholders' Meetings.

CHAPTER 8 SUPPLEMENTARY RULES

Article 43 If there are clear provisions in laws, administrative regulations and normative documents on the Rules of Meetings of Bondholders of Convertible Bonds, they shall prevail; otherwise, the Rules shall not be altered.

Article 44 Announcements under the Rules shall be made on the website of the Shanghai Stock Exchange and on the statutory information disclosure media designated by the Company.

Article 45 “Not less than” and “within” as mentioned in the Rules include the given figure; “over”, “less than” and “more than” exclude the given figure.

Article 46 The “outstanding convertible bonds” mentioned herein refer to all the issued bonds except the following bonds:

- (1) The bonds of which the principal and interests have been redeemed;
- (2) The bonds of which the principal and interests have been redeemed from the Bondholders and the redemption proceeds have been paid by the Company to the redemption agent upon the maturity of the redemption of the principal. The redemption funds include any interests and principal of the bond that shall be paid according to the bond clauses as at the date of redemption of the principal;
- (3) The bonds that have been converted into A shares of the Company;
- (4) The bonds that have been repurchased and cancelled by the Company as agreed.

Article 47 Any disputes over the legality and validity of the convening, holding, voting procedures and resolutions of the Bondholders' Meetings shall be solved by bringing a lawsuit to the competent people's court in the place where the Company's premises are located.

Article 48 The Rules shall come into effect as of the date when the Convertible Bonds are issued upon adoption through deliberation at the shareholders' meeting.

Shanghai Fudan Microelectronics Group Company Limited

28 April 2023

REPORT ON THE USE OF PROCEEDS PREVIOUSLY RAISED

According to the Guideline on the Application of the Governing Rules – Issuance No.7 (《監管規則適用指引—發行類第7號》) promulgated by the China Securities Regulatory Commission, Shanghai Fudan Microelectronics Group Company Limited (the “Company”) has prepared the report on use of proceeds previously raised as of 31 March 2023 as follows:

I. SETTLEMENT AND ALLOCATION OF PROCEEDS PREVIOUSLY RAISED

The Company issued 120,000,000 A Shares with par value of RMB0.1 each through the Shanghai Stock Exchange in July 2021 at an issuance price of RMB6.23 per share and received a total of RMB747,600,000.00 from subscriptions by Shareholders. After deduction of underwriting commission for underwriters incurred and other issuance expenses, the actual net proceeds raised were RMB680,282,781.80.

As verified by the Capital Verification Report (Pan-China Yan [2021] No.6-70) issued by Pan-China Certified Public Accountants LLP (Special General Partnership), the proceeds amounting to RMB696,803,773.58 in total, being the aforesaid proceeds raised of RMB747,600,000.00 in aggregate net of underwriting fees (excluding tax) of RMB50,796,226.42 were remitted to a specific account designated for the proceeds opened by the Company in Shanghai Branch of China Everbright Bank Company Limited (bank account: 36510188001350286), Shanghai Nanjing West Road Sub-Branch of China Merchants Bank Co., Ltd. (bank account: 021900241710710) and Shanghai Dabaishu Sub-Branch of China CITIC Bank Corporation Limited (bank account: 8110201013101347264). As of 31 March 2023, the balance of the specific account designated for the proceeds was RMB114,170,887.21. Among which, the principal was RMB104,449,030.34, and interest income, net of charges, was RMB9,721,856.87. The balance of current deposits in specific accounts designated for the proceed was RMB26,170,887.21, and the balance of wealth management of cash management products was RMB88,000,000.00.

As of 31 March 2023, the current deposits in the bank accounts of the proceeds were as follows:

Unit: RMB

Bank	Bank account	Nature of deposits	Balance
Shanghai Dabaishu Sub-Branch of China CITIC Bank Corporation Limited	8110201013101347264	Current	669,665.39
Shanghai Nanjing West Road Sub-Branch of China Merchants Bank Co., Ltd.	021900241710710	Current	25,172,423.97
Shanghai Branch of China Everbright Bank Company Limited	36510188001350286	Current	328,797.85
Total			26,170,887.21

II. ACTUAL USE OF PROCEEDS PREVIOUSLY RAISED

As of 31 March 2023, the actual use of proceeds previously raised was as follows:

Checklist on Use of Proceeds Previously Raised

Unit: RMB

Total proceeds raised:	680,282,781.80	Accumulated use of the proceeds utilized:	575,833,751.46
		Annual breakdown:	
Total proceeds raised for other purposes:	-	2021:	422,806,861.98
Percentage of the total proceeds raised for other purposes:	-	2022:	105,503,449.60
		January-March 2023:	47,523,439.88

