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上海復旦微電子股份有限公司
Shanghai Fudan Microelectronics Company Limited*

(a joint stock limited company incorporated in the People's Republic of China)

CONNECTED TRANSACTION

**Acquisition of a 53.8% interest
in Shanghai Commercial High Technology Development Limited***

Financial Adviser



Barits Securities (Hong Kong) Limited

SUMMARY

The board of Directors is pleased to announce that on 21st October, 2002, the Company and Shanghai Commercial Investment entered into the Acquisition Agreement in relation to the acquisition of a 53.8% interest in Shanghai Commercial High Technology at a cash consideration of RMB15.72 million (or about HK\$14.83 million), which was determined with reference to 53.8% of the audited net asset value of Shanghai Commercial High Technology amounting to approximately RMB16.45 million (or about HK\$15.52 million) as at 31st December, 2001.

Shanghai Commercial High Technology is principally engaged in the development of computer software, the integration of computer system, the management of electronic consumer cards, the design and installation of office automation system, the design and installation of control and security alarm system, the sale of computer peripheral products and the repair of cashier and related products in the PRC. Besides, Shanghai Commercial High Technology also focuses on the development of commercial applications of IC cards and the management of information security devices.

Through the Acquisition, the Company and Shanghai Commercial High Technology could provide mutual support in aspects such as technology, research and development and manufacturing, in particular, on the SOC given that the businesses of the investee companies of Shanghai Commercial High Technology are downstream businesses to the core IC business of the Group. Meanwhile, the Directors expect that the Acquisition will greatly enhance the Company's capability in integrating its chips and the operating systems used on the chips.

Shanghai Commercial Investment, the vendor in the Acquisition Agreement, is held as to 90% by 上海市商業投資(集團)有限公司 (Shanghai Commerce Invest (Group) Corporation Limited*) and as to 10% by an Independent Third Party, namely 上海蔬菜(集團)有限公司 (Shanghai Vegetables (Group) Company Limited*), while 上海市商業投資(集團)有限公司 (Shanghai Commerce Invest (Group) Corporation Limited*), which is formerly known as 上海商業投資公司 (Shanghai Commerce and Investment Co.*), is an initial management shareholder of the Company. As such, Shanghai Commercial Investment is a connected person of the Company as defined under the GEM Listing Rules. The Acquisition constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to the Independent Shareholders' approval at the SGM. The Company will despatch to its Shareholders a circular as soon as practicable. Such circular will contain, among other things, further information on the Acquisition, the advice of the independent board committee and the independent financial adviser and notice of SGM for the purpose of approving, among other things (if any), the transactions contemplated under the Acquisition Agreement.

ACQUISITION AGREEMENT

Date : 21st October, 2002

Parties : Shanghai Commercial Investment as vendor and the Company as purchaser

Asset to be acquired : 53.8% interest in Shanghai Commercial High Technology. Upon Completion, 15.4% interest in Shanghai Commercial High Technology will still be held by Shanghai Commercial Investment which intends to sell all such remaining interest to other two existing shareholders of Shanghai Commercial High Technology shortly.

Consideration

The consideration under the Acquisition Agreement is RMB15.72 million (or about HK\$14.83 million), which would be fully settled by cash and payable on the date of Completion. The consideration, which was determined with reference to 53.8% of the audited net asset value of Shanghai Commercial High Technology of approximately RMB16.45 million (or about HK\$15.52 million) as at 31st December, 2001, represented a discount of approximately 4.44% to such net asset value. The consideration was determined based on normal commercial terms and arrived at after arm's length negotiations. The Directors are of the view that the terms of the Acquisition Agreement are fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders as a whole.

Conditions Precedent

Completion is conditional on, among other things, the following conditions having been fulfilled:

1. the Acquisition being approved by the board of directors of Shanghai Commercial Investment;
2. the Acquisition being approved by the Independent Shareholders at the SGM; and
3. the obtaining of all approvals in relation to the Acquisition from the relevant PRC government authorities.

