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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)

PROPOSALS FOR

- 1. ADOPTION OF THE 2021 RESTRICTED SHARE INCENTIVE SCHEME AND ISSUE OF RESTRICTED SHARES UNDER SPECIFIC MANDATE**
- 2. ADOPTION OF ASSESSMENT MANAGEMENT MEASURES AND**
- 3. AUTHORIZATION TO THE BOARD TO DEAL WITH MATTERS RELATING TO THE SHARE INCENTIVE SCHEME**

The Board is pleased to announce that at a meeting of the Board held on 23 September 2021, it was resolved to propose (i) the adoption of the 2021 Restricted Share Incentive Scheme and the issue of Restricted Shares under Specific Mandate; (ii) the adoption of the Assessment Management Measures, and (iii) the authorization to the Board to deal with matters relating to the Share Incentive Scheme, all of which are subject to Shareholders' approval by way of special resolutions at the EGM and the Class Meetings.

The Share Incentive Scheme does not involve the grant of options over new H Shares or issue of H Shares by the Company (or any of its subsidiaries) and therefore, it does not fall within the ambit of, and is not subject to, the regulations of Chapter 17 of the Hong Kong Listing Rules.

The First Grant and Reserved Grant under the Share Incentive Scheme do not involve the grant of Restricted Shares to connected persons of the Company (or any of its subsidiaries) and therefore is not subject to the notification, announcement and shareholder approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Board is pleased to announce that at a meeting of the Board held on 23 September 2021, it was resolved to propose (i) the adoption of the 2021 Restricted Share Incentive Scheme and the issue of Restricted Shares under Specific Mandate; (ii) the adoption of the Assessment Management Measures, and (iii) the authorization to the Board to deal with matters relating to the Share Incentive Scheme, all of which are subject to Shareholders' approval by way of special resolutions at the EGM and the Class Meetings.

1. PROPOSED ADOPTION OF THE 2021 RESTRICTED INCENTIVE SCHEME AND ISSUE OF RESTRICTED SHARES UNDER SPECIFIC MANDATE

Purpose: To further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's quality experts, fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, align the interests of the shareholders, the Company and the core staff members, bring their attention to the long-term development of the Company and ensure that the Company's development strategy and business goals shall be realized.

Participants: The Participants under the First Grant amount to 578 persons, representing approximately 37.70% of the total number of 1,533 employees of the Company as of the date of 30 June 2021. The Participants under the First Grant shall include persons as considered by the Board to be motivated other than independent Directors and senior management..

Participants under the Reserved Grant will be determined in 12 months after the approval at the EGM and the Class Meetings. The Company will announce relevant information about the Participants on the Company's website timely after the Board having made such proposal, independent Directors and the Supervisory Committee having expressed clear opinions, and the Company counsel having provided professional opinions and legal opinions.

The Reserved Grant shall lapse if the Participants cannot be determined within the 12-month period. The basis for determining the Participants for the Reserved Grant shall be the same as the basis for determining the Participants for the First Grant.

Form and Source of the Restricted Shares to be Granted: The form of incentive adopted by the Share Incentive Scheme is the Type II Restricted Shares.

The source of all Restricted Shares under the Incentive Scheme will be new ordinary A Shares to be issued by the Company to the Participants.

Number of the Restricted Shares to be Granted: The total number of Restricted Shares to be granted under the Share Incentive Scheme will be not more than 10,000,000 A Shares, representing approximately 1.23% of the total number of issued share of 814,502,000 Shares of the Company as at the date of this announcement, amongst which 8,997,000 A Shares, representing approximately 1.10% of the total issued share capital of the Company and approximately 89.97% of the total number of Restricted Shares under the Share Incentive Scheme, will be granted as the First Grant and 1,003,000 A Shares, representing approximately 0.12% of the total issued share capital of the Company and approximately 10.03% of the total number of Restricted Shares under the Share Incentive Scheme will be reserved for the Reserved Grant.

