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If you have sold or transferred all your shares in Shanghai Fudan Microelectronics Group Company Limited, you should at once had this circular and the accompanying confirmation slip and form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



**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)

PROPOSALS FOR

- (1) EXTENSION OF THE VALIDITY PERIOD OF THE RESOLUTION
IN RESPECT OF THE PROPOSED A SHARE OFFERING;**
- (2) EXTENSION OF THE AUTHORISATIONS GRANTED TO THE BOARD TO
HANDLE ALL MATTERS RELATING TO THE IPO AND
LISTING OF A SHARES;**
- (3) RENEWAL OF GENERAL MANDATE TO ISSUE NEW SHARES;**
- (4) CONTINUING CONNECTED TRANSACTIONS AND THE REVISION OF
ANNUAL CAP;
AND**
- (5) NOTICES OF ANNUAL GENERAL MEETING AND CLASS MEETINGS**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

AMASSE CAPITAL
寶 積 資 本

Notices convening the AGM and Class Meetings to be held at Building 4, Lane 127, Guotai Road, Shanghai, the People's Republic of China on Wednesday, 2 June 2021 are set out on pages AGM-1 to HCM-2 of this circular.

Forms of proxy for use at the AGM and Class Meetings are enclosed with this circular and such forms of proxy are also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fmsh.com). Whether or not you are able to attend and/or vote at the AGM and Class Meetings, you are requested to complete and return (i) the enclosed reply slips in accordance with the instructions printed thereon not later than Wednesday, 12 May 2021; and (ii) the enclosed forms 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 AGM and Class Meetings.

29 April 2021

* For identification purpose only

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DEFINITIONS

“2021 Annual Cap”	the annual cap for the year ending 31 December 2021 under the Old Cooperation Agreement not exceeding RMB60,000,000
“2022 - 2024 Annual Caps”	the annual caps for the three years ending 31 December 2022, 2023 and 2024 under the New Cooperation Agreement
“AGM”	the annual general meeting of the Company to be held at Building 4, Lane 127, Guotai Road, Shanghai, the PRC on Wednesday, 2 June 2021 at 10:00 a.m.
“A Share(s)”	the ordinary share(s) of nominal value of RMB0.10 each of the Company which are subscribed for and traded in RMB
“A Share Offering”	the Company’s proposed public offering of not more than 122,550,000 A Shares, such A Shares will be listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors of the Company
“Class Meetings”	The class meetings of the Company to be held at Building 4, Lane 127, Guotai Road, Shanghai, the PRC on Wednesday, 2 June 2021 at 10:30 a.m. and 11:00 a.m. respectively (or immediately after the annual general meeting to be held on the same day and same place at 10:00 a.m., whichever is the later)
“Company”	上海復旦微電子集團股份有限公司 (Shanghai Fudan Microelectronics Group Company Limited*), a joint stock limited company incorporated in the PRC and whose H shares are listed on the main board of the Stock Exchange
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“Domestic Share(s)”	domestic share(s) of nominal value of RMB0.10 each in the capital of the Company which are subscribed for in RMB
“Fudan Communication”	上海復旦通訊股份有限公司 (Shanghai Fudan Communication Co., Ltd.*), a 30%-controlled company of Fudan Fukong (as defined in the Listing Rules)
“Fudan Fukong”	上海復旦復控科技產業控股有限公司 (Shanghai Fudan Fukong Technology Enterprise Holdings Limited.*), a substantial Shareholder of the Company (as defined in the Listing Rules)

DEFINITIONS

	<p>Bailian Group Company Limited is a state-owned enterprise wholly owned by the Shanghai Municipal Government and wholly owned Shanghai Commerce and Invest (Group) Corporation which held 70.2% of the equity interest of Fudan Fukong</p>
“General Mandate”	<p>the proposed general mandate to be granted to the Directors at the AGM to permit the allotment and issue of new Shares in the Company of up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution granting such mandate</p>
“H Share(s)”	<p>foreign invested share(s) of nominal value of RMB0.10 each in the capital of the Company which are listed on main board of the Stock Exchange and subscribed for in HK\$</p>
“HK\$”	<p>Hong Kong dollars, the lawful currency of Hong Kong</p>
“IPO”	<p>the Company’s initial public offering of A shares</p>
“Independent Board Committee”	<p>an independent committee of the Board comprising all its independent non-executive Directors, namely Mr. Guo Li, Mr. Cao Zhongyong, Mr. Cai Minyong and Mr. Wang Pin, established for the purpose of advising the Independent Shareholders on the New Cooperation Agreement and the transactions contemplated thereunder (including the revised 2021 Annual Cap and 2022 - 2024 Annual Caps)</p>
“Independent Financial Adviser” or “Amasse Capital”	<p>Amasse Capital Limited is registered with Securities and Futures Commission in Hong Kong as a licensed corporation under the Securities and Futures Ordinance (Cap. 571 of The Laws of Hong Kong) to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and was appointed as the independent financial adviser of the Company to provide advice to the Independent Board Committee and Independent Shareholders in relation to the continuing connected transactions under the New Cooperation Agreement (including the revision of 2021 Annual Cap and 2022 - 2024 Annual Caps)</p>
“Independent Shareholders”	<p>Shareholders who are not prohibited from voting at the annual general meeting for the resolution in respect with the New Cooperation Agreement and the transactions contemplated thereunder (including the revised 2021 Annual Cap and 2022 - 2024 Annual Caps)</p>

DEFINITIONS

“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
“Latest Practicable Date”	27 April 2021 being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Cooperation Agreement”	the sales agency cooperation agreement in respect of reconfigurable devices and memory IC chips entered into between the Company and Fudan Communication on 26 March 2021 and effective on 12 June 2021 for a term of three years
“Old Cooperation Agreement”	the sales agency cooperation agreement in respect of reconfigurable devices and memory IC chips entered into between the Company and Fudan Communication on 12 June 2020 for a term of one year
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Product Selling Prices”	the unified selling prices determined by the Company in relation to the sales of reconfigurable devices and memory IC chips to its qualified agents
“SFO”	The Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
“Share(s)”	Domestic Shares and H Shares
“Shareholder(s)”	registered holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“%”	Percent.

* *For identification purpose only*

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

Non-executive Directors:

Ms. Zhang Qianling
Mr. Ma Zhicheng
Ms. Zhang Huajing
Mr. Wu Ping

Independent non-executive Directors:

Mr. Guo Li
Mr. Cao Zhongyong
Mr. Cai Mingyong
Mr. Wang Pin

Registered Office:

No.220 Handan Road
Shanghai
The PRC

Principal Place of Business:

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

In Hong Kong:

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

Dear Sir or Madam:

PROPOSALS FOR

- (1) EXTENSION OF THE VALIDITY PERIOD OF THE RESOLUTION
IN RESPECT OF THE PROPOSED A SHARE OFFERING;
 - (2) EXTENSION OF THE AUTHORISATIONS GRANTED TO THE BOARD TO
HANDLE ALL MATTERS RELATING TO THE IPO AND
LISTING OF A SHARES;
 - (3) RENEWAL OF GENERAL MANDATE TO ISSUE NEW SHARES;
 - (4) CONTINUING CONNECTED TRANSACTIONS AND THE REVISION OF
ANNUAL CAPS;
- AND
- (5) NOTICES OF ANNUAL GENERAL MEETING AND CLASS MEETINGS

INTRODUCTION

The purpose of this circular is to provide you with further information regarding the resolutions to be proposed at the forthcoming AGM and the Class Meetings: (i) to extend the validity period of the resolution in respect of the proposed A Share Offering; (ii) to extend the authorisations granted to the board to handle

* For identification purpose only

LETTER FROM THE BOARD

all matters relating to the IPO and listing of A shares; (iii) to renew the General Mandate to issue new Shares; (iv) continuing connected transactions and revision of annual caps; and (v) to give you notices of AGM and Class Meetings.