In the event that the above conditions are not fulfilled on or before 31st January, 2003 (or such later date as the parties may otherwise agree), the Acquisition Agreement shall lapse.

Completion

Completion shall take place when all the conditions precedent set out in the Acquisition Agreement are fulfilled and all necessary procedures for change of shareholder of Shanghai Commercial High Technology have been completed. The Directors expect that Completion shall take place on or before the end of February 2003.

REASONS FOR THE ACQUISITION

Information on Shanghai Commercial High Technology

Shanghai Commercial High Technology was established in the PRC in 1995 and is held as to 69.2% by Shanghai Commercial Investment and as to 27.4% and 3.4% by two Independent Third Parties, namely 上海郵電發展總公司 (Shanghai Postal and Telecommunication Development Company*) and 上海合康科技發展實業有限公司 (Shanghai He Kang Technology Development Industrial Company Limited*) respectively. It is principally engaged in the development of computer software, the integration of computer system, the management of electronic consumer cards, the design and installation of office automation system, the design and installation of control and security alarm system, the sale of computer peripheral products and the repair of cashier and related products in the PRC. Besides, Shanghai Commercial High Technology also focuses on the development of commercial applications of IC cards and the management of information security devices. For 2001, revenue from development of computer software and development of commercial applications of IC cards represented about 1.94% and 52.40% of total turnover of Shanghai Commercial High Technology and the balance of turnover was attributable to other businesses set out above.

Currently, Shanghai Commercial High Technology is undertaking several key projects, “副食品行業超市計算機管理系統通用軟件包” (Computer management system software package for non-staple foodstuffs of supermarket) which was classified as the 國家示範工程 (State Demonstrative Project) and commended by 國家內貿部 (Ministry of Internal Trade of the PRC) and 國家金卡辦 (National GoldCard Office); “中型百貨商場計算機管理系統通用軟件包” (Applied computer management system software package for medium-sized department store), which has been awarded a 科技二等獎 (Technology Grade II Award) by 上海市經濟委員會 (Shanghai Economic Commission) and classified as the 國家示範工程 (State Demonstrative Project); and “商用收款機在信用卡受理系統中的應用軟件” (Applied software for commercial cashier in the credit card management system), which has been awarded a 上海市優秀新產品三等獎 (Outstanding New Products Grade III Award of the Shanghai Municipality). The Directors believe that upon Shanghai Commercial High Technology becoming a subsidiary of the Company, the projects conducted by it would be beneficial to the financial performance of the Company in the long run in view that such projects would make use of the IC cards developed by the Group.

As at 31st December, 2001, the audited net assets of Shanghai Commercial High Technology amounted to approximately RMB30.57 million (or about HK\$28.84 million). Shanghai Commercial High Technology recorded an audited net profit after tax of approximately RMB30,011 (or about HK\$28,312) for the year ended 31st December, 2000 and an audited net loss after tax of approximately RMB980,000 (or about HK\$920,000) for the year ended 31st December, 2001.

Shanghai Commercial High Technology has invested into four companies which are principally engaged in the integration of integrated circuit systems, development of software and application of catering services cards which are complimentary to the application and promotion of IC cards and the relevant system developed by the Group in the area of banking and electronic consumption system given that the businesses of these four companies, which are downstream businesses of the Group, are expected to deploy the IC cards developed by the Group.

Details of the four investee companies are set out as follow:

Name of investee company	Total registered capital	Shanghai Commercial High Technology's interest in the Company	Time of investment by Shanghai Commercial High Technology	Principal activities
上海共享商業增值網絡服務有限公司 (Shanghai Sharing Commercial Value Added Network Service Company Limited*) <i>(Note 1)</i>	RMB5 million	51%	April 1996	It is principally engaged in the provision of value-added commercial services like electronic data exchange, electronic payment and electronic commerce as well as the development and sales of software and hardware products.
上海亞太計算機信息系統有限公司 (Shanghai Yatai Computer Information System Company Limited*) <i>(Note 2)</i>	RMB5 million	40%	February 1996	It is principally engaged in the development and sale of computer application software, the integration of computer system and the sale and repair of computers and its related peripheral products.

