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上海復旦微電子集團股份有限公司
Shanghai Fudan Microelectronics Group Company Limited*
(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 1385)

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE REVISION OF 2024 ANNUAL CAP AND
THE NEW COOPERATION AGREEMENT**

References are made to the announcements of the Company dated 26 March 2021, 30 August 2021 and 5 November 2021 respectively, and the circulars dated 29 April 2021 and 20 October 2021, in relation to the entering into the cooperation agreement between the Company and Fudan Communication for the agency of selling the reconfigurable devices and memory IC chips and the setting of the relevant annual caps. The terms of the Old Cooperation Agreement will expire on 11 June 2024. The Company entered into the New Cooperation Agreement with Fudan Communication on 22 March 2024 after assessing the market demand, sales track record and product life cycle for reconfigurable devices and memory IC chips under the Old Cooperation Agreement.

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

As the revised 2024 Annual Cap of the continuing connected transactions contemplated under the Old Cooperation Agreement and the New Cooperation Agreement and the 2025-2027 Annual Caps of the continuing connected transactions contemplated under the New Cooperation Agreement exceed the applicable percentage ratios of 5% (except for profits ratio), the continuing connected transactions are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

References are made to the announcements of Shanghai Fudan Microelectronics Group Company Limited* dated 26 March 2021, 30 August 2021 and 5 November 2021 respectively, and the circulars dated 29 April 2021 and 20 October 2021, in relation to the entering into the cooperation agreement between the Company and Fudan Communication for the agency of selling the reconfigurable devices and memory IC chips and the setting of the relevant annual caps.

The terms of the Old Cooperation Agreement will expire on 11 June 2024. The Company entered into the New Cooperation Agreement with Fudan Communication on 22 March 2024 after assessing the market demand, sales track record and product life cycle for reconfigurable devices and memory IC chips under the Old Cooperation Agreement. Details of the New Cooperation Agreement are as follows:

NEW COOPERATION AGREEMENT

(i) Date

22 March 2024 (after the trading hours)

(ii) Contracting parties

- (a) the Company; and
- (b) Fudan Communication

(iii) Nature of Agreement

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

(iv) Duration

From 12 June 2024 to 11 June 2027, for a term of three years.

(v) Payment method

Payment will be made before the delivery of the products to Fudan Communication's designated location. No credit period will be provided.

(vi) Conditions precedent

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

REVISION OF THE 2024 ANNUAL CAP AND THE PROPOSED 2025-2027 ANNUAL CAPS

1. According to the announcement dated 30 August 2021 of the Company, the 2024 Annual Cap proposed by the Directors for the Old Cooperation Agreement was RMB200,000,000. After entering into the New Cooperation Agreement, it is proposed to revise the 2024 Annual Cap to reflect the increase in the transaction amount under the New Cooperation Agreement.
2. The 2025 - 2027 Annual Caps proposed by the Directors were based on the sales history of the type of products, and were made after taking into account of information such as the number of products that have passed the evaluation and assessment of potential customers and the completion of required procedures for the supplier register, as well as the sales intentions between Fudan Communication and its customers.

The Directors expect that the market demand of such products will continue due to favorable factors such as industry recovery, customer demand and wide application. Fudan Communications has entered into a letter of intent with the Company for the period from 2024 to 2027 in respect of its customers' requirements. Based on the amount of the sales contracts to be entered into under the letter of intent, the proposed revised 2024 Annual Cap and the 2025 – 2027 Annual Caps for the relevant three years from 2024 to 2027 covered by the Old Cooperation Agreement and the New Cooperation Agreement shall not exceed the amount shown in the below table:

	For the year ended 31 December			For the period ended 11 June 2027
	2024 RMB'000 (Revised) (Note 1)	2025 RMB'000	2026 RMB'000	RMB'000 (Note 2)
Annual caps of the Old Cooperation Agreement	200,000	-	-	-
Annual caps of the New Cooperation Agreement	<u>150,000</u>	<u>280,000</u>	<u>300,000</u>	<u>150,000</u>
	<u>350,000</u>	<u>280,000</u>	<u>300,000</u>	<u>150,000</u>

Note 1: According to the Old Cooperation Agreement, the trading cap for the period from 1 January 2024 to 11 June 2024 is RMB200,000,000. According to the New Cooperation Agreement, the trading cap for the period from 12 June 2024 to 31 December 2024 is RMB150,000,000.

Note 2: The New Cooperation Agreement will expire on 11 June 2027.

3. The following table sets out the historical transaction amounts occurred during the period before entering into the Old Cooperation Agreement and up to 29 February 2024:

	For the year ended 31 December			For the period ended 29 February 2024
	2021 RMB'000 (Audited)	2022 RMB'000 (Audited)	2023 RMB'000 (Audited)	RMB'000
Historical transaction amounts under the Old Cooperation Agreement	<u>119,449</u>	<u>236,196</u>	<u>262,334</u>	<u>28,581</u>
Annual caps of the Old Cooperation Agreement	<u>200,000</u>	<u>280,000</u>	<u>370,000</u>	<u>200,000*</u>

* The 2024 Annual Cap of RMB 200,000,000 covers the period from 1 January 2024 to 11 June 2024.