No.	Investment project		Total investment with the proceeds raised			Accumulated investment with the proceeds raised as at the closing day			Difference between actual investment amount and investment amount promised after fund-raising	Date of the project reaching expected condition for use
	Investment project promised	Actual investment project	Investment amount promised before fund-raising	Investment amount promised after fund-raising	Actual investment amount	Investment amount promised before fund-raising	Investment amount promised after fund-raising	Actual investment amount		
1	SOPC Chips R&D and Industrialization Project	SOPC Chips R&D and Industrialization Project	300,000,000.00	300,000,000.00	300,000,000.00	300,000,000.00	300,000,000.00	300,000,000.00	-	2021
2	Development and Technology Reserve Funds	Development and Technology Reserve Funds	300,000,000.00	300,000,000.00	251,833,751.46	300,000,000.00	300,000,000.00	251,833,751.46	48,166,248.54	N/A
Subtotal of Investment projects promised	-	-	600,000,000.00	600,000,000.00	551,833,751.46	600,000,000.00	600,000,000.00	551,833,751.46	48,166,248.54	-
3	Over-raised proceeds	Over-raised proceeds	-	80,282,781.80	24,000,000.00	-	80,282,781.80	24,000,000.00	N/A	N/A
	Among which: supplement of working capital	Among which: supplement of working capital	-	24,000,000.00	24,000,000.00	-	24,000,000.00	24,000,000.00	N/A	N/A
Total			600,000,000.00	680,282,781.80	575,833,751.46	600,000,000.00	680,282,781.80	575,833,751.46	-	-

The Proposal on Using Part of the Over-raised Proceeds to Permanently Supplement Working Capital (關於使用部分超募資金永久補充流動資金的議案) was considered and approved at the seventh meeting of the ninth session of the Board of Directors and the sixth meeting of the ninth of the supervisory committee of the Company held on 17 January 2023, which agreed the Company to use part of the over-raised proceeds of RMB24 million for permanent supplement of working capital. The proposal on which independent non-executive Directors agreed is subject to consideration at the general meeting of the Company.

III. CHANGE OF PROCEEDS PREVIOUSLY RAISED

As of 31 March 2023, there was no change in the actual investment projects using proceeds previously raised.

IV. TRANSFER AND REPLACEMENT OF PROCEEDS PREVIOUSLY RAISED FOR INVESTMENT PROJECTS IN ADVANCE**(1) External Transfer of Investment Projects Funded with Proceeds Previously Raised**

As of 31 March 2023, there was no external transfer of investment projects funded with proceeds previously raised.

(2) Replacement of Investment Projects Funded with Proceeds Previously Raised

As of 31 March 2023, previous investment and replacement of investment projects funded with proceeds previously raised were as follow:

Prior to the proceeds from the previous fund raising exercise were available for use, the Company has invested in investment projects with self-raised funds in advance in light of actual situation. The actual aggregate amount invested by the Company with its self-raised funds for investment projects in advance was RMB374,561,298.30 from 1 March 2019 to 31 July 2021. Ernst & Young Hua Ming LLP issued the Assurance Report on the Investment Projects Funded with Self-Raised Funds in Advance by Shanghai Fudan Microelectronics Group Company Limited* (Ernst & Young Hua Ming [2021] Zhuan Zi No. 60469429_B02) (《關於上海復旦微電子集團股份有限公司以自籌資金預先投入募集資金投資項目情況的專項鑒證報告》(安永華明(2021)專字第60469429_B02號)).

The twenty-fifth meeting of the eighth session of the Board and ninth meeting of the eighth session of the Supervisory Committee of the Company have considered and approved the Proposal on the Replacement of Self-raised Funds Invested in Advance with Proceeds from the Issuance (關於使用募集資金置換預先投入的自籌資金的議案), which agreed the Company to replace the self-raised funds invested in advance in investment projects with proceeds from the Issuance amounting to RMB374,561,298.30, and the replacement of self-raised funds used in advance for the payment of issuance expenses with proceeds from the Issuance amounting to RMB5,730,425.73. In aggregate, the Company will replace self-raised funds invested in advance with proceeds amounting to RMB380,291,724.03.

CSC Financial Co., Ltd., the sponsor, has agreed to and issued a specific examination opinion on such matter. The independent non-executive Directors of the Company have expressed a concurred opinion on such matter.

For details, please refer to the Announcement on the Replacement of Self-raised Funds Invested in Advance with Proceeds from the Issuance (《關於使用募集資金置換預先投入的自籌資金的公告》).