A. PROPOSED FURTHER EXTENSION OF THE VALIDITY PERIOD OF THE RESOLUTION IN RESPECT OF THE PROPOSED A SHARE OFFERING AND EXTENSION OF THE AUTHORISATIONS GRANTED TO THE BOARD TO HANDLE ALL MATTERS RELATING TO THE IPO AND LISTING OF A SHARES;

Reference is made to the circular of the Company dated 18 April 2019 concerning (which includes) (i) proposal of A Share Offering; and (ii) proposal of authorisations granted to the Board to handle all matters relating to the A Share Offering (collectively the “Resolutions”). And the circular of the Company dated 16 April 2020 concerning (which includes) proposal of extension of the validity period of the Resolutions (“Extension of Resolutions”). The Resolutions and the Extension of Resolutions have been passed in the annual general meetings and class meetings which were held on 3 June 2019 and 5 June 2020 respectively. The application relating to the A Share Offering submitted to the Shanghai Stock Exchange is still under examination, even though the approval of Listing Committee for the Sci-Tech Innovation Board has obtained, the Company is unable to determine whether the A Share Offering can be completed on 4 June 2021 which is the end of the validity of the Extension of Resolutions. As a result, the Board seeks permission from Shareholders to further extend the validity period of the Resolutions for one year from the date of the AGM and the Class Meetings.

B. RENEWAL OF GENERAL MANDATE TO ISSUE NEW SHARES

At the annual general meeting of the Company for the year 2019 held on 5 June 2020 (the “2019 AGM”), the Shareholders approved, among other things, the grant of a general mandate which authorised the Directors to allot, issue and deal with not more than 138,900,400 new Shares, being 20% of 694,502,000 Shares in issue of the Company as at the date of the 2019 AGM.

As at the Latest Practicable Date, the general mandate granted under the 2019 AGM has not been utilised or refreshed.

In accordance with conditions of the general mandate granted, such mandate will be lapsed at the conclusion of the forthcoming AGM. The Directors believe that the renewal of this mandate is in the interests of the Company and the Shareholder as a whole. A special resolution will be proposed by the Directors at the forthcoming AGM for the Shareholders’ approval to renew the general mandate to the Directors to exercise the powers of the Company to issue new Shares with not more than 20% of the Shares in issue of the Company as at the date of the AGM. Assuming no Shares will be issued or repurchased by the Company during the period between the Latest Practicable Date and the date of AGM, the Directors will be authorised to issue up to a maximum of 138,900,400 Shares, including 56,866,000 H Shares and 82,034,400 Domestic Shares, pursuant to the General Mandate based on 694,502,000 Shares, of which 284,330,000 H Shares and 410,172,000 Domestic Shares were in issue as at the Latest Practicable Date.

LETTER FROM THE BOARD

C. CONFIRMATION OF RELATED PARTY TRANSACTIONS OF 2020

Pursuant to the requirements of A Share Offering, the Company has prepared the related party transactions report for the year ended 31 December 2020, and its details are set out in Appendix 1 to this circular.

D. CONTINUING CONNECTED TRANSACTIONS AND THE REVISION OF ANNUAL CAP

Reference is made to the Old Cooperation Agreement dated 12 June 2020 entered into between the Company and Fudan Communication for a term of one year. As the term of the Old Cooperation Agreement will expire on 11 June 2021, after assessing the market demand, sales track record and product life cycle for reconfigurable devices and memory IC chips under the Old Cooperation Agreement, the Company entered into the New Cooperation Agreement with Fudan Communication on 26 March 2021. The details of the New Cooperation Agreement are as follows:

New Cooperation Agreement

(i) Date

26 March 2021 (after the trading hours)

(ii) Contracting parties

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

(iii) Nature of Agreement

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

(iv) Duration

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

LETTER FROM THE BOARD

(v) *Payment method*

Delivery after payment is made.

(vi) *Conditions precedent*

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

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

1. According to the announcement dated 5 February 2021 of the Company, the 2021 Annual Cap proposed by the Directors for the Old Cooperation Agreement was RMB60,000,000. After the entering into of the New Cooperation Agreement, it is proposed to revise the 2021 Annual Cap to reflect the increase in the transaction amount under the New Cooperation Agreement.
2. The 2022 - 2024 Annual Caps proposed by the Directors was based on (i) the sales history of the products and its increasing trend; (ii) the sales purchase intentions of Fudan Communication; and (iii) the prospect of the IC industry in the PRC. The Directors expect that the market for such products will increase significantly due to favorable factors such as industry recovery, customer demand and wide application.

It is proposed that the revised 2021 Annual Cap and the 2022 - 2024 Annual Caps of the proposed transactions contemplated under the Old Cooperation Agreement and the New Cooperation Agreement for the financial years ending 31 December 2021 to 2024 shall not exceed the amount shown in the below table:

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

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

LETTER FROM THE BOARD

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

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

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

REASONS FOR THE TRANSACTIONS

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

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

LETTER FROM THE BOARD

PRICING POLICIES

The Company has established a product pricing system with issuance of a “Guide on Product Pricing” 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 Guide on Product Pricing, 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 upon approved by the management, the unified product catalogs and prices will be offered to qualified agents respectively. The products provided by the Company to Fudan Communication under the New Cooperation Agreement cover more than 20 types and all sales will be conducted in accordance with the set profit ranges, the Product 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 so as to control the aggregate transaction amount under the annual cap or to alert the relevant division to publish revision announcement when the transaction amounts nearly reach the revised 2021 Annual Cap and the 2022 - 2024 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 “Guide on Product Pricing”. Based on the “Guide on Product Pricing”, an actual price list for different products under different bulk purchase quantity will be decided by the manufacturing department, sales department and monitored by the finance department and endorsed by the management of the Group in charge to ensure the products prices are no less favourable than that of 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 department would monitor the remaining quota of the annual caps to ensure that the aggregated amounts will not exceed the revised 2021 Annual Cap and the 2022 –2024 Annual Caps.

INFORMATION OF THE COMPANY AND FUDAN COMMUNICATION

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

LETTER FROM THE BOARD

Fudan Communication is mainly engaged in design, development and production of telecommunication devices in the PRC. At the Latest Practicable Date, Fudan Communication is being held as 33.84% by Fudan Fukong, 16.34% by the Company, 22.76% by 39 individuals, 14.78% by 舟山市同泰投資管理合夥企業 (Zhoushan Tongtai Investment Management Partnership Enterprise*), 12.28% by 舟山市承澤投資管理合夥企業 (Zhoushan Chengze Investment Management Partnership Enterprise*). Mr. Yu Jun, the executive Director, holds approximately 1.19% equity interest of Fudan Communication through his spouse who is one of the above-mentioned 39 individuals.

LISTING RULES IMPLICATIONS

To the best of the Directors' knowledge and belief, having made all reasonable enquiries and at the latest Practicable Date, Fudan Fukong holds approximately 15.78% of the issued share capital of the Company and is a substantial Shareholder of the Company. Fudan Fukong also holds approximately 33.84% of the issued share capital of Fudan Communication which is its controlled company. As defined in Chapter 14A of the Listing Rules, Fudan Fukong and Fudan Communication are Connected Persons of the Company, therefore the transactions under the Old Cooperation Agreement and the New Cooperation Agreement constitute connected transactions of the Company.

Other than the disclosure in the above section that Mr. Yu Jun has an equity interest in Fudan Communication, none of the Directors has any material interest in the connected transactions. As Mr. Ma Zhicheng and Mr. Wu Ping are the representatives of Fudan Fukong, and together with Mr. Yu Jun, have abstained from voting on the Board resolution approving the New Cooperation Agreement.

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

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to the Rule 13.39(6) of the Listing Rules, the Independent Board Committee is formed to advise the Independent Shareholders on the New Cooperation Agreement and the transactions contemplated thereunder (including the revision of the 2021 Annual Cap and the 2022 - 2024 Annual Caps) are fair and reasonable and in line with the interests of the Company and the Shareholders as a whole.