The cumulative total number of underlying Shares involved under the fully effective share incentive schemes of the Company shall not exceed 20.00% of the total share capital of the Company as at the date the Share Incentive Scheme is submitted for approval at the EGM and the Class Meetings. The total number of Shares to be granted to any Participant under all the fully effective share incentive schemes of the Company shall not exceed 1.00% of the total share capital of the Company.

Basis of Grant Price: The Grant Price of the First Grant shall be RMB18.00 per A Share. The Grant Price of the Reserved Grant shall be the same as the Grant Price of the First Grant.

The Grant Price is 46.24% to the closing price of the average trading price of RMB38.93 per A Share as quoted on the trading day immediately preceding the date of announcement of this Share Incentive Scheme;

The Grant Price is 40.35% to the closing price of the 20 days average trading price of RMB44.61 per A Share as quoted on the 20 trading days immediately preceding the date of announcement of this Share Incentive Scheme;

Up to the date of this announcement, the Company's A Shares have not listed more than 60 days.

The Grant Price adopts an independent pricing method. The purpose of determining the Grant Price by independent pricing is to promote the development of the Company, protect the rights and interests of the Shareholders, and provide a mechanism and talent guarantee for the long-term and stable development of the Company.

In the event of conversion of capital reserve into share capital, stock dividend, share split or share consolidation and share allotment, the Grant Price and the number of Restricted Shares to be granted shall be adjusted in accordance with the terms of the Share Incentive Scheme accordingly.

Validity period: The Share Incentive Scheme will become effective upon the Grant Date of the First Grant, and shall be valid until the date on which all Restricted Shares have been attributed or lapsed, such period shall not exceed 60 months.

Administration: The Board is the administrative office for the execution of the Share Incentive Scheme and is responsible for the implementation of the Share Incentive Scheme.

Grant Date: To be determined by the Board upon approval of the Share Incentive Scheme by the general meeting.

Attribution Period: Within 12 months after the Grant Date and subject to the attribution conditions having been fulfilled, the Restricted Shares may be attributed to the Participants in sequence:

Attribution arrangement	Attribution period	Attribution percentage
First attribution tranche	From the first trading day after the expiry of 12 months following the Grant Date of the First Grant to the last trading day within the 24 months following the Grant Date of the First Grant	25%
Second attribution tranche	From the first trading day after the expiry of 24 months following the Grant Date of the First Grant to the last trading day within the 36 months following the Grant Date of the First Grant	25%
Third attribution tranche	From the first trading day after the expiry of 36 months following the Grant Date of the First Grant to the last trading day within the 48 months following the Grant Date of the First Grant	25%
Fourth attribution tranche	From the first trading day after the expiry of 48 months following the Grant Date of the First Grant to the last trading day within the 60 months following the Grant Date of the First Grant	25%

If the Reserve Grant is granted on or before 31 December 2021, The attribution arrangements of the Reserved Grant will be the same as the First Grant.

If the Reserve Grant is granted after 31 December 2021, The attribution arrangements of the Reserved Grant will be as follows:

Attribution arrangement	Attribution period	Attribution percentage
First attribution tranche	From the first trading day after the expiry of 12 months following the Grant Date of the Reserved Grant to the last trading day within the 24 months following the Grant Date of the Reserved Grant	30%
Second attribution tranche	From the first trading day after the expiry of 24 months following the Grant Date of the Reserved Grant to the last trading day within the 36 months following the Grant Date of the Reserved Grant	30%
Third attribution tranche	From the first trading day after the expiry of 36 months following the Grant Date of the Reserved Grant to the last trading day within the 48 months following the Grant Date of the Reserved Grant	40%

The Restricted Shares which have not been attributed during the attribution period of their respective tranches as a result of failure to fulfil the attribution conditions are not allowed to be attributed or deferred to be attributed in the next year(s) and shall lapse according to the Share Incentive Scheme.