Details of the replacement of self-raised funds invested in advance with the proceeds previously raised were as follows:

Unit: RMB

No.	Project name	Total invested amount	Proposed amount to be invested by the proceeds raised	Amount of self-raised funds	
				invested in advance from 1 March 2019 to 31 July 2021	Amount replaced by proceeds raised
1	SOPC Chips R&D and Industrialization Project	360,000,000.00	300,000,000.00	300,000,000.00	300,000,000.00
2	Development and Technology Reserve Funds	300,000,000.00	300,000,000.00	74,561,298.30	74,561,298.30
Total				374,561,298.30	374,561,298.30

Save as above, as of 31 March 2023, there was no external transfer or replacement of investment projects funded with proceeds previously raised.

V. BENEFITS REALIZED OF INVESTMENT PROJECTS FUNDED WITH PROCEEDS PREVIOUSLY RAISED IN RECENT THREE YEARS

As of 31 March 2023, details of benefits realized of investment projects funded with proceeds previously raised in recent three years were as follow:

Comparison of benefits realized of investment projects funded with proceeds previously raised

Unit: RMB

No.	Actual investment project	Accumulated capacity utilization rate of investment project as at the closing day	Promised benefits	Actual benefits in recent three years			Whether or not the accumulated realized benefits as at the closing day	Whether or not the estimated benefits are achieved
				2020	2021	2022		
1	SOPC Chips R&D and Industrialization Project	N/A	The net present value of the project is expected to be RMB130.06 million with IRR of 19.10% and static payback time of 6.43 years.	N/A	168,822,510.50	289,953,002.59	543,378,970.75	N/A (note)
2	Development and Technology Reserve Funds	N/A	N/A (no promise)	N/A	N/A	N/A	N/A	N/A

Note: Major product projects of the “SOPC Chips R&D and Industrialization Project” have completed their designation in the third quarter of 2021. The products of such projects recorded sales revenue of RMB168,822,510.50, RMB289,953,002.59 and RMB84,603,457.66 in 2021, 2022 and the first quarter of 2023, respectively, amounting to RMB543,378,970.75 in total.

VI. OPERATING STATUS OF THE RELEVANT ASSETS USED FOR SUBSCRIBING FOR SHARES IN THE PREVIOUS ISSUANCE

There is no relevant asset used for subscribing for shares in the previous issuance.

VII. USE OF THE IDLE PROCEEDS RAISED

(1) Use of the Idle Proceeds Previously Raised to Permanently Replenish Liquidity

On 27 August 2021, the Company has convened the twenty-fifth meeting of the eighth session of the Board and ninth meeting of the eighth session of the Supervisory Committee, on which, the Company has considered and approved the Proposal on the Partial Use of the Proceeds Over-Raised to Permanently Replenish Liquidity (《關於使用部分超募資金永久補充流動資金的議案》), and agreed to use part of the proceeds over-raised of RMB24.0 million to permanently replenish its liquidity. The independent non-executive Directors of the Company have expressed a concurred opinion and the sponsor also issued an examination opinion with no disagreement. Upon considered and approved on the second extraordinary general meeting, the Company was permitted to use part of the proceeds over-raised of RMB24.0 million to permanently replenish its liquidity.

On 17 January 2023, the Company has convened the seventh meeting of the ninth session of the Board and sixth meeting of the ninth session of the Supervisory Committee, on which, the Company has considered and approved the Proposal on the Partial Use of the Proceeds Over-Raised to Permanently Replenish Liquidity (《關於使用部分超募資金永久補充流動資金的議案》), and agreed to use part of the proceeds over-raised of RMB24.0 million to permanently replenish its liquidity. The independent non-executive Directors of the Company have expressed a concurred opinion. The proposal is subject to the general meeting of the Company for consideration.

(2) Cash Management of Temporarily Idle Proceeds Previously Raised and Investment of Related Products

The Proposal on Using Temporarily Idle Proceeds for Cash Management (關於使用暫時閒置募集資金進行現金管理的議案) had been considered and approved at the 25th meeting of the 8th session of the Board and the 9th meeting of the 8th session of the Supervisory Committee, which agreed the Company to use the idle proceeds for cash management under the condition that it does not affect the progress of the investment plan of the proceeds or the normal production and operation of the Company, and ensures the safety of funds. The Company can use the temporarily idle proceeds of not exceeding RMB250 million (inclusive) to purchase investment products with high security, good liquidity, and principal-guaranteed agreements (including but not limited to purchasing principal-guaranteed wealth management products,

structured deposits, large deposit certificates, time deposits, call deposits and income certificates). The period of use is from 27 August 2021 to 26 August 2022. Within the aforesaid limit and period of use, the amounts can be used on a rolling basis. The sponsor, CSC Financial Co., Ltd., had no objection to this proposal and had issued a special verification opinion on it, and the independent non-executive directors of the Company had expressed their consent opinions as to this matter.