Amasse Capital was engaged as the Independent Financial Adviser, to advise the Independent Board Committee and Independent Shareholders on the New Cooperation Agreement and the transactions contemplated thereunder (including the revision of the 2021 Annual Cap and the 2022 - 2024 Annual Caps) are fair and reasonable and in line with the interests of the Company and the Shareholders as a whole. The resolution regarding the engagement of Amasse Capital as the Independent Financial Adviser has been approved by the Board.

LETTER FROM THE BOARD

E. ANNUAL GENERAL MEETING AND CLASS MEETINGS

A notice convening the AGM and Class Meetings are set out in pages AGM-1 to HCM-2 to this circular.

Pursuant to the Listing Rules and in accordance with article 66 of the Articles, all of the resolutions set out in the notices of AGM and Class Meetings will be voted by poll.

Connected persons who required to abstain from voting

Under Rule 14A.36 of the Listing Rules, any shareholder who has a material interest in the transaction must abstain from voting on the resolution.

As at the Latest Practicable Date which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Fudan Fukong which has a material interest in the proposed resolution 5 at the AGM, will abstain from voting on that resolution. No other Shareholder is required to abstain from voting on any resolution to be proposed at the AGM or Class Meetings.

F. CLOSURE OF REGISTER OF MEMBERS

For the purpose of AGM and Class Meetings, the Register of Members of the Company will be closed from 3 May 2021 to 2 June 2021 (both days inclusive) and during which no transfer of shares will be effected.

Persons who hold Shares and whose names appear on the Register of Members of the Company as at 3 May 2021 shall be entitled to attend the AGM and Class Meetings. To be qualified to attend the AGM and Class Meetings, all transfers accompanied by the relevant share certificates must be lodged at the Company's principal place of business in the PRC at Building 4, Lane 127, Guotai Road, Shanghai, the PRC (for holders of Domestic Shares) or the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares) not later than 4:30 p.m. on 2 May 2021.

RECOMMENDATION

After taking into account the advice provided by the Independent Financial Adviser (which sets out on pages 14 to 27 to this circular), the Independent Board Committee considered the terms in New Cooperation Agreement and the transactions contemplated thereunder (including the revision of the 2021 Annual Cap and the 2022 - 2024 Annual Caps) are in the usual course of business of the Company, on normal commercial terms and are fair and reasonable and in the interests of the Company and Shareholders as a whole. Therefore, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the New Cooperation Agreement and the transactions contemplated thereunder (including the revision of the 2021 Annual Cap and the 2022 - 2024 Annual Caps) at the AGM.

Your attention is drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and other information which is set out on Appendix 2 of this circular.

LETTER FROM THE BOARD

The Directors consider that the proposals for extension of the validity period of the resolution in respect of the proposed A Share Offering; extension of the authorisations granted to the board to handle all matters relating to the IPO and listing of A Shares, renewal of the General Mandate to issue new Shares and the New Cooperation Agreement and the transactions contemplated thereunder (including the revision of the 2021 Annual Cap and the 2022 - 2024 Annual Caps) are in the best interests of the Company and its Shareholders and, accordingly, recommend that all Shareholders to vote in favour of the above proposed resolutions in the AGM and Class Meetings.

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.

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

Shanghai, the PRC, 29 April 2021

LETTER FROM 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)

CONTINUING CONNECTED TRANSACTIONS AND THE REVISION OF ANNUAL CAP

To the Independent Shareholders

Dear Sir/Madam

We have been appointed by the Board as members to form the Independent Board Committee to advise the Independent Shareholders on the New Cooperation Agreement and the transactions contemplated thereunder (including the revision of the 2021 Annual Cap and the 2022 - 2024 Annual Caps) are fair and reasonable and in line with the interests of the Company and the Shareholders as a whole. The details in relation to the New Cooperation Agreement and the proposals of revision of annual cap are set out in the "Letter from the Board" to the circular of the Company dated 29 April 2021 (the "Circular"). Unless otherwise stated, terms defined in the Circular shall have the same meanings when used in this letter.

We wish to draw your attention to the advice from Amasse Capital to the Independent Board Committee and the Independent Shareholders regarding the New Cooperation Agreement and the revision of annual cap which sets out in "Letter from the Independent Financial Adviser" to the Circular. We have taken into account the advice from Amasse Capital and considered that, the terms of the New Cooperation Agreement and the proposal of the revision of the annual cap are in the usual course of business of the Company, on normal commercial terms and are fair and reasonable and in the interests of the Company and Shareholders as a whole. Therefore, we recommend the Independent Shareholders to vote in favour of the resolutions to approve the New Cooperation Agreement and the revision of annual cap at the Annual General Meeting.

Yours faithfully,

For and on behalf of the Independent Board Committee

Independent
non-executive Director

Guo Li

Independent
non-executive Director

Cao Zhongyong

Independent
non-executive Director

Cai Minyong

Independent
non-executive Director

Wang Pin

29 April 2021

LETTER FROM AMASSE CAPITAL

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 New Cooperation Agreement and the transactions contemplated thereunder (including the revision of 2021 Annual Cap and 2022 – 2024 Annual Caps), which has been prepared for the purpose of incorporation in this circular.

AMASSE CAPITAL
寶 積 資 本

29 April 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE NEW COOPERATION AGREEMENT AND THE REVISION OF 2021 ANNUAL CAP

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Cooperation Agreement and the transactions contemplated thereunder (including the revision of 2021 Annual Cap and 2022 - 2024 Annual Caps), 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 29 April 2021 (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

References are made to (i) the announcement of the Company dated 12 June 2020 and the supplemental announcement of the Company dated 17 June 2020 (collectively, the “**Previous Announcements**”) in relation to the entering into the Old Cooperation Agreement for a term of one year between the Company and Fudan Communication; (ii) the announcement of the Company dated 5 February 2021 (the “**First Renewal Announcement**”) in relation to the revision of the annual caps for the transactions contemplated under the Old Cooperation Agreement for the year ending 31 December 2021; and (iii) the announcement of the Company dated 26 March 2021 (the “**Announcement**”) in respect of, among other things, the New Cooperation Agreement and the transactions contemplated thereunder (including the revision of 2021 Annual Cap and 2022 – 2024 Annual Caps).

The Independent Board Committee comprising all of the independent non-executive Directors has been formed to advise the Independent Shareholders on the New Cooperation Agreement and the transactions contemplated thereunder (including the revision of 2021 Annual Cap and 2022 – 2024 Annual Caps). 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

LISTING RULES IMPLICATIONS

With reference to the Letter from the Board, as at the Latest Practicable Date, Fudan Fukong held approximately 15.78% of the issued share capital of the Company and was a substantial Shareholder of the Company. Fudan Fukong also held approximately 33.84% of the issued share capital of Fudan Communication which is its controlled company. As defined in Chapter 14A of the Listing Rules, Fudan Fukong and Fudan Communication are Connected Persons of the Company, therefore the transactions under the Old Cooperation Agreement and the New Cooperation Agreement constitute connected transactions of the Company.

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

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 not acted as an independent financial adviser to the Independent Board Committee and the Independent Shareholders for any transaction.

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 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, the Previous Announcements, the First Renewal Announcement, the annual report of the Company for the year ended 31 December 2020 (the "**2020 Annual Report**") and the annual report of the Company for the year ended 31 December 2019 (the "**2019 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

LETTER FROM AMASSE CAPITAL

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 New Cooperation Agreement and the transactions contemplated thereunder (including the revision of 2021 Annual Cap and 2022 – 2024 Annual Caps). 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 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 New Cooperation Agreement and the transactions contemplated thereunder (including the revision of 2021 Annual Cap and 2022 – 2024 Annual Caps) 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 revision of annual caps, proposed continuing connected transactions 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.