Name of investee company	Total registered capital	Shanghai Commercial High Technology's interest in the Company	Time of investment by Shanghai Commercial High Technology	Principal activities
上海商和電子有限公司 (Shanghai Shanghuo Electronics Company Limited*) (Note 3)	USD0.3 million	20%	September 1995	It is principally engaged in the development and manufacture of computer application software and the development, design, installation and testing of computer network system, automatic system and security system.
上海雅高企業服務有限公司 (Shanghai Yagao Corporate Services Company Limited*) (Note 4)	USD2 million	1.875%	December 1999	It is principally engaged in the provision of management, strategic planning and consultancy services of all kinds for food and beverage through catering services cards.

Note 1: 上海信息產業有限公司 (Shanghai Information Industry Company Limited*), an Independent Third Party, holds 49% interests.

Note 2: 長江計算機(集團)有限公司 (Chang Jiang Computer (Group) Company Limited*) and 上海六百實業有限公司 (Shanghai Liu Bai Industrial Company Limited*), both Independent Third Parties, hold 40% and 20% interests respectively.

Note 3: 日本國株式會社陽和 (Japan Yang Huo Company Limited*), an Independent Third Party, holds 80% interests.

Note 4: 法國雅高股份有限公司 (France Yagao Company Limited*), 中國出口商品基地建設上海公司 (China Export Goods Construction Base Shanghai Company*) and 上海亞太計算機信息系統有限公司 (Shanghai Yatai Computer Information System Company Limited*), all Independent Third Parties, hold 92.5%, 2.5% and 1.875% interests respectively.

Benefits expected to be derived from the Acquisition

The Company is an application specific integrated circuit (ASIC) design and system integration company based in the PRC and is mainly engaged in the design and sale of integrated circuits for industrial applications. Currently, the Group's products have a wide range of industrial applications, and these products include telecommunication products, integrated IC cards, motor/automobile electronic products, power electronic products and consumer electronic products. It is the Company's major business objective to capture a significant share of the IC design and system integration business in the PRC and to become one of the leading ASIC design companies in the world.

Through the Acquisition, the Company and Shanghai Commercial High Technology could provide mutual support in aspects such as technology, research and development and manufacturing, especially on the SOC given that the businesses of the investee companies of Shanghai Commercial High Technology are downstream businesses to the core IC business of the Group. The Directors believe that the application of SOC will become increasingly popular in the future given the increasing use of railway IC cards, transportation IC cards and identity IC cards largely promoted by the state government. Meanwhile, the Directors expect that the Acquisition will greatly enhance the Company's capability in integrating its chips and the operating systems used on the chips.

In line with the section headed "Reasons for the placing and use of proceeds" in the Company's circular dated 12th November, 2001 in relation to the placing of its H Shares, the Directors believe that the Acquisition is favorable to the growth of the Group and its long term development by diversifying itself into business areas which are complementary to the core IC design business of the Group. The Acquisition will be financed by proceeds from aforesaid placing and upon Completion, the Company will appoint two directors (out of four) into the board of Shanghai Commercial High Technology.

CONNECTED TRANSACTION

Shanghai Commercial Investment, the vendor in the Acquisition Agreement, is held as to 90% by 上海市商業投資(集團)有限公司 (Shanghai Commerce Invest (Group) Corporation Limited*) and as to 10% by an Independent Third Party while 上海市商業投資(集團)有限公司 (Shanghai Commerce Invest (Group) Corporation Limited*), which is formerly known as 上海商業投資公司 (Shanghai Commerce and Investment Co.*), is an initial management shareholder of the Company. As such, Shanghai Commercial Investment is a connected person of the Company as defined under the GEM Listing Rules. Accordingly, the Acquisition constitutes a connected transaction under Chapter 20 of the GEM Listing Rules.