The Proposal on Using Temporarily Idle Proceeds for Cash Management (關於使用暫時閒置募集資金進行現金管理的議案) had been considered and approved at the 4th board meeting of the 9th session and the 3rd meeting of the 9th session of the Supervisory Committee, which agreed the Company to use the idle proceeds for cash management under the condition that it does not affect the progress of the investment plan of the proceeds or the normal production and operation of the Company, and ensures the safety of funds. The Company can use the temporarily idle proceeds of not exceeding RMB160 million (inclusive) to purchase investment products with high security, good liquidity, and principal-guaranteed agreements (including but not limited to purchasing principal-guaranteed wealth management products, structured deposits, large deposit certificates, time deposits, call deposits and income certificates). The period of use is from 27 August 2022 to 26 August 2023. Within the aforesaid limit and period of use, the amounts can be used on a rolling basis. The sponsor, CSC Financial Co., Ltd., had no objection to this proposal and had issued a special verification opinion on it, and the independent non-executive directors of the Company had expressed their consent opinions as to this matter.

In order to improve the efficiency of the use of proceeds, the Company purchased cash management-based wealth management products with part of the temporarily idle proceeds. As of 31 March 2023, the outstanding cash management-based wealth management products are as follows:

Depository Bank	Name of product	Expiration dates	Term of deposit	Principal balance (RMB)
Shanghai Branch of China Everbright Bank	Structured deposits	10 April 2023	90 days	58,000,000.00
China Merchants Bank Southeast Branch	Structured deposits	20 June 2023	91 days	30,000,000.00
Total				88,000,000.00

VIII. BALANCE OF PREVIOUSLY RAISED PROCEEDS AND THE UTILISATION OF THE BALANCE OF PROCEEDS

As of 31 March 2023, the Company had utilized the previously raised proceeds in the amount of RMB575,833,751.46 in aggregate and received accumulated interest income net of charges of RMB9,721,856.87. The balance of the previously raised proceeds was RMB114,170,887.21,

representing 16.78% of the net previously raised proceeds. The Company's previously raised proceeds have not yet been used out as the relevant investment projects are still in progress. The remaining proceeds will continue to be used to invest in the Company's committed investment projects.

IX. CONCLUSION

In the opinion of the Board of Directors, the Company has utilized the previously raised proceeds based on the utilization plan for the proceeds as disclosed in the relevant prospectus. The Company has duly fulfilled its disclosure obligation on the investment direction and progress of the previously raised proceeds in accordance with the Guidelines for the Application of Regulation Rules – Issuance No. 7 (《監管規則適用指引—發行類第7號》) issued by the CSRC.

The Board of Directors and all directors of the Company undertake that there are no misrepresentations, misleading statements or material omissions in this report and they are liable for the authenticity, accuracy and completeness of this report.

The Board of Directors of
Shanghai Fudan Microelectronics Group Company Limited
29 April 2023

**APPENDIX IX AUTHORISATIONS TO THE BOARD AND ITS AUTHORISED PERSONS BY THE SHAREHOLDERS'
GENERAL MEETINGS TO DEAL WITH THE MATTERS RELATING TO THE ISSUANCE OF
A SHARE CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS AT THEIR ABSOLUTE DISCRETION**

**AUTHORISATIONS TO THE BOARD AND ITS AUTHORISED PERSONS BY THE
SHAREHOLDERS' GENERAL MEETINGS TO DEAL WITH THE MATTERS RELATING TO
THE ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC
INVESTORS AT THEIR ABSOLUTE DISCRETION**

Pursuant to relevant provisions of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and other laws and regulations as well as the Articles, the Board of the Company proposed that the Board and its authorised persons be authorised by the Shareholders' general meetings and Class Meetings to handle all matters related to the Issuance at their absolute discretion to the extent permitted by relevant laws and regulations, so as to ensure that the Issuance of A Share Convertible Corporate Bonds to non-specific investors can be carried out in a legal, compliant, orderly and efficient manner, including but not limited to:

- (1) To make appropriate amendments, adjustments and supplements to the relevant terms of the Issuance to the extent permitted by the relevant laws, regulations and the Articles, in accordance with the opinions of regulatory authorities and in the light of the actual situation of the Company; to specify the issuance terms and plan before the Issuance, and to formulate and implement the final plan for the Issuance, including but not limited to determining all other matters in relation to the issuance plan, such as the size of issuance, method of issuance and target investors, percentage of the Issuance reserved for preferential subscription by the existing shareholders, determination of the initial conversion price, adjustment to the conversion price, redemption, interest rates applicable to the Bonds, stipulation of the rights of Bondholders' meetings and the procedures for convening such meetings, as well as the conditions that must be met in order for a resolution to take effect, determination of the timing of the Issuance, creation of a special account for proceeds raised and execution of a tripartite agreement for the supervision of deposits in the special account for proceeds raised;
- (2) To retain any relevant intermediaries for handling the application for the Issuance and listing of A Share Convertible Corporate Bonds; to produce, modify and submit the application materials in relation to the Issuance and listing of A Share Convertible Corporate Bonds as required by regulatory authorities;
- (3) To amend, supplement, sign, deliver, submit and execute all agreements, contracts and documents arising during the Issuance (including but not limited to underwriting and sponsorship agreements, agreements in connection with the projects in which the proceeds raised will be invested, and intermediary engagement agreements, etc.);
- (4) To adjust or decide on specific arrangements for the use of proceeds raised according to the actual progress and funding requirement of the investment projects and within the scope of investment for the proceeds from the Issuance as considered and approved by the Shareholders' general meetings; according to the actual progress and operational needs of the investment projects, the Company may implement the investment projects using its own funds before the proceeds from the Issuance are

**APPENDIX IX AUTHORISATIONS TO THE BOARD AND ITS AUTHORISED PERSONS BY THE SHAREHOLDERS'
GENERAL MEETINGS TO DEAL WITH THE MATTERS RELATING TO THE ISSUANCE OF
A SHARE CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS AT THEIR ABSOLUTE DISCRETION**

- received and replace such funds after the proceeds are received; the Company shall make necessary adjustments to the investment projects in accordance with the provisions of relevant laws and regulations, the requirements of regulatory authorities and market conditions;
- (5) To amend related articles in the Articles based on the Issuance of A Share Convertible Corporate Bonds and their conversion in due course, and to handle matters in relation to the filing with the department for industrial and commercial administration, the registration for changes in registered capital, and the listing of A Share Convertible Corporate Bonds, etc.;
- (6) In the case of any change in the policy of regulatory authorities with respect to the issuance of convertible corporate bonds or any change in market conditions, to make corresponding adjustments to relevant matters (other than those which are subject to revoting at the Shareholders' general meetings in accordance with the requirements of relevant laws, regulations and the Articles) related to the specific plan of the Issuance;
- (7) In the event of force majeure or any other circumstance which makes the issuance plan difficult to implement, or which will bring adverse consequences to the Company although the issuance plan can be implemented, or any change in the policy on the issuance of convertible corporate bonds, to determine in its sole discretion to postpone the implementation of the issuance plan;
- (8) Where there are new provisions and requirements under relevant laws and regulations or released by regulatory authorities with respect to the dilution of immediate returns as a result of re-financing and the remedial measures thereof, to further analyze, study and demonstrate the impacts of the Issuance of A Share Convertible Corporate Bonds to non-specific investors on the current financial indicators of the Company and the immediate returns of the Shareholders, etc., to formulate and modify relevant remedial measures, and to handle any other matter in relation thereto with full power, in accordance with relevant laws, regulations and the latest requirements of regulatory authorities;
- (9) Within the term of the A Share Convertible Corporate Bonds to be issued under the Issuance, under the framework and principles considered and approved at the Shareholders' general meetings and in compliance with the relevant laws, regulations, and the requirements of relevant regulatory authorities and the Articles, to handle all matters related to the redemption, conversion, and sale back of the A Share Convertible Corporate Bonds; and
- (10) To delegate the abovementioned authorisations to the Board and its authorised persons to handle all other matters that are relevant to the Issuance, necessary, proper or appropriate to the extent permitted by relevant laws and regulations.

Amongst the above authorisations, except for authorisations 4, 5 and 9, the valid period of which is from the date of approval at the Shareholders' general meetings and the Class Meetings to the date of completion of relative matters, the valid period for the remaining authorisations shall be within 12 months from the date of approval at the Shareholders' general meetings and the Class Meetings. If the Company obtains the consent for the registration of the Issuance from the CSRC during the aforesaid period, then the validity period will automatically extend to the date of completion of the Issuance.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS AND SUPERVISORS AND CHIEF EXECUTIVES IN THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the Directors or Supervisors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“Model Code”) to be notified to the Company and the Stock Exchange, were as follows:

Long positions in A shares of the Company:

	Number of issued shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation			
Directors						
Mr. Jiang Guoxing	7,210,000	–	–	7,210,000	0.88	
Mr. Shi Lei	7,210,000	–	–	7,210,000	0.88	
	14,420,000	–	–	14,420,000		
Supervisor						
Ms. Zhang Yanfeng	–	–	220,500	220,500	0.03	