LETTER FROM AMASSE CAPITAL

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

(a) Information of the Group

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

Set out below is a summary of the financial information of the Group as extracted from 2019 Annual Report and the 2020 Annual Report, details of which are as follows:

	For the year ended 31 December		
	2020	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Revenue	1,665,087	1,454,772	1,409,630
Gross profit	748,102	516,779	643,169
Profit/(Loss) after taxation for the Year	161,104	(148,961)	129,352

	As at 31December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Total assets	2,678,141	2,458,372
Total Liabilities	566,090	520,086
Total equity	2,112,051	1,938,286

For the year ended 31 December 2020

For the year ended 31 December 2020, the Group recorded revenue of approximately RMB1,665.09 million, representing an increase of 14.46% 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.

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For the year ended 31 December 2020, the gross profit of the Group approximately RMB748.10 million, representing an increase of 44.76% as compared to that of approximately RMB516.78 million for the year ended 31 December 2019. The increase in gross profit was mainly attributable to the gross margin increased from 35.5% for the year ended 31 December 2019 to 44.9% for the year ended 31 December 2020, the non-volatile memory chips which had a relatively high gross margin as well as the programmable gate array chips products which accounted for a relative high proportion in the principle business of the Group had a substantial increase in sales.

For the year ended 31 December 2020, the net profit after taxation of the Group was approximately RMB161.10 million when compared to a net loss after taxation of the Group of approximately RMB148.96 million for the year ended 31 December 2019 due to (i) the increase in turnover; (ii) the increase in profit margin brought from the launch of new products; and (iii) the decrease in R&D expenditure.

For the year ended 31 December 2019

For the year ended 31 December 2019, the Group recorded revenue of approximately RMB1,454.77 million, representing an increase of 3.20% as compared to that of approximately RMB1,409.63 million for the year ended 31 December 2018. The slightly increase in revenue mainly attributable to the sales for non-volatile memory chips recorded a slight decrease while other series of products recorded different levels of growth.

For the year ended 31 December 2019, the gross profit of the Group approximately RMB516.78 million, representing a decrease of 19.65% as compared to that of approximately RMB643.17 million for the year ended 31 December 2018. The decrease in gross profit was mainly attributable to decrease in selling price and written-down of inventories.

For the year ended 31 December 2019, the net loss after taxation of the Group was approximately RMB148.96 million, when compared to the net profit after taxation of the Group of approximately RMB129.35 million for the year ended 31 December 2018 due to (i) decrease in selling price; (ii) increase in cost of sales; (iii) substantial increase in R&D expenditure.

For the year ended 31 December 2018

For the year ended 31 December 2018, the Group recorded revenue of approximately RMB1,409.63 million, representing an increase of 0.82% as compared to that of approximately RMB1,398.23 million for the year ended 31 December 2017. The slightly increase in revenue mainly attributable to the sales for smart meter ASIC chips recorded a slight increase and the sales for non-volatile memory chips was satisfactory and recorded a considerable increase.

LETTER FROM AMASSE CAPITAL

For the year ended 31 December 2018, the gross profit of the Group approximately RMB643.17 million, representing a decrease of 7.06% as compared to that of approximately RMB692.06 million for the year ended 31 December 2017. The decrease in gross profit was mainly attributable to decrease in price of security and identification chips which attributable to a high proportion of total turnover.

For the year ended 31 December 2018, the net profit after taxation of the Group was approximately RMB129.35 million, representing a decrease of 43.28% as compared to that of approximately RMB228.07 million for the year ended 31 December 2017 due to (i) decrease in gross profit; and (ii) increases in selling and distribution expenses, administrative expenses and R&D expenditure.

Financial position as at 31 December 2020

The total assets of the Group was approximately RMB2,678.14 million as at 31 December 2020, representing an increase of 8.94% as compared to that of approximately RMB2,458.37 million as at 31 December 2019.

The total liabilities of the Group was approximately RMB566.09 million as at 31 December 2020, representing an increase of 8.84% as compared to that of approximately RMB520.09 million as at 31 December 2019.

The total equity of the Group was approximately RMB2,112.05 million as at 31 December 2020, representing a decrease of 8.96% as compared to that of approximately RMB1,938.29 million as at 31 December 2019.

(b) Information of Fudan Communication

As stated in the Letter from the Board, Fudan Communication is mainly engaged in design, development and production of telecommunication devices in the PRC. With reference to the Letter from the Board, as at the Latest Practicable Date, Fudan Fukong held approximately 15.78% of the issued share capital of the Company and was a substantial Shareholder of the Company. Fudan Fukong also held approximately 33.84% of the issued share capital of Fudan Communication which is its controlled company.

2. NEW COOPERATION AGREEMENT

Principal terms

(i) Date

26 March 2021 (after trading hours)

(ii) Contracting parties

(a) the Company; and

LETTER FROM AMASSE CAPITAL

(b) Fudan Communication

(iii) Nature of Agreement

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

(iv) Period

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

(v) Payment method

Delivery after payment is made.

(vi) Conditions Precedent

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

(vii) Pricing policy

The Company has established a product pricing system with reference to the "Guide on Product Pricing" 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 Guide on Product Pricing, 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 upon approved by the management, the unified product catalogs and prices will be offered to qualified agents respectively. The products provided by the Company to Fudan Communication under the Old Cooperation Agreement and New Cooperation Agreement cover more than 20 types and all sales will be conducted in accordance with the set profit ranges, the unified Product 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.

LETTER FROM AMASSE CAPITAL

Our view on the pricing policy

We have reviewed the terms of the New Cooperation Agreement. Based on our review and advised by the Management, we understand that, as one of the terms of the New Cooperation Agreement, the pricing of the products will be followed the “Guide on Product Pricing”. As advised by the Management, the Company has formulated an actual product price list based on the “Guide on Product Pricing” which applies to both Fudan Communication and Independent Third Parties. We have reviewed the actual product price list and noted that the unit prices of the products would be different under different bulk purchase quantity which is applicable to both Fudan Communication as well as Independent Third Parties.

We have also reviewed a transaction list covering over 160 transaction records (setting out the date, name of customers, product name, product model number and price) of Fudan Communication and Independent Third Parties provided by the Company the three months ended 31 March 2021 (the “**Transactions Record**”). As advised by the Management, the said transaction list covered all the transaction records to Fudan Communication and Independent Third Parties during the aforesaid period, which is considered to be an exhaustive list and is fair and representative. Based on our review, we noted that the unit price of the products sold to Fudan Communication and the Independent Third Parties is based on the actual product price list and thus is no less favourable than that of Independent Third Parties.

3. REASONS FOR TRANSACTION

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

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

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4. HISTORICAL AMOUNTS

The historical amounts for the provision of the aforesaid products to Fudan Communication were approximately RMB24,745,000 recorded from the starting date of the Old Cooperation Agreement (i.e. 12 June 2020) to 31 December 2020 and approximately RMB12,826,000 for the two months ended 28 February 2021.

The annual cap for the year ended 31 December 2020 and the original annual cap for the year ending 31 December 2021 are RMB30,000,000 and RMB60,000,000, respectively. The utilization rates of the historical annual caps for the year ended 31 December 2020 is 82.48% and for the year ending 31 December 2021 is 21.38% (for a two months period) respectively.

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

The revised annual cap for the year ending 31 December 2021 and the proposed annual caps for the transaction amount to be paid by Fudan Communication to the Group for the three years ending 31 December 2024 are set out in the table below:

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

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

As advised by the Management, the proposed annual cap of RMB100,000,000 for the year ending 31 December 2024 only cover the expected transaction amount from 1 January 2024 to 11 June 2024 (being the ending date of the New Cooperation Agreement). On such basis, the annualised cap of the transactions for the year ending 31 December 2024 would be approximately RMB200,000,000.

