

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 COOPERATION AGREEMENTS OF
SMART METER IC CHIPS, SATELLITE NAVIGATION IC CHIPS AND
APPLICATION SYSTEM, AND ELECTRONIC IDENTIFICATION IC CHIPS**

Reference is made to the announcements of the Company published on 11 August 2011, 23 April 2012, 30 April 2012, 8 May 2013 and 16 April 2015 in relation to the Co-operation Agreements entered with Fukong Hualong.

Due to the renewed agreement will be expired on 15 April 2017, the Company and Fukong Hualong have renewed the Smart Meter IC Chips Agreement on 10 April 2017 (after the trading hours) with the same terms and conditions for a term of three years and effective from 16 April 2017 to 15 April 2020.

Since the renewed agreement will be expired on 15 April 2017, the Company and Fukong Hualong have entered into the Satellite Navigation IC Chips and Application System Agreement on 10 April 2017 (after the trading hours), with similar terms and conditions of the Satellite Navigation IC Chips Agreement for three years and effective from 16 April 2017 to 15 April 2020.

The Company and Fukong Hualong have entered into the Electronic Identification IC Chips Agreement on 10 April 2017 (after the trading hours) for the research and development of electronic identification chips with effective from the date of the agreement to the completion of the pilot program, which is expected to last for two years.

Fudan Technology Enterprise is a substantial shareholder of the Company and holds 17.76% equity interest of the Company. Fukong Hualong is also being held as to 36.75% interest by Fudan Technology Enterprise. As such, Fudan Technology Enterprise is a connected person of the Company and Fukong Hualong is a connected subsidiary as defined under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Smart Meter IC Chips Agreement, Satellite Navigation IC Chips and Application System Agreement, and Electronic Identification IC Chips Agreement constitute connected transactions of the Company.

As the transactions contemplated under the Smart Meter IC Chips Agreement and Satellite Navigation IC Chips Agreement and Application System Agreement, and Electronic Identification IC Chips Agreement will be on a continuing basis, these transactions constitute continuing connected transactions of the Company under Rule 14A.31 of the Listing Rules. In view of the similar nature of these transactions contemplated under the cooperation agreements, these transactions have to be aggregated in accordance with Rule 14A.81 of the Listing Rules.

As the aggregated annual caps of these continuing connected transactions do not exceed the applicable percentage ratios (other than the profits ratio) of 5%, these continuing connected transactions exempt from shareholders' approval requirement but subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

Reference is made to the announcements of Shanghai Fudan Microelectronics Group Company Limited (the “Company”) published on 11 August 2011, 23 April 2012, 30 April 2012, 8 May 2013 and 16 April 2015 (the “Announcements”) in relation to the Co-operation Agreements entered with a non-wholly owned subsidiary, Shanghai Fukong Hualong Micro-system Technology Co., Ltd. (“Fukong Hualong”). Unless the context otherwise requires, terms defined in this announcement shall have the same meanings as those defined in the Announcements.

Renewal of Smart Meter IC Chips Agreement

Reference is made to the Announcements in relation to the cooperation agreement and the related renewal (the “Smart Meter IC Chips Agreement”) entered into by the Company with Fukong Hualong for the research and development of smart meter IC chips. Since invitations for tender of smart meter project of the State Grid Corporation of China are still under progress, the Company has to continue the supply with upgrade from time to time of the products contemplated under the Smart Meter IC Chips Agreement. Due to the renewed agreement will be expired on 15 April 2017, the Company and Fukong Hualong have renewed the Smart Meter IC Chips Agreement on 10 April 2017 (after the trading hours) with the same terms and conditions for a term of three years and effective from 16 April 2017 to 15 April 2020.

The Directors expect that the annual caps of the profit sharing payable to Fukong Hualong for the three years ended 31 December 2019 will be as follows:

	RMB’000
For the year ended 31 December 2017	1,000
For the year ended 31 December 2018	800
For the year ended 31 December 2019	500

The estimations above are arrived at after considering that the smart meter project has been implemented for years, the decrease in scale of tenders, number of sales contracts the Company has on hand, and the business forecast for the three years ended 31 December 2019.