Long positions in H shares of the Company:

	Number of issued shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation			
Supervisor						
Ms. Zhang Yanfeng	–	108,000	–	108,000	0.01	

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or Supervisors or the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

3. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at the Latest Practicable Date, so far as any Directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long or short positions in shares of the Company:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Class of shares	Percentage of shareholding on relevant class of shares	Percentage of the Company's issued share capital
Shanghai Fudan Fukong Technology Enterprise Holdings Limited ("Fudan Fukong")	(2)	Directly beneficially owned	109,620,000 (L)	A shares	20.59 (L)	13.42 (L)
Shanghai Commerce and Invest (Group) Corporation ("SCT")	(2)	Interest of corporation controlled	109,620,000 (L)	A shares	20.59 (L)	13.42 (L)
Bailian Group Company Limited ("Bailian Group")	(2)	Interest of corporation controlled	109,620,000 (L)	A shares	20.59 (L)	13.42 (L)
Shanghai Fuxin Fangao IC Technology Co. Ltd. ("Fuxin Fangao")	(3)	Directly beneficially owned	106,730,000 (L)	A shares	20.05 (L)	13.07 (L)
Shanghai Fudan Asset Management Co., Ltd. ("Fudan Asset")	(3)	Interest of corporation controlled	106,730,000 (L)	A shares	20.05 (L)	13.07 (L)
Fudan University	(3)	Interest of corporation controlled	106,730,000 (L)	A shares	20.05 (L)	13.07 (L)

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Class of shares	Percentage of shareholding on relevant class of shares	Percentage of the Company's issued share capital
Shanghai Zhengben Corporate Management Consultant Partnership Enterprise ("Shanghai Zhengben")	(4)	Directly beneficially owned	52,167,270 (L)	A shares	9.80 (L)	6.39 (L)
Shanghai Yikun Investment Consultant Partnership Enterprise ("Shanghai Yikun")	(4)	Interest of corporation controlled	66,845,110 (L)	A shares	12.56 (L)	8.19 (L)
Zhang Yong	(4)	Interest of corporation controlled	66,845,110 (L)	A shares	12.56 (L)	8.19 (L)
Tenbagger Capital Management Co. Ltd.		Investment manager	19,912,000 (L)	H shares	7.00 (L)	2.44 (L)
Black Rock, Inc.		Investment manager	15,870,134 (L)	H shares	5.58 (L)	1.94 (L)
			6,520,000 (S)	H shares	2.29 (S)	0.80 (S)

Notes:

- (1) (L) - Long position
(S) - Short position
- (2) Bailian Group is a state-owned enterprise wholly owned by the Shanghai Municipal Government and wholly owned SCI, and SCI held 70.2% of the equity interest of Fudan Fukong. Accordingly, each of SCI and Bailian Group is deemed to be interested in Fudan Fukong's interest in the Company.
- (3) Fuxin Fangao is a state-owned enterprise wholly owned by Fudan Asset and Fudan Asset is wholly owned by Fudan University.
- (4) Zhang Yong held 95% of the equity interest in Shanghai Yikun, and Shanghai Yikun held 99.81% of the equity interest in Shanghai Zhengben. Accordingly, each of Shanghai Yikun and Zhang Yong is deemed to be interested in Shanghai Zhengben's interest in the Company. Shanghai Yikun and Zhang Yong further held the Company's interest through another controlled corporation.

Save as disclosed above, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the issued voting shares of any member of the Group or had any option in respect of such capital.

4. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company have been made up.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract or service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, controlling shareholders or their respective associates (as defined in the Listing Rules) had any interests in businesses which competed or might compete with the businesses of the Group or had any other conflict of interests with the Group.

7. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which had been, since 31 December 2022 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

There was no contract or arrangement subsisting at the date of this circular in which a Director was materially interested and which was significant in relation to the business of the Group.

8. EXPERTS AND CONSENTS

The following is the qualifications of the expert who have given opinions or advice, which is contained in this circular:

Names	Qualifications
Amasse Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporation finance) regulated activity under the SFO
(i)	Amasse Capital Limited did not have any shareholding, directly or indirectly, in the Company or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any member of the Group as at the Latest Practicable Date;
(ii)	Amasse Capital Limited has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its letter/report and reference to its name in the form and context in which they are included; and

- (iii) Amasse Capital Limited did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to the Company or any members of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2022, the date to which the latest published audited consolidated accounts of the Company were made up.

