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

(Stock Code: 1385)

**PROPOSAL FOR REVISION OF ANNUAL CAPS OF
CONTINUING CONNECTED TRANSACTIONS
UNDER THE NEW COOPERATION AGREEMENT**

References are made to the Announcements and the circular dated 28 April 2021, in relation to the entering into the New Cooperation Agreement between the Company and Fudan Communication for the agency of selling the reconfigurable devices and memory IC chips and the setting of the relevant annual caps.

To fulfil the increasing demand of the customers of Fudan Communication and the future development of the Company and Fudan Communication, it is expected that the sales transactions under the framework agreement of the New Cooperation Agreement will be sharply increased, and the Board envisages that the original annual caps will not be sufficient to fulfil the additional transactions that may take place under the New Cooperation Agreement. As such, the Board has resolved to revise the annual caps of the New Cooperation Agreement

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

According to Rule 14A.54 of the Hong Kong Listing Rules, if the Company proposes to revise the annual caps for the continuing connected transactions, the Company will be required to re-comply with the provisions of Chapter 14A of the Hong Kong Listing Rules.

As the Revised Annual Caps 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 shareholders' approval requirements under Chapter 14A of the Listing Rules.

Continuing connected transactions

References are made to the announcements of Shanghai Fudan Microelectronics Group Company Limited (the “Company”) dated 26 March 2021 and 2 June 2021 (the “Announcements”), and the circular dated 28 April 2021, in relation to the entering into the New Cooperation Agreement between the Company and Fudan Communication for the agency of selling the reconfigurable devices and memory IC chips and the setting of the relevant annual caps. Unless otherwise defined in this announcement, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

To fulfil the increasing demand of the customers of Fudan Communication and the future development of the Company and Fudan Communication, it is expected that the sales transactions under the framework agreement of the New Cooperation Agreement will be sharply increased, and the Board envisages that the original annual caps will not be sufficient to fulfil the additional transactions that may take place under the New Cooperation Agreement.

Proposal for revision of annual caps under the New Cooperation Agreement

1. According to the Announcements, the annual caps proposed by the Directors for the year 2021 and the 3 years ended 31 December 2024 are RMB120,000,000, RMB150,000,000, RMB180,000,000 and RMB100,000,000 respectively.
2. The revision of annual caps proposed by the Directors under the New Cooperation Agreement was based on the following factors: (i) to fulfil the increasing demand of the customers of Fudan Communication; (ii) the sales record for the months from January to July 2021 amounted to RMB69,620,000 and the season factor which will expedite the sales of the 3rd and 4th quarters; (iii) as at the date of this announcement, the sales orders placed by Fudan Communication to the Company still have a total outstanding of approximately RMB45,531,000; (iv) the Company has entered into new sales orders for 2021 amounted to RMB83,002,000 with conditional terms which is subject to the approval of the proposed revision of annual caps by the Company’s shareholders in the general meeting; (v) Fudan Communication has entered into a letter of intent with the Company in relation to its increasing customer demand for 2022 to 2024; (vi) the Company has launched approximately 20 new products during the year with satisfactory sales performance that will support sales growth in future; and (vii) the Directors, having further reviewed the sales performance and market development of the relevant products, anticipate an increasing demand which is far more than the original estimation.

3. As such, the Board has resolved to revise the annual caps of the New Cooperation Agreement as follows:

| | For the year ended 31 December | | | For the period ended 11 June 2024 |
|--|--------------------------------|-----------------|-----------------|-----------------------------------|
| | 2021 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | RMB'000 |
| Annual cap of the Old Cooperation Agreement | 60,000 | - | - | - |
| Annual cap of the New Cooperation Agreement | 60,000 | 150,000 | 180,000 | 100,000 |
| Annual cap to be increased under the New Cooperation Agreement | <u>80,000</u> | <u>130,000</u> | <u>190,000</u> | <u>100,000</u> |
| Revised Annual Cap | <u>200,000</u> | <u>280,000</u> | <u>370,000</u> | <u>200,000</u> |

Note: the New Cooperation Agreement was effective on 12 June 2021 and will expire on 11 June 2024.

As at the date of this announcement, the total of sales orders entered by Company and Fudan Communication since 1 January 2021 amounted to RMB115,151,000 which is still within the limit of RMB120,000,000 under the revised 2021 annual cap.