Basis of caps

According to the Letter from the Board, the Board determines the above revised 2021 Annual Cap and the proposed 2022 – 2024 Annual Caps based on the following reasons:

- (i) according to the announcement dated 5 February 2021 of the Company, the 2021 Annual Cap proposed by the Directors for the Old Cooperation Agreement was RMB60,000,000. After the entering into of the New Cooperation Agreement, it is proposed to revise the 2021 Annual Cap to reflect the increase in the transaction amount under the New Cooperation Agreement; and

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- (ii) the 2022 - 2024 Annual Caps proposed by the Directors was based on (i) the sales history of the products and its increasing trend;(ii) the purchase intention of Fudan Communication; and (iii) the prospect of the IC industry in the PRC. The Directors expect that the market for such products will increase significantly due to favorable factors such as industry recovery, customer demand and wide application.

Overview on the revised 2021 Annual Cap

We noted that the revision of the 2021 Annual Cap is RMB120,000,000 for the year ending 31 December 2021. In assessing the reasonableness of the revision of 2021 Annual Cap, we have discussed with the Management and understand that the revised 2021 Annual Cap are determined with reference to the following:

(i) *Utilization of the annual cap for the year ended 31 December 2020*

For the year ended 31 December 2020, the historical transaction amount recorded from the starting date of the Old Cooperation Agreement (i.e. 12 June 2020) to 31 December 2020 between the Group and Fudan Communication was approximately RMB24,745,000, representing approximately 82.48% of the annual cap of RMB30,000,000 for the year ended 31 December 2020.

(ii) *Increasing trend on the provision of products to Fudan Communication*

The historical amounts for the provision of the aforesaid products to Fudan Communication were approximately RMB24,745,000 recorded from the starting date of the Old Cooperation Agreement (i.e. 12 June 2020) to 31 December 2020, representing an average monthly transaction amount of approximately RMB3,807,000 (the “**2020 Average Monthly Transaction Amount**”). The historical transaction amount for the two months ended 28 February 2021 was approximately RMB12,826,000, the average monthly transaction amount increased to approximately RMB6,413,000 in the first two months in 2021, representing an increase of 68.45% as compared to 2020 Average Monthly Transaction Amount. The monthly transaction amount further increased to approximately RMB14,394,000 in a single month in March 2021, representing an increase of 278.09% as compared to 2020 Average Monthly Transaction Amount, which showing a rapid growth trend on the provision of products to Fudan Communication.

(iii) *Historical transaction amount*

As advised by the Management, the historical transaction amount for the three months ended 31 March 2021 between the Group and Fudan Communication was approximately RMB27,220,000, representing an average monthly transaction amount of approximately RMB9,073,000. Based on the aforesaid average monthly transaction amount, the estimated transaction amount for the year ending 31 December 2021 would be approximately RMB108,876,000 and considering the rapid growth trend on the provision of products mentioned above, it is expected that the revised 2021 Annual Cap of RMB120,000,000 could be reach.

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(iv) Purchase intention of Fudan Communication

On 10 March 2021, the Company had received a non-legally binding letter of intent (the “**LoI**”) from Fudan Communication regarding its purchase intention for the four years ending 31 December 2024. Pursuant to the LoI, Fudan Communication intended to purchase the reconfigurable devices and memory IC chips from the Company in an expected transaction amounts of approximately RMB120,000,000 for the year ending 31 December 2021 (the “**Estimated 2021 Purchasing Amount**”). The revised 2021 Annual Cap is therefore matched with the expected amounts to be purchased by Fudan Communication as set out in the LoI.

Based on (i) the historical transaction amount for the three months ended 31 March 2021 between the Group and Fudan Communication was approximately RMB27,220,000 which representing an estimated transaction amount of approximately RMB108,876,000 for the year ending 31 December 2021; and (ii) the increasing trend on the provision of products to Fudan Communication illustrated from the monthly transaction amount had further increased to approximately RMB 14,394,000 in a single month in March 2021 which representing an increase of 278.09% as compared to 2020 Average Monthly Transaction Amount as mentioned above, we are considered that the Estimated 2021 Purchasing Amount were reasonably estimated.

Overview on the proposed 2022 – 2024 Annual Caps

We noted that the 2022 – 2024 Annual Caps for the three year ending 31 December 2024 is RMB150,000,000, RMB 180,000,000 and RMB100,000,000. As advised by the Management, for the year ending 31 December 2024, the proposed annual cap of RMB100,000,000 only cover the expected transaction amount from 1 January 2024 to 11 June 2024 (being the ending date of the New Cooperation Agreement), being approximately a six months period. On such basis, the annualised cap of the transactions for the year ending 31 December 2024 would be approximately RMB200,000,000.

In assessing the reasonableness of the 2022 – 2024 Annual Caps, we have discussed with the Management and understand that the 2022 – 2024 Annual Caps for the three years ending 31 December 2024 are determined with reference to the following:

(i) Increasing trend on the provision of products to Fudan Communication

As mentioned above, the average monthly transaction amount calculated based on the historical transaction amounts from the starting date of the Old Cooperation Agreement (i.e. 12 June 2020) to 31 December 2020 was approximately RMB3,807,000. The average monthly transaction amount increased to approximately RMB6,413,000 for the two months ended 28 February 2021, representing an increase of 68.45% as compared to 2020 Average Monthly Transaction Amount. The monthly transaction amount further increased to approximately RMB14,394,000 in a single month in March 2021, representing an increase of 278.09% as compared to 2020 Average Monthly Transaction Amount. It is observed a rapid growth trend on the provision of products to Fudan Communication.

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(ii) *Prospect of the IC chips industry in the PRC*

We have researched from the public domain as to the outlook of the IC chips industry in the PRC. In July 2020, the State Council of the PRC published 《新時期促進集成電路產業和軟件產業高質量發展的若干政策》 (Several Policies to Promote the High-quality Development of the IC Industry and the Software Industry in the New Era*), the PRC Government had encouraged the development of IC chips industry by creating a more favorable policy environment. Those favorable policies including, among others, investment and financing policy, import and export policy and application policy which provided incentives for the sales and purchases of IC chips. Furthermore, based on the relevant data released by the State Council of the PRC in August 2020, the IC chips self-sufficiency rate in the PRC was expected to be increased from approximately 30% in 2019 to approximately 70% in 2025.

According to the 《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》 (The 14th Five-Year Plan for the National Economic and Social Development of the People's Republic of China*) suggested by The 19th Central Committee of the Communist Party of China and reported by Xinhua News Agency in November 2020, the development of IC industry was listed as a priority of the PRC Government. The PRC IC chips industry has experienced rapid growth in recent years and based on the statistics published by the National Bureau of Statistics of China, the total number of IC chips produced in the PRC increased from approximately 719.5 billion chips to 2,614.7 billion chips from 2011 to 2020, at a compound annual growth rate of 15.42%.

In view of the favorable policies and rapid growth of the IC chips industry in the PRC, it would benefit the sales of Fudan Communication, and therefore may further strengthen the transactions under the New Cooperation Agreement.

(iii) *Purchase intention of Fudan Communication*

As mentioned above, the Company had received the LoI from Fudan Communication regarding its purchase intention for the four years ending 31 December 2024. Pursuant to the LoI, Fudan Communication intended to purchase the reconfigurable devices and memory IC chips from the Company an expected transaction amounts of approximately RMB150,000,000, RMB180,000,000 and RMB200,000,000 for the three years ending 31 December 2024 (the “**Estimated 2022 - 2024 Purchasing Amounts**”). The 2022-2024 Annual Caps are therefore matched with the expected amounts to be purchased by Fudan Communication as set out in the LoI.

Based on (i) the increasing trend on the provision of products to Fudan Communication illustrated from the monthly transaction amount had further increased to approximately RMB 14,394,000 in a single month in March 2021 which representing an increase of 278.09% as compared to 2020 Average Monthly Transaction Amount; (ii) the predicted strong demand of IC chips as the IC chips self-sufficiency rate in the PRC was expected to be increased from approximately 30% in 2019 to approximately 70% in 2025 which representing an increase of approximately 133.33% for the six years period; and (iii) the rapid growth of the PRC IC chips industry in recent years based on the statistics published by the National Bureau of Statistics of China as mentioned above, we are considered that the Estimated 2022 - 2024 Purchasing Amounts were reasonably estimated.