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

10. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Chong Hing Cheong, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is located at No. 220, Handan Road, Shanghai, the People's Republic of China.
- (c) The principal place of business of the Group in Hong Kong is located at Flat 6, 5/F., East Ocean Centre, 98 Granville Road, Tsimshatsui East, Kowloon, Hong Kong.
- (d) The H Share share registrar and transfer office of the Company is Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) This circular has been prepared in both English and Chinese. In the case of any discrepancies, the English text shall prevail over their respective Chinese text, except for the appendices to this circular which were initially prepared in Chinese and their Chinese text shall prevail if there are any discrepancies.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.fmsh.com.cn) for a period of not less than 14 days from the date of this circular up to and including the date of the EGM and H Shareholders' Class Meeting:

- (a) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the full text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;
- (b) the letter of advice from Amasse Capital Limited to the Independent Board Committee and the Independent Shareholders, the full text of which is set out in the section headed "Letter from Amasse Capital Limited" of this circular;
- (c) the written consent referred to in the paragraph headed "Experts and Consents" in this appendix; and
- (d) this circular.

NOTICE OF THE EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Shanghai Fudan Microelectronics Group Company Limited (the “Company”) will be held at Conference Room, Building 4, Fudan National University Science and Technology Park, 127 Guotai Road, Shanghai, the People’s Republic of China (the “PRC”) on Wednesday, 5 July 2023 at 1:30 p.m. for the following purposes:–

1. Special Resolution: “To consider and approve the proposal in relation to the satisfaction of the conditions for the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors of the Company”;
2. Special Resolution: “To consider and approve the proposal on the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors of the Company” (the following resolutions to be voted item by item);
 - 2.01 Type of securities to be issued;
 - 2.02 Size of the Issuance;
 - 2.03 Par value and issue price;
 - 2.04 Bonds term;
 - 2.05 Bond rate;
 - 2.06 Term and method of principal and interest payment;
 - 2.07 Conversion period;
 - 2.08 Determination and adjustment of the conversion price;
 - 2.09 Terms of downward adjustment to conversion price;
 - 2.10 Method for determining the number of A Shares for conversion;
 - 2.11 Terms of redemption;
 - 2.12 Terms of sale back;
 - 2.13 Entitlement to dividend upon conversion;

NOTICE OF THE EGM

- 2.14 Method of the Issuance and target subscribers;
 - 2.15 Subscription arrangement for the existing A Shareholders;
 - 2.16 Relevant matters of the bondholders' meeting;
 - 2.17 Use of proceeds;
 - 2.18 Management and deposit account for proceeds raised;
 - 2.19 Guarantee;
 - 2.20 Rating;
 - 2.21 Validity period of the Issuance plan;
3. Special Resolution: "To consider and approve the proposal in relation to the plan of the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors of the Company";
 4. Special Resolution: "To consider and approve the proposal in relation to the Demonstration and Analysis Report regarding the Plan for the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors of the Company";
 5. Special Resolution: "To consider and approve the proposal in relation to the feasibility report on the use of proceeds raised from the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors of the Company";
 6. Special Resolution: "To consider and approve the proposal in relation to the remedial measures and undertakings from related entities in relation to dilutive impact of immediate returns by the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors of the Company";
 7. Special Resolution: "To consider and approve the proposal in relation to the formulation of shareholder return program for next three years (years 2023-2025) of the Company";
 8. Special Resolution: "To consider and approve the proposal in relation to the formulation of Rules for Meetings of Holders of A Share Convertible Corporate Bond of the Company";
 9. Special Resolution: "To consider and approve the proposal in relation to the report on the use of proceeds previously raised by the Company";
 10. Special Resolution: "To consider and approve the proposal in relation to the Authorisations to the Board and its authorised persons by the Shareholders' General Meetings to deal with the matters relating to the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors at their absolute discretion"; and

NOTICE OF THE EGM

11. Ordinary Resolution: “To consider and approve the proposal in relation to the Connected Transaction in relation to Possible Subscription for A Share Convertible Corporate Bonds by connected persons”.

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

Hong Kong, 12 June 2023

Notes:

1. Persons who hold shares of the Company and whose names appear on the Register of Members of the Company as at 5 July 2023 shall be entitled to attend the EGM.
2. Any member entitled to attend and vote at the EGM is entitled to appoint one or more person(s) as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
3. The instrument appointing a proxy must be in writing of a Shareholder or his attorney duly authorized in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or in writing by its director or other attorney duly authorized to sign the same. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of that power of attorney, must be deposited not less than 24 hours before the time appointed for the holding of the EGM at the Company's principal place of business in the PRC at Building 4, Lane 127, Guotai Road, Shanghai, the PRC (for holders of A Shares) or the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for holders of H Shares) as stipulated in the proxy form.
4. For holders of H Shares, the Register of Members of H Shares of the Company will be closed from 29 June 2023 to 5 July 2023 (both dates inclusive) during which period no transfer of H Shares will be registered. To be qualified to attend the EGM, all transfers of H Shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 28 June 2023.
5. Shareholders or their proxies shall provide their identification documents when attending the EGM. If corporate Shareholders appoint authorised representative to attend the EGM, the authorised representative shall produce his/her identity documents and a notarially certified copy of the relevant authorisation instrument signed by the board of directors or other authorised parties of the corporate Shareholders or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the Shareholders or their attorney when attending the EGM.
6. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the EGM if the member so desires, and in such event, the instrument appointing a proxy shall be deemed to be revoked.
7. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.