REASONS FOR THE TRANSACTIONS

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

In recent years, the cyclical fluctuation of semiconductor industry has increased due to the influence of fluctuating economic conditions, trade friction and other impacts. As a result, the domestic IC market was further affected by cost changes and delay of raw material supply and product delivery. Therefore, Fudan Communication has to lockup the Company's supply to meet its orders in coming years in order to secure the supply of goods and meet the growth of end-user demand. On the other hand, the Company also used to secure the orders placed by Fudan Communication in order to minimize its business risk in production.

The Board (excluding the independent non-executive Directors, who will provide their opinions after having received the advice from the independent financial adviser) considers the transactions contemplated under the New Cooperation Agreement to be in the ordinary course of business of the Group, are on normal commercial terms which are fair and reasonable and are in the interests of the Company and the Shareholders as a whole since (i) the turnover and profits of the Company can be raised with the help of the sales channel of reconfigurable devices and memory IC chips and application solutions provided by Fudan Communication; (ii) the Company can save selling costs; and (iii) the Company can shorten the time taken to marketing but penetrate into relevant markets promptly, increase market shares and help the long-term development of reconfigurable devices aspect.

PRICING POLICIES

The Company has established a product pricing system with a "Product Pricing Guide" which covers all products and is applicable to all customers, qualified agents and connected enterprises. The product selling prices which are set in accordance with the terms and regulations of the Product Pricing Guide, will be based on the market situation, the acceptance by customers and the price set by competitors, and also with the consideration of product costs and related expenses plus profits of not less than 30%. The product selling prices and updated adjustments from time to time are set by the relevant divisions and approved by the management, then the unified product catalogs and prices will be offered to qualified agents respectively. All sales of products will be conducted in accordance with the ranges of profit margin, the same selling prices and same terms offered to qualified agents. These procedures can ensure that the transactions will be conducted on normal commercial terms and on terms and prices no less favourable to the Company than those offered to independent qualified agents.

INTERNAL CONTROL

Pursuant to the internal control system established by the Company, the internal control division will be responsible to monitor and review the continuing connected transactions contemplated under the New Cooperation Agreement to ensure that the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the pricing policy of the Company. Also, it will also report the transactions to the independent non-executive Directors on a regular basis or from time to time, if necessary. In addition, the internal control division will pay close attention to the sales contracts in order to control the aggregate transaction amount under the annual caps or to alert the relevant division to publish revision announcement when the aggregate transaction amounts are close to the revised 2024 Annual Cap and the 2025 - 2027 Annual Caps in order to comply with the Listing Rules.

In respect of the pricing, the pricing for the products will be referred to the “Product Pricing Guide”. Based on the “Product Pricing Guide”, an actual price list for different products under different bulk purchase quantity will be decided by the sales department and then approved by the management of the Company to ensure the products prices are no less favourable to the Company than that to be sold to Independent Third Parties.

In respect of monitoring the aggregate amount for transactions contemplated under the New Cooperation Agreement, the sales department would inform the financial department before entering into sales contracts with Fudan Communication and the financial department as well as the internal control division would monitor the remaining quota of the annual caps to ensure that the aggregated amounts will not exceed the revised 2024 Annual Cap and the 2025 - 2027 Annual Caps.

INFORMATION OF THE COMPANY AND FUDAN COMMUNICATION

The Company’s principal activities are design, development and sales of IC products in the PRC.

Fudan Communication is mainly engaged in design, development and production of telecommunication devices in the PRC. As at the date of this announcement, the Company holds approximately 16.34% equity interest of Fudan Communication. In addition, Mr. Yu Jun, the executive Director of the Company, holds approximately 1.19% equity interest of Fudan Communication through his spouse. Fudan Fukong, a Substantial Shareholder of the Company, holds approximately 33.84% equity interest of Fudan Communication and other Independent Third Parties hold approximately 48.63% of its equity interest.

LISTING RULES IMPLICATIONS

To the best of the Directors’ knowledge and belief, having made all reasonable enquiries and at the date of this announcement, Fudan Fukong holds 109,620,000 Shares of the Company (representing approximately 13.38% of the issued share capital of the Company) and is a Substantial Shareholder of the Company. Fudan Fukong also holds approximately 33.84% of the issued share capital of Fudan Communication which is an associate of Fudan Fukong. As defined in Chapter 14A of the Listing Rules, Fudan Fukong and Fudan Communication are Connected Persons of the Company, therefore the transactions under the New Cooperation Agreement constitute connected transactions of the Company.