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Taking into account the above, we are of the view that the revised 2021 Annual Cap and the 2022 - 2024 Annual Caps are fair and reasonable.

6. INTERNAL CONTROL MEASURES

As stated in the Letter from the Board, the Company has established an internal control system and pursuant to the system, an internal control division (the “**Internal Control Division**”) will be responsible to monitor and review the continuing connected transactions contemplated under and 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. In addition, the Internal Control Division will pay close attention to the sales contracts so as to control the aggregate transaction amount under the annual cap or to alert the relevant division to publish revision announcement when the transaction amounts nearly reach the revised 2021 Annual Cap and 2022 - 2024 Annual Caps in order to comply with the Listing Rules.

In respect of the pricing, as discussed in the section headed “(2)(vii) Pricing Policy - Our view on the pricing policy” above, the pricing for the products will be referred to the “Guide on Product Pricing”. Based on the “Guide on Product Pricing”, an actual price list for different products under different bulk purchase quantity will be decided by the manufacturing department, sales department and finance department and monitored by the management of the Group in charge to ensure the products prices are no less favourable than that of Independent Third Parties. As aforementioned, we have reviewed the Transactions Record. Based on our review, we noted that the unit price of the products sold to Fudan Communication and the Independent Third Parties is based on the actual product price list and thus is no less favourable than that of Independent Third Parties.

In respect of monitoring the aggregate amount for transactions contemplated under the New Cooperation Agreement, we understand from the Management that the sales department would inform the financial department before entering into sales contracts with Fudan Communication and the financial department would monitor the remaining quota of the annual caps by computing an aggregate transactions amount list which setting out actual transaction amounts, the utilised annual caps and the remaining quota of the annual caps to ensure that the aggregated amounts have not exceeded the revised 2021 Annual Cap and the 2022 – 2024 Annual Caps. We have reviewed the aforementioned aggregate transactions amount list for the three months ended 31 March 2021, based on our review, we noted that the aggregate actual transactions amounts for the three months ended 31 March 2021 were matched with the Transactions Record between Fudan Communication and the Group.

In consideration of the above, we concur with the Management that the internal control system and the internal control adopted are sufficient to ensure transactions under the Old Cooperation Agreement and the New Cooperation Agreement will be conducted on normal commercial terms and shall safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the New Cooperation Agreement and the transactions contemplated thereunder (including the revision of 2021 Annual Cap and 2022 – 2024 Annual Caps) are (i) in the ordinary and usual course of business of the Group; and (ii) on

LETTER FROM AMASSE CAPITAL

normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and 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 AGM to approve the New Cooperation Agreement and the transactions contemplated thereunder (including the revision of 2021 Annual Cap and 2022 – 2024 Annual Caps).

Yours faithfully,
For and on behalf of
Amasse Capital Limited
Michael Lam
Managing Director

Mr. Michael Lam is a licensed person registered with the Securities and Future Commission of Hong Kong and regards as a responsible officer of Amasse Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO and has over 20 years of experience in corporate finance industry.

According to the requirements from the China Securities Regulatory Commission and the Shanghai Stock Exchange and provisions of Accounting Standards for Business Enterprises, the amounts of related party transactions of the Company for the year ended 31 December 2020 are as follows:

1. SALES OF GOODS AND PROVISION OF SERVICES

Related parties	Information about related party transactions	RMB
Shanghai Fudan Communication Co., Ltd.	Sales of goods	25,323,219.48
Fudan University	Provision of services	801,886.79
Fudan University	Sales of goods	1,297,169.81
Shanghai Fukong Hualong Microsystem Technology Co., Ltd.	Sales of goods	2,361,592.92
	Provision of services	(1,220,705.60)

2. PURCHASE OF GOODS AND SERVICES TENDERED

Related parties	Information about related party transactions	RMB
Fudan University	Services tendered by related parties	64,849.40
Shanghai Fudan Sci-Tech. Park Venture Investment Co., Ltd	Services tendered by related parties	1,102,709.51

3. LEASE OF REAL ESTATE

Related parties	Information about related party transactions	RMB
Shanghai Fudan Sci-Tech. Park Venture Investment Co., Ltd.	Lease of offices premises from related parties	1,340,516.50

4. DISPOSAL OF FIXED ASSETS

Related parties	Information about related party transactions	RMB
Shanghai Fukong Hualong Microsystem Technology Co., Ltd.	Disposal of fixed assets from related parties	53,097.35

5. REMUNERATION TO DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**RMB**

Directors, supervisors and senior management	7,995,115.14
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The above related party transactions meet the current needs for the Company's operation development, with fair prices and in compliance with the provisions of prevailing laws and regulations as well as the Company's relevant systems for the time being, all of which are helpful to the operation and long-term development of the Company and in the interests of the Company and shareholders.

1. DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests of the directors and supervisors of the Company in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in domestic shares of the Company:

	Number of issued shares held, capacity and nature of interest				Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Total	
Directors					
Mr. Jiang Guoxing	7,210,000	–	–	7,210,000	1.04
Mr. Shi Lei	7,210,000	–	–	7,210,000	1.04
	<u>14,420,000</u>	<u>–</u>	<u>–</u>	<u>14,420,000</u>	
Supervisor					
Ms. Zhang Yanfeng	<u>–</u>	<u>–</u>	<u>294,000</u>	<u>294,000</u>	<u>0.04</u>

Long positions in H shares of the Company:

	Number of issued shares held, capacity and nature of interest				Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Total	
Supervisor					
Ms. Zhang Yanfeng	<u>–</u>	<u>268,000</u>	<u>–</u>	<u>268,000</u>	<u>0.04</u>

Save as disclosed above, as at the Latest Practicable Date, none of the directors or supervisors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

2. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long 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 High Tech Company ("Fudan High Tech")	(1)	Directly beneficially owned	106,730,000	Domestic shares	26.02	15.37
Shanghai Fudan Asset Management Co., Ltd. ("Fudan Asset")	(1)	Interest of corporation controlled	106,730,000	Domestic shares	26.02	15.37
Fudan University	(1)	Interest of corporation controlled	106,730,000	Domestic share	26.02	15.37
Shanghai Fudan Fukong Technology Enterprise Holdings Limited ("Fudan Fukong")	(2)	Directly beneficially owned	109,620,000	Domestic shares	26.73	15.78
Shanghai Commerce and Invest (Group) Corporation ("SCT")	(2)	Interest of corporation controlled	109,620,000	Domestic shares	26.73	15.78
Bailian Group Company Limited ("Bailian Group")	(2)	Interest of corporation controlled	109,620,000	Domestic shares	26.73	15.78
Shanghai Zhengben Corporate Management Consultant Partnership Enterprise ("Shanghai Zhengben")	(3)	Directly beneficially owned	52,167,270	Domestic shares	12.72	7.51
Shanghai Yikun Investment Consultant Partnership Enterprise ("Shanghai Yikun")	(3)	Interest of corporation controlled	66,845,110	Domestic shares	16.29	9.62
Zhang Yong	(3)	Interest of corporation controlled	66,845,110	Domestic shares	16.29	9.62