NOTICE OF THE EGM

8. Information containing further details regarding the proposed resolutions set out in the above notice as required by the Listing Rules are set out in this circular.

* *For identification purpose only*

NOTICE OF THE H SHAREHOLDERS' CLASS MEETING



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)

NOTICE OF H SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that the class meeting of H Shareholders (the “H Shareholders’ Class Meeting”) of Shanghai Fudan Microelectronics Group Company Limited (the “Company”) will be held at Conference Room, Building 4, Fudan National University Science and Technology Park, 127 Guotai Road, Shanghai, the People’s Republic of China (the “PRC”) on Wednesday, 5 July 2023 at 2:30 p.m. (or as soon as the extraordinary general meeting and the class meeting of A Shareholders of the Company shall have been concluded or adjourned) for the following purposes:–

1. Special Resolution: “To consider and approve the proposal on the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors of the Company” (the following resolutions to be voted item by item);
 - 1.01 Type of securities to be issued;
 - 1.02 Size of the Issuance;
 - 1.03 Par value and issue price;
 - 1.04 Bonds term;
 - 1.05 Bond rate;
 - 1.06 Term and method of principal and interest payment;
 - 1.07 Conversion period;
 - 1.08 Determination and adjustment of the conversion price;
 - 1.09 Terms of downward adjustment to conversion price;
 - 1.10 Method for determining the number of A Shares for conversion;
 - 1.11 Terms of redemption;
 - 1.12 Terms of sale back;
 - 1.13 Entitlement to dividend upon conversion;
 - 1.14 Method of the Issuance and target subscribers;

NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

- 1.15 Subscription arrangement for the existing A Shareholders;
 - 1.16 Relevant matters of the bondholders' meeting;
 - 1.17 Use of proceeds;
 - 1.18 Management and deposit account for proceeds raised;
 - 1.19 Guarantee;
 - 1.20 Rating;
 - 1.21 Validity period of the Issuance plan;
2. Special Resolution: "To consider and approve the proposal in relation to the plan of the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors of the Company"; and
 3. Special Resolution: "To consider and approve the proposal in relation to the Authorisations to the Board and its authorised persons by the Shareholders' General Meetings to deal with the matters relating to the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors at their absolute discretion".

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

Hong Kong, 12 June 2023

Notes:

1. Persons who hold H Shares of the Company and whose names appear on the H Shares Register of Members of the Company as at 5 July 2023 shall be entitled to attend the H Shareholders' Class Meeting.
2. Any member entitled to attend and vote at the H Shareholders' Class Meeting is entitled to appoint one or more person(s) as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
3. The instrument appointing a proxy must be in writing of a Shareholder or his attorney duly authorized in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or in writing by its director or other attorney duly authorized to sign the same. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of that power of attorney, must be deposited not less than 24 hours before the time appointed for the holding of the H Shareholders' Class Meeting at the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as stipulated in the proxy form.

NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

4. For holders of H Shares, the Register of Members of H Shares of the Company will be closed from 29 June 2023 to 5 July 2023 (both dates inclusive) during which period no transfer of H Shares will be registered. To be qualified to attend the H Shareholders' Class Meeting, all transfers of H Shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 28 June 2023.
5. Shareholders or their proxies shall provide their identification documents when attending the H Shareholders' Class Meeting. If corporate Shareholders appoint authorised representative to attend the H Shareholders' Class Meeting, the authorised representative shall produce his/her identity documents and a notorially certified copy of the relevant authorisation instrument signed by the board of directors or other authorised parties of the corporate Shareholders or other notorially certified documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the Shareholders or their attorney when attending the H Shareholders' Class Meeting.
6. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the H Shareholders' Class Meeting if the member so desires, and in such event, the instrument appointing a proxy shall be deemed to be revoked.
7. Shareholders attending the H Shareholders' Class Meeting shall be responsible for their own travel and accommodation expenses.
8. Information containing further details regarding the proposed resolutions set out in the above notice as required by the Listing Rules are set out in this circular.

* *For identification purpose only*