The historical amounts under the Smart Meter IC Chips Agreement are as follow:

	Annual Cap RMB’000	Historical amount RMB’000
For the year ended 31 December 2011	2,160	2,158
For the year ended 31 December 2012	4,500	4,481
For the year ended 31 December 2013	5,000	4,371
For the year ended 31 December 2014	5,000	4,054
For the year ended 31 December 2015	4,000	3,246
For the year ended 31 December 2016	3,000	1,533

Satellite Navigation IC Chips and Application System Agreement

Reference is made to the Announcements in relation to the cooperation agreement and the related renewal (the “Satellite Navigation IC Chips Agreement”) entered into by the Company with Fukong Hualong for the research and development of IC chips applicable for satellite navigation. Since the projects contemplated under the Satellite Navigation IC Chips Agreement have achieved a satisfactory outcome and the renewed agreement will be expired on 15 April 2017, both parties agreed to base on the existing technical results, to further the co-operation of research and development on satellite navigation IC chips and develop its application system. The Company and Fukong Hualong have entered into a supplementary agreement on 10 April 2017 (after the trading hours), with similar terms and conditions of the Satellite Navigation IC Chips Agreement, for the research and development of a new generation of satellite navigation IC chips and application system (the “Satellite Navigation IC Chips and Application System Agreement”). The Satellite Navigation IC Chips and Application System Agreement will last for three years and effective from 16 April 2017 to 15 April 2020.

The Directors expect that the transaction amounts contemplated under the co-operation project mode and the co-operation product sales mode for the three years ended 31 December 2019 will be as follows:

	Year ended 31 December		
	2017 RMB'000	2018 RMB'000	2019 RMB'000
Co-operation project mode	4,500	4,500	4,500
Co-operation product sales mode	9,000	5,000	5,000

The above estimations above are arrived at after considering the government grants approved in the past, historical sales records, the expected market demands and business forecast for the years ended 31 December 2019.

The historical amounts under Satellite Navigation IC Chips Agreement are as follow:

	Annual Cap RMB'000	Historical amount RMB'000
<u>Co-operation project mode</u>		
For the year ended 31 December 2012	1,600	1,000
For the year ended 31 December 2013	2,200	-
For the year ended 31 December 2014	2,200	-
For the year ended 31 December 2015	4,000	-
For the year ended 31 December 2016	5,000	1,920
<u>Co-operation product sales mode</u>		
For the year ended 31 December 2012	8,100	1,412
For the year ended 31 December 2013	13,000	1,111
For the year ended 31 December 2014	14,000	1,809
For the year ended 31 December 2015	5,000	3,072
For the year ended 31 December 2016	6,000	3,047

Electronic Identification IC Chips Agreement

The Company and Fukong Hualong have entered into a co-operation agreement on 10 April 2017 (after the trading hours) for the research and development of electronic identification IC chips (‘Electronic Identification IC Chips Agreement’) with effective from the date of the agreement to the completion of the pilot program, which is expected to last for two years.

According to the Electronic Identification IC Chips Agreement, Fukong Hualong is responsible for making use of their resources on system-on-chips and technical application solutions to assist the Company in the research and development of electronic identification IC chips for the purposes of having short-listed and passed in the pilot program of relating projects. The Company will pay Fukong Hualong technical support fees amounted to RMB200,000 and RMB300,000 within 60 days of provision of full set of technical specifications and signing of contract for the pilot program respectively.

The technical support fees have been negotiated by both parties and determined after considering the technical needs, equipment engaged, time taken for research and development, and professionals involved.