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 Zhenghua Corporate Management Consultant Partnership Enterprise ("Shanghai Zhenghua")	(4)	Directly beneficially owned	34,650,000	Domestic shares	8.45	4.99
Shanghai Shanyao Industrial Limited ("Shanghai Shanyao")	(4)	Interest of corporation controlled	34,650,000	Domestic shares	8.45	4.99
Zhou Yufeng	(4)	Interest of corporation controlled	34,650,000	Domestic shares	8.45	4.99
Shanghai Guonian Corporate Management Consultant Partnership Enterprise ("Shanghai Guonian")	(5)	Directly beneficially owned	29,941,470	Domestic shares	7.30	4.31
Shanghai Danruo Investment Management Partnership Enterprise ("Shanghai Danruo")	(5)	Interest of corporation controlled	29,941,470	Domestic shares	7.30	4.31
Dazi County Dingcheng Capital Investment Limited ("Dingcheng Capital")	(5)	Interest of corporation controlled	29,941,470	Domestic shares	7.30	4.31
Beijing Zhongrong Dingxin Investment Management Limited ("Zhongrong Dingxin")	(5)	Interest of corporation controlled	29,941,470	Domestic shares	7.30	4.31
Zhongrong International Trust Limited ("Zhongrong International")	(5)	Interest of corporation controlled	29,941,470	Domestic shares	7.30	4.31
Jingwei Textile Machinery Co., Ltd. ("Jingwei Textile")	(5)	Interest of corporation controlled	29,941,470	Domestic shares	7.30	4.31
Springs China Opportunities Master Fund ("Springs China")	(6)	Directly beneficially owned	17,088,000	H shares	6.01	2.46

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
Springs China Limited	(6)	Interest of corporation controlled	17,088,000	H shares	6.01	2.46
Zhao Jun	(6)	Interest of corporation controlled	17,088,000	H shares	6.01	2.46

Notes:

- (1) Fudan High Tech is a state-owned enterprise wholly owned by Fudan Asset and Fudan Asset is wholly owned by Fudan University.
- (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) 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.
- (4) Zhou Yufeng held 99% of the equity interest in Shanghai Shanyao, and Shanghai Shanyao held 99.79% of the equity interest in Shanghai Zhenghua. Accordingly, each of Shanghai Shanyao and Zhou Yufeng is deemed to be interested in Shanghai Zhenghua's interest in the Company.
- (5) Jingwei Textile holds 37.47% of the equity interest in Zhongrong International, Zhongrong International holds the entire equity interest in Zhongrong Dingxin, Zhongrong Dingxin holds the entire equity interest in Dingcheng Capital, Zhongrong Dingxin and Dingcheng Capital holds 99.9% and 0.01% respectively of the equity interest in Shanghai Danruo and Dingcheng Capital is the general partner thereof. Shanghai Danruo and Dingcheng holds 72.69% and 0.33% of the equity interest in Shanghai Guonian, respectively. Accordingly, each of Shanghai Danruo, Dingcheng Capital, Zhongrong Dingxin, Zhongrong International, Jingwei Textile is deemed to be interested in Shanghai Guonian's interest in the Company.
- (6) Spring China is beneficially owned by Spring China Limited, which is beneficially owned by Zhao Jun. Accordingly, each of Spring China Limited and Zhao Jun is deemed to be interested in Spring China's interest in the Company.

Save as disclosed above and the directors and supervisors of the Company, whose interests are set out in the section headed "Directors' and supervisors' interests in shares and underlying shares and debentures" above, as at the Latest Practicable Date, no person, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

3. DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the Latest Practicable Date, none of the directors of the Company had an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group (as defined in the Listing Rules).

4. DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the year and up to the Latest Practicable Date, no director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to the Company or any of the Company's subsidiaries was a party.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

6. NO MATERIAL ADVERSE CHANGE

As at the latest Practicable date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

7. EXPERT AND CONSENT

- (i) The following is the qualification of the expert who has given opinion or advice which are contained in this circular:

Name	Qualifications
Amasse Capital Limited	registered with the Securities and Futures Commission in Hong Kong as a licensed corporation under the Securities and Futures Ordinance (Cap. 571 of The Laws of Hong Kong) to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

- (ii) As at the Latest Practicable Date, the expert above did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.
- (iii) As at the Latest Practicable Date, the expert above did not have any direct or indirect interests in any assets which have since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been 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.

- (iv) The letter from the above expert is given as of the date of this circular regarding the advice provided to the Independent Board Committee and Independent Shareholders from the expert, for the purpose of incorporation in this circular.
- (v) The expert above has given its written consent to the issue of this circular and the references to its name included herein the form and context in which it appears, and has not withdrawn with copies of its letter.

8. CONTRACT OF SIGNIFICANCE

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular which are or may be material:

The Company entered into an underwriting agreement dated on 24 March 2021 with CSC Financial Co., Ltd. (as the lead of leading underwriter) and Great Wall Securities Co., Ltd. (as the joint leading underwriter) regarding the A Share Offering.

9. MISCELLANEOUS

- (i) The company secretary of the Company is Mr. Li Wing Sum, Steven who is a fellow member respectively of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (ii) The registered office of the Company is at No. 220, Handan Road, Shanghai, People's Republic of China. The place of business in Hong Kong of the Company is at Flat 6, 5/F., East Ocean Centre, 98 Granville Road, Tsimshatsui East, Kowloon, Hong Kong.
- (iii) The H share registrar and transfer office is Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the place of business in Hong Kong of the Company which is at Flat 6, 5/F., East Ocean Centre, 98 Granville Road, Tsimshatsui East, Kowloon, Hong Kong during normal business hours within 14 days from the date of this circular:

- (i) the New Cooperation Agreement;
- (ii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 13 of this circular;
- (iii) the letter from Amasse Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 14 to 26 of this circular;
- (iv) the written consent referred in note 7 of this Appendix;

- (v) the contract mentioned in the “Contract of significance” to this Appendix; and
- (vi) a copy of this circular.

NOTICE OF ANNUAL GENERAL MEETING



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 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the "AGM") of Shanghai Fudan Microelectronics Group Company Limited (the "Company") will be held at Building 4, Lane 127, Guotai Road, Shanghai, the People's Republic of China (the "PRC") on Wednesday, 2 June 2021 at 10:00 a.m. for the following purposes:–

ORDINARY RESOLUTION

1. To receive and consider the audited consolidated financial statements and the Reports of the Directors and the Auditors for the year ended 31 December 2020;
2. To receive and consider the Report of the Supervisors;
3. To reappoint Ernst & Young as auditor of the Company and to authorise the Board to fix their remuneration;
4. To confirm the related party transactions of 2020; and
5.
 - (a) To approve, ratify and confirm the New Cooperation Agreement (a copy of which was tabled at the meeting marked "A" and signed by the Chairman for the purpose of identification) and the transactions contemplated thereunder and any other accompanying documents;
 - (b) To approve, ratify and confirm the 2022 - 2024 Annual Caps of the transactions contemplated under the New Cooperation Agreement and to revise the 2021 Annual Cap of the transactions contemplated under the Old Cooperation Agreement and the New Cooperation Agreement; and
 - (c) To authorize any Director on behalf of the Company to give effect to the New Cooperation Agreement and the transactions contemplated thereunder or to do such acts and things as the Director in his/her discretion may consider appropriate, necessary or desirable to implement, and sign or seal to execute any agreement, deed, written form and other documents or to make relevant arrangements, and be restricted by and according to the appropriate laws and provisions, under the circumstances in the interests of the Company and its shareholders as a whole, to approve and make the relevant insignificant adverse change, revise, supplement or waive insignificant issues.