Since the consideration for the acquisition is above the higher of HK\$10,000,000 or 3% of the net tangible assets of the Company, the Acquisition is subject to the Independent Shareholders' approval at the SGM. 上海市商業投資(集團)有限公司 (Shanghai Commerce Invest (Group) Corporation Limited*) and its associates will abstain from voting in the SGM.

GENERAL

The Company will despatch to its Shareholders a circular as soon as practicable. Such circular will contain, among other things, further information on the Acquisition, the advice of the independent board committee and the independent financial adviser and notice of SGM, if any, for the purpose of approving, among other things (if any), the transactions contemplated under the Acquisition Agreement.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the content requires otherwise.

“Acquisition”	the acquisition of a 53.8% interest in Shanghai Commercial High Technology by the Company from Shanghai Commercial Investment at a consideration of RMB15.72 million (or about HK\$14.83 million)
“Acquisition Agreement”	the agreement dated 21st October, 2002 entered into between the Company and Shanghai Commercial Investment in relation to the Acquisition
“Company”	上海復旦微電子股份有限公司 (Shanghai Fudan Microelectronics Company Limited*), a joint stock limited company incorporated in the PRC and whose H Shares are listed on GEM
“Completion”	Completion of the Acquisition Agreement
“Directors”	the directors (including independent non-executive directors) of the Company
“Domestic Shares”	the domestic invested shares of nominal value of RMB0.10 each in the share capital of the Company, which are subscribed for in RMB
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“H Shares”	the overseas listed foreign invested shares of nominal value of RMB0.10 each in the share capital of the Company, which are listed on GEM and subscribed for and traded in HK\$
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

“Independent Shareholders”	Shareholders other than 上海市商業投資(集團)有限公司 (Shanghai Commerce Invest (Group) Corporation Limited*)
“Independent Third Party(ies)”	parties who are independent of and not connected with the promoters, directors, supervisors, chief executive, substantial shareholders or management shareholders of the Company or an associate of any of them
“PRC”	the People’s Republic of China
“SGM”	the special general meeting of the Company to be convened for the purpose of approving, among other things (if any), the transactions contemplated under the Acquisition Agreement
“Shares”	Domestic Shares and H Shares
“Shareholders”	holders of Domestic Shares and of H Shares
“Shanghai Commercial Investment”	上海商投實業集團有限公司 Shanghai Commercial Investment Enterprise Holdings Limited*, a company incorporated in the PRC, which is held as to 90% by 上海市商業投資(集團)有限公司 (Shanghai Commerce Invest (Group) Corporation Limited*), and as to 10% by an Independent Third Party, namely 上海蔬菜(集團)有限公司 (Shanghai Vegetables (Group) Company Limited*)
“Shanghai Commercial High Technology”	上海商業高新技術發展有限公司 Shanghai Commercial High Technology Development Limited*, a company incorporated in the PRC, which is held as to 27.4%, 3.4% and 69.2% by 上海郵電發展總公司 (Shanghai Postal and Telecommunication Development Company*), 上海合康科技發展實業有限公司 (Shanghai He Kang Technology Development Industrial Company Limited*) and Shanghai Commercial Investment respectively
“SOC”	system on chip, a new design technique which allows a complex electric system (which, in the past, had to be made up of a number of electric boards) to be integrated into a chip

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

By Order of the Board
Shanghai Fudan Microelectronics Company Limited
Jiang Guo Xing
Chairman

Shanghai, the PRC, 22nd October, 2002

** For identification purposes only (non-offical name)*

In this announcement, unless otherwise indicated, the exchange rate at HK\$1.00 = RMB1.06 has been used for the purpose of illustration only and it does not constitute a representation that any amount has been or could have been or may be exchanged at such exchange rate.

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