AGGREGATION OF TRANSACTIONS

As the nature of the transactions contemplated under the Smart Meter IC Chips Agreement, the Satellite Navigation IC Chips and Application System Agreement, and Electronic Identification IC Chips Agreement are similar, pursuant to Rule 14A.81 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ‘Listing Rules’), these transactions should be aggregated:

	Annual cap for the year ended 31 December		
	2017 RMB’000	2018 RMB’000	2019 RMB’000
Smart Meter IC Chips Agreement	1,000	800	500
Satellite Navigation IC Chips and Application System Agreement:			
(a) Co-operation project mode	4,500	4,500	4,500
(b) Co-operation product sales mode	9,000	5,000	5,000
Electronic Identification IC Chips Agreement	200	300	-
Total	14,700	10,600	10,000

REASONS FOR THE TRANSACTIONS

It is the Company's overall business objectives to become a leader in the IC design and system integration business in the PRC with keen determination to be one of the global leading application specific IC design companies. One of the Company's business targets is the diversification of product chains. The Company has launched similar products of electricity meter IC chips in early years; the Directors believe that the participation in satellite navigation IC chips and related application system will enhance the technology level and industry position of the Company; research and development of electronic identification chips can widen the Group's product series. And whereas, Fukong Hualong has substantial experience in research and development and business of the related products. The Directors consider that the cooperation will facilitate technology exchange, improve the success rate of research and development, increase market share and achieve a synergy effect.

The Board (including all independent non-executive Directors) is of the view that the transactions contemplated under these cooperation agreements are entered in the ordinary and usual course of the Group's business, on normal commercial terms, fair and reasonable and in the best interests of the Company and shareholders as a whole, as (i) the Company can share the substantial experience of Fukong Hualong in respect of research and development, design and marketing channel of electricity meters and GPS and its application system for the purposes of renovation of new products and marketing; (ii) Fukong Hualong possesses experienced project teams and some research and development equipments, and the Company will be benefited by saving its costs, time spent on research and development and does not need to recruit its own staff; and (iii) the Company would be able to gain self-developed proprietary rights at low research and development costs.

INFORMATION OF THE COMPANY AND FUKONG HUALONG

The Company's principal activities consist of IC design, developing and selling products of application-specific IC in the PRC.

Fukong Hualong is principally engaged in the development of integration of IC chips application and micro-system in the PRC with over 15-year experience in system on chips and research and development in micro-system with several intellectual proprietary rights. Its business comprises of information communication, GPS, power electronics and multi-media information terminal. The Company holds 38.25% equity interest in Fukong Hualong and the Directors consider that Fukong Hualong is under the unilateral control of the Group and regarded as a subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries and at the date of this announcement, Shanghai Fudan Technology Enterprise Holdings Limited ("Fudan Technology Enterprise") is a substantial shareholder of the Company and holds 17.76% equity interest of the Company. Fukong Hualong is also being held as to 36.75% interest by Fudan Technology Enterprise. As such, Fudan Technology Enterprise is a connected person of the Company and Fukong Hualong is a connected subsidiary as defined under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Smart Meter IC Chips Agreement, Satellite Navigation IC Chips and Application System Agreement, and Electronic Identification IC Chips Agreement constitute connected transactions of the Company.

None of the Directors has any material interest in these connected transactions.

As the transactions contemplated under the Smart Meter IC Chips Agreement, Satellite Navigation IC Chips and Application System Agreement, and Electronic Identification IC Chips Agreement will be on a continuing basis, these transactions constitute continuing connected transactions of the Company under Rule 14A.31 of the Listing Rules. In view of the similar nature of these transactions contemplated under the above-mentioned cooperation agreements, these transactions have to be aggregated in accordance with Rule 14A.81 of the Listing Rules.

As the aggregated annual caps of these continuing connected transactions do not exceed the applicable percentage ratios (other than the profits ratio) of 5%, these continuing connected transactions exempt from shareholders' approval requirement but subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

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

Shanghai, the PRC, 10 April 2017

As at the date of this announcement, the Company's executive directors are Mr. Jiang Guoxing, Mr. Shi Lei, Mr. Yu Jun and Ms. Cheng Junxia; non-executive directors are Ms. Zhang Qianling, Mr. Ma Zhicheng, Mr. Yao Fuli and Ms. Zhang Huajing and independent non-executive directors are Mr. Cheung Wing Keung, Mr. Guo Li, Mr. Chen Baoying and Mr. Lin Fujiang.

* For identification only