Other than the disclosure in the above section that Mr. Yu Jun has an equity interest in Fudan Communication, none of the Directors has any material interest in the connected transactions. At the date of this announcement, Mr. Yu Jun holds 522,546 A Shares of the Company (representing approximately 0.06% of the issued share capital of the Company). Mr. Wu Ping and Mr. Sun Zheng, the non-executive Directors of the Company, are the representative of Fudan Fukong, and together with Mr. Yu Jun, have abstained from voting on the Board resolution approving the New Cooperation Agreement. Pursuant to the listing rules of the Shanghai Stock Exchange, Mr. Jiang Guoxing, the executive Director of the Company, is a related party because the son of Mr. Jiang Guoxing is a director of Fudan Communication and is considered as a related party, and thus Mr. Jiang Guoxing has also abstained from voting on the Board resolution. At the date of this announcement, Mr. Jiang Guoxing holds 7,210,000 A Shares of the Company (representing approximately 0.88% of the issued share capital of the Company).

As the revised 2024 Annual Cap of the continuing connected transactions contemplated under the Old Cooperation Agreement and the New Cooperation Agreement and the 2025-2027 Annual Caps of the continuing connected transactions contemplated under the New Cooperation Agreement exceed the applicable percentage ratios of 5% (except for profits ratio), the continuing connected transactions are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Resolution(s) shall be proposed at the forthcoming extraordinary general meeting to be held by the Company to consider and approve, if though fit, the execution of the New Cooperation Agreement and the transactions contemplated thereunder (including the revision of the 2024 Annual Cap and the 2025 - 2027 Annual Caps). Connected persons including Fudan Fukong (including its ultimate beneficial owners), Mr. Jiang Guoxing, Mr. Yu Jun and their associates shall abstain from voting at the extraordinary general meeting regarding to the resolutions(s).

The Independent Board Committee has formed to advise the Independent Shareholders on the execution of the New Cooperation Agreement and the transactions contemplated thereunder (including the revision of the 2024 Annual Cap and the 2025 - 2027 Annual Caps). The Company has appointed Amasse Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders that whether the New Cooperation Agreement, the revision of the 2024 Annual Cap and the setting of the 2025 – 2027 Annual Caps are fair and reasonable and in line with the interests of the Company and the Shareholders as a whole.

As additional time is required to finalise certain information to be included therein, a circular containing, among other things, (i) further information on the New Cooperation Agreement and the transactions contemplated thereunder; (ii) letter from the Independent Board Committee relating to the New Cooperation Agreement and the transactions contemplated thereunder; (iii) letter from the Independent Financial Advisor to the Independent Board Committee regarding the New Cooperation Agreement and the transactions contemplated thereunder; (vi) other information required pursuant to the Listing Rules, together with the notice of extraordinary general meeting, proxy form and reply slip will be despatched to the Shareholders on or before 25 April 2024.

DEFINITIONS

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

“2024 Annual Cap”	the annual cap for the year ending 31 December 2024 under the Old Cooperation Agreement
“2025 - 2027 Annual Caps”	the annual caps for the years ending 31 December 2025 and 2026, and period ending 11 June 2027 under the New Cooperation Agreement
“A Shares”	the ordinary share(s) of the Company of nominal value of RMB0.10 each subscribed and traded in RMB
“Board”	the board of Directors of the Company
“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
“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
“Director(s)”	the director(s) of the Company
“Fudan Communication”	Shanghai Fudan Communication Company Limited* (上海復旦通訊股份有限公司), a 30%-controlled company of Fudan Fukong (as defined in the Listing Rules)
“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), a substantial Shareholder of the Company (as defined in the Listing Rules)

“Group”	the Company and its subsidiaries from time to time
“H Share(s)”	overseas listed foreign share(s) of nominal value of RMB0.10 each in the share capital of the Company which are listed on Main Board of the Stock Exchange and subscribed and traded in HK\$
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board, 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 the New Cooperation Agreement and the transactions contemplated thereunder
“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 (Chapter 571 of the laws of Hong Kong) 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 the Independent Shareholders in relation to the New Cooperation Agreement and the transactions contemplated thereunder
“Independent Shareholders”	any Shareholder(s) of the Company who is not required to abstain from voting at the extraordinary general meeting for the resolution to approve the execution of the New Cooperation Agreement and the transactions contemplated thereunder (including the revised 2024 Annual Cap and the 2025-2027 Annual Caps)
“Independent Third Party(ies)”	any entity or person who, to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Cooperation Agreement”	the sales agency cooperation agreement in respect of reconfigurable devices and memory IC chips entered into between the Company and Fudan Communication on 22 March 2024 and effective on 12 June 2024 for a term of three years
“Old Cooperation Agreement”	the sales agency cooperation agreement in respect of reconfigurable devices and memory IC chips entered into between the Company and Fudan Communication on 26 March 2021 and effective on 12 June 2021 for a term of three years
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holders of the Company’s Shares including A Share(s) and H Share(s)
“Shanghai Stock Exchange”	Shanghai Stock Exchange of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	percent.

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

Shanghai, the PRC, 22 March 2024

As at the date of this announcement, the Company’s executive Directors are Mr. Jiang Guoxing, Mr. Shi Lei and Mr. Yu Jun; non-executive Directors are Ms. Zhang Qianling, Mr. Wu Ping and Mr. Sun Zheng, and independent non-executive Directors are Mr. Cao Zhongyong, Mr. Cai Minyong, Mr. Wang Pin and Ms. Zou Fuwen.

** For identification purpose only*