Reasons for the transaction

Taking into account of the factors set out above, in view of the business relationship between the Company and Fudan Communication and their respective business development, and the increasing customer demand of Fudan Communication, the Board envisages that the original annual caps will not be sufficient to fulfil the transactions that may take place under the New Cooperation Agreement. Hence, the Board proposes to revise the relevant annual caps in order to satisfy the increasing demand of Fudan Communication

The Independent Board Committee which consists of the independent non-executive Directors, who will provide their opinions after having received the advice from the independent financial adviser, will form an opinion in respect of the revision of annual caps under the New Cooperation Agreement in the circular to be dispatched in due course.

Pricing policies

The terms and conditions of the sales transactions contemplated under the New Cooperation Agreement in respect of the proposed revision of annual caps will remain unchanged.

Internal control

Pursuant to the internal control system as set out in the Announcement, besides the strict monitoring of the sales orders and aggregated amounts performed by the internal audit department, the Board has been carefully monitoring the performance of the transactions contemplated under the New Cooperation Agreement.

Information of the Company and Fudan Communication

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

Fudan Communication is mainly engaged in design, development and production of telecommunication devices in the PRC. As at the date of this announcement, the Company holds approximately 16.34% equity interest of Fudan Communication. In addition, Mr. Yu Jun, the executive Director, holds approximately 1.19% equity interest of Fudan Communication through his spouse.

Listing Rules implications

To the best of the Directors' knowledge and belief, having made all reasonable enquiries and at the date of this announcement, Fudan Fukong holds approximately 13.46% 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 Communication is a Connected Person of the Company, therefore the transactions under the New Cooperation Agreement constitute connected transactions of the Company.

According to Rule 14A.54 of the Hong Kong Listing Rules, if the Company proposes to revise the annual caps for the continuing connected transactions, the Company will be required to re-comply with the provisions of Chapter 14A of the Hong Kong Listing Rules.

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 revision of annual caps. Pursuant to the listing rules of the Shanghai Stock Exchange, Mr. Jiang Guoxing and Ms. Zhang Huajing are related parties and have also abstained from voting on the Board resolution.

As the Revised Annual Caps 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 shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has formed to advise the Independent Shareholders on the revision of annual caps. Independent financial advisor will be engaged to advise the Independent Board Committee and Independent Shareholders that whether the revision of annual caps is fair and reasonable and in line with the interests of the Company and the Shareholders as a whole.

As additional time is required to finalise certain information to be included therein, a circular (the “Circular”) containing, among other things, (i) further information on the Revised Annual Caps; (ii) Letter from the Independent Board Committee relating to the revision of annual caps; (iii) Letter from the independent financial advisor to the Independent Board Committee regarding the revision of annual caps; (vi) other information required pursuant to the Listing Rules, is expected to be despatched on or before 17 September 2021.

DEFINITIONS

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

| | |
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| “A Shares” | domestic shares of nominal value of RMB0.10 each in the share capital of the Company which are subscribed for in RMB and listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange |
| “Board” | the board of Directors |
| “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, whose A Shares are listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange 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 |
| “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) |
| “H Share(s)” | overseas listed foreign share(s) of nominal value of RMB0.10 each in the share capital of the Company which are listed on main board of the Stock Exchange and subscribed for in HK\$ |

| | |
|-------------------------------|---|
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Independent Board Committee” | 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 Revised Annual Caps |
| “Independent Shareholders” | Shareholders who are not prohibited from voting at the Extraordinary general meeting for the resolution in respect with the Revised Annual Caps |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan |
| Revised Annual Caps | the revise of annual caps for the relevant three years commencing from 12 June 2021 to 11 June 2024 under the New Cooperation Agreement |
| “Share(s)” | A Share(s) and H Share(s) |
| “Shareholder(s)” | registered holder(s) of the Domestic Shares and H Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Substantial Shareholder” | has the meaning ascribed to it under the Listing Rules |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “%” | percent. |

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

Shanghai, PRC, 30 August 2021

As at the date of this announcement, the Company's executive directors are Mr. Jiang Guoxing, Mr. Shi Lei, Mr. Yu Jun and Ms. Cheng Junxia; non-executive directors are Ms. Zhang Qianling, Mr. Ma Zhicheng, Mr. Zhang Huajing and Mr. Wu Ping; and independent non-executive directors are Mr. Guo Li, Mr. Cao Zhongyong, Mr. Cai Minyong and Mr. Wang Pin.

** For identification purposes only*