To consider, if thought fit, pass with or without amendments, the following special resolutions:

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL RESOLUTION

6. To extend the validity period of the resolution in respect of the proposed A share offering;
7. To extend the authorisations granted to the Board to handle all matters relating to the IPO and listing of A shares; and
8. **“THAT:**
 - (a) subject to paragraphs (c), (d) and (e) below, the exercise by the Board during the Relevant Period (as defined in paragraph (f) below) of all the powers of the Company separately or concurrently to allot, issue and deal with the domestic invested shares of RMB0.10 each in the share capital of the Company (“Domestic Shares”) and/or the foreign invested shares of RMB0.10 each in the share capital of the Company (“H Shares”) be and is hereby approved;
 - (b) the approval in paragraph (a) above shall authorise the Board to make an offer or agreement or grant an option during the Relevant Period which would or might require Domestic Shares and/or H Shares to be allotted and issued either during or after the end of the Relevant Period;
 - (c) the aggregate nominal value of Domestic Shares to be allotted and issued or agreed to be allotted and issued (whether pursuant to an option or otherwise) by the Board pursuant to the approval in paragraphs (a) and (b) above, otherwise than pursuant to (i) a rights issue (as defined in paragraph (f) below); (ii) the exercise of the conversion rights under the terms of any securities which are convertible into such shares; (iii) the exercise of rights of subscription under the terms of any warrants issued by the Company; or (iv) any scrip dividend or similar arrangement providing for the allotment of such shares in lieu of the whole or part of a dividend on such shares in accordance with the Articles, shall not exceed 20% of the aggregate nominal value of the Domestic Shares then in issue at the date of the passing of this resolution;
 - (d) the aggregate nominal value of H Shares to be allotted and issued or agreed to be allotted and issued (whether pursuant to an option or otherwise) by the Board pursuant to the approval in paragraphs (a) and (b) above, otherwise than pursuant to (i) a rights issue (as defined in paragraph (f) below); (ii) the exercise of the conversion rights under the terms of any securities which are convertible into such shares; (iii) the exercise of rights of subscription under the terms of any warrants issued by the Company; or (iv) any scrip dividend or similar arrangement providing for the allotment of such shares in lieu of the whole or part of a dividend on such shares in accordance with the Articles, shall not exceed 20% of the aggregate nominal value of the H Shares then in issue at the date of the passing of this resolution;
 - (e) the approval in paragraph (a) above shall be conditional upon the approval of the relevant PRC regulatory authorities being obtained by the Company;

NOTICE OF ANNUAL GENERAL MEETING

(f) for the purpose of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company following the passing of this resolution; or
- (ii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the members of the Company in general meeting.

“**rights issue**” means an offer of shares open for a period fixed by the directors of the Company to holders of shares of the Company on the register of members of the Company on a fixed record date and, where appropriate, the holders of the other equity securities of the Company entitled to be offered therein, in proportion to their then holdings of such shares or other equity securities (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any regulatory body or any stock exchange); and

(g) the Board be and is hereby authorised to make such amendments to articles 15, 16 and 19 of the Articles as it thinks fit so as to increase the registered share capital and to reflect the new capital structure of the Company as a result of the allotment and issuance of shares of the Company pursuant to the approval granted under paragraph (a) above.”

By order of the Board

Shanghai Fudan Microelectronics Group Company Limited*

Jiang Guoxing

Chairman

Shanghai, the PRC, 29 April 2021

Notes:

1. Persons who hold shares of the Company and whose names appear on the Register of Members of the Company as at 3 May 2021 shall be entitled to attend the AGM. Further details are set out in the reply slip and explanation thereto.
2. Any member entitled to attend and vote at the AGM 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 AGM at the Company’s principal place of business in the

NOTICE OF ANNUAL GENERAL MEETING

PRC at Building 4, Lane 127, Guotai Road, Shanghai, the PRC (for holders of Domestic Shares) or the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares) as stipulated in the proxy form.

4. The Register of Members of the Company will be closed from 3 May 2021 to 2 June 2021 (both dates inclusive) during which period no transfer of shares will be registered. To be qualified to attend the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's principal place of business in the PRC at Building 4, Lane 127, Guotai Road, Shanghai, the PRC (for holders of Domestic Shares) or the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares) no later than 4:30 p.m. on 2 May 2021.
5. Shareholders or their proxies shall provide their identification documents when attending the AGM. If corporate Shareholders appoint authorized representative to attend the AGM, the authorized representative shall produce his/her identity documents and a notarially certified copy of the relevant authorization instrument signed by the board of directors or other authorized 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 AGM.
6. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the AGM if the member so desires, and in such event, the instrument appointing a proxy shall be deemed to be revoked.
7. Shareholders attending the AGM 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 is set out in appendix 1 and 2 of the circular of the Company dated 29 April 2021.

* *For identification purpose only*

NOTICE OF DOMESTIC 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 DOMESTIC SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that the Domestic Shareholders' Class Meeting ("Domestic Shareholders' Class Meeting") of Shanghai Fudan Microelectronics Group Company Limited (the "Company") will be held at Building 4, Lane 127, Guotai Road, Shanghai, the People's Republic of China (the "PRC") on Wednesday, 2 June 2021 at 10:30 a.m. (or immediately after the AGM which will be held at 10:00 a.m. on the same day and at the same venue, whichever is later) for the consideration and passing the following resolutions (whether there is amended or not):—

SPECIAL RESOLUTION

1. To extend the validity period of the resolution in respect of the proposed A Share Offering;
and
2. To extend the authorisations granted to the Board to handle all matters relating to the IPO and listing of A Shares

By order of the Board

Shanghai Fudan Microelectronics Group Company Limited*

Jiang Guoxing

Chairman

Shanghai, the PRC, 29 April 2021

Notes:

1. Persons who hold shares of the Company and whose names appear on the Register of Members of the Company as at 3 May 2021 shall be entitled to attend the Domestic Shareholders' Class Meeting. Further details are set out in the reply slip and explanation thereto.
2. Any member entitled to attend and vote at the Domestic 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 Domestic Shareholders' Class Meeting at the Company's principal place of business in the PRC at Building 4, Lane 127, Guotai Road, Shanghai, the PRC.

NOTICE OF DOMESTIC SHAREHOLDERS' CLASS MEETING

4. The Register of Members of the Company will be closed from 3 May 2021 to 2 June 2021 (both dates inclusive) during which period no transfer of shares will be registered. To be qualified to attend the Domestic Shareholders' Class Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's principal place of business in the PRC at Building 4, Lane 127, Guotai Road, Shanghai, the PRC no later than 4:30 p.m. on 2 May 2021.
5. Shareholders or their proxies shall provide their identification documents when attending the Domestic Shareholders' Class Meeting. If corporate Shareholders appoint authorized representative to attend the Domestic Shares Class Meeting, the authorized representative shall produce his/her identity documents and a notarially certified copy of the relevant authorization instrument signed by the board of directors or other authorized 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 Domestic Shares Class Meeting.
6. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the Domestic 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 Domestic Shareholders' Class Meeting shall be responsible for their own travel and accommodation expenses.

* *For identification purpose only*

NOTICE OF 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 H Shareholders' Class Meeting ("H Shareholders' Class Meeting") of Shanghai Fudan Microelectronics Group Company Limited (the "Company") will be held at Building 4, Lane 127, Guotai Road, Shanghai, the People's Republic of China (the "PRC") on Wednesday, 2 June 2021 at 11:00 a.m. (or immediately after the Domestic Shares Class Meetings which will be held at 10:30 a.m. on the same day and at the same venue, whichever is later) for the consideration and passing the following resolutions (whether there is amended or not):-

SPECIAL RESOLUTION

1. To extend the validity period of the resolution in respect of the proposed A Share Offering;
and
2. To extend the authorisations granted to the Board to handle all matters relating to the IPO and listing of A Shares

By order of the Board

Shanghai Fudan Microelectronics Group Company Limited*

Jiang Guoxing

Chairman

Shanghai, the PRC, 29 April 2021

Notes:

1. Persons who hold shares of the Company and whose names appear on the Register of Members of the Company as at 3 May 2021 shall be entitled to attend the H Shareholders' Class Meeting. Further details are set out in the reply slip and explanation thereto.
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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares) as stipulated in the proxy form.

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4. The Register of Members of the Company will be closed from 3 May 2021 to 2 June 2021 (both dates inclusive) during which period no transfer of shares will be registered. To be qualified to attend the H Shares Class Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares) no later than 4:30 p.m. on 2 May 2021.
5. Shareholders or their proxies shall provide their identification documents when attending the H Shares Class Meeting. If corporate Shareholders appoint authorized representative to attend the H Shareholders' Class Meeting, the authorized representative shall produce his/her identity documents and a notarially certified copy of the relevant authorization instrument signed by the board of directors or other authorized 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 H Shares 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.

* *For identification purpose only*