Conditions for Grant of the Restricted Shares:

The Restricted Shares shall be granted upon satisfaction of all of the following granting conditions; or conversely, if any of the following granting conditions has not been satisfied, no Restricted Shares shall be granted to the Participants:

- (a) None of the following has occurred on the part of the Company:
 1. an audit report on the financial and accounting report for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 2. an audit report on internal control over financial reporting for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 3. in the most recent 36 months upon listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public undertakings;
 4. laws and regulations stipulate that equity incentives shall not be implemented;
 5. other circumstances as determined by the CSRC.

- (b) None of the following has occurred on the part of the Participants:
1. the Participant has been determined as an inappropriate candidate by relevant stock exchange within the most recent 12 months;
 2. the Participant has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
 3. the Participant has been subject to administrative punishment or market ban measures by the CSRC and its delegated institutions due to major breach of laws and regulations in the most recent 12 months;
 4. the Participant shall not act as a director or member of the senior management of a company according to the PRC Company Law;
 5. applicable laws and regulations stipulate that the Participant shall not participate in the equity incentives of listed companies;
 6. other circumstances as determined by the CSRC.

Conditions for attribution of the Restricted Shares:

For the Restricted Shares to be attributed to the Participant, among others, all of the following conditions need to be satisfied within the attribution period:

- (a) None of the following has occurred on the part of the Company:
1. an audit report on the financial and accounting report for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 2. an audit report on internal control over financial reporting for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 3. in the most recent 36 months upon listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public undertakings;
 4. laws and regulations stipulate that equity incentives shall not be implemented;
 5. other circumstances as determined by the CSRC.

In the event that any one of the circumstances specified in (a) above arises, the Restricted Shares that have been granted but have not yet been attributed to the Participant under the Incentive Scheme shall not be attributed and shall lapse.

- (b) None of the following has occurred on the part of the Participants:
1. the Participant has been determined as an inappropriate candidate by relevant stock exchange within the most recent 12 months;
 2. the Participant has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
 3. the Participant has been subject to administrative punishment or market ban measures by the CSRC and its delegated institutions due to major breach of laws and regulations in the most recent 12 months;
 4. the Participant shall not act as a director or member of the senior management of a company according to the PRC Company Law;
 5. applicable laws and regulations stipulate that the Participant shall not participate in the equity incentives of listed companies;
 6. other circumstances as determined by the CSRC.

In the event that any one of the circumstances specified in (b) above arises in relation to a certain Participant, the Company will terminate such Participant's right to participate in the Incentive Scheme and the Restricted Shares that have been granted but have not yet been attributed to such Participant under the Incentive Scheme shall not be attributed and shall lapse.

- (c) Requirements on length of employment of the Participants for attribution of Restricted Shares:

Before each tranche of Restricted Shares granted to the Participants attributes, the Participant must be employed for more than 12 months.

- (d) Performance assessment requirements at the Company level:

1. First Grant

Under the Share Incentive Scheme, the Company's performance indicators will be evaluated on an annual basis for the financial years of 2021 to 2024, and the achievement of performance assessment target will be one of the attribution conditions for the Participants for the current year.

The performance assessment objectives of Share Incentive Scheme are set out below:

	Performance Assessment Target A	Performance Assessment Target B
	Company attribution factor 100%	Company attribution factor 80%
First tranche	Meet any one of the following conditions: <ol style="list-style-type: none"> 1. The revenue increased by 40% or above over 2020; 2. Sales profit margin increased by 50% or above over 2020. 	Meet any one of the following conditions: <ol style="list-style-type: none"> 1. The revenue increased no less than 32% over 2020; 2. Sales profit margin increased no less than 40% over 2020.
Second tranche	Meet any one of the following conditions: <ol style="list-style-type: none"> 1. The revenue increased by 65% or above over 2020; 2. Sales profit margin increased by 65% or above over 2020. 	Meet any one of the following conditions: <ol style="list-style-type: none"> 1. The revenue increased no less than 52% over 2020; 2. Sales profit margin increased no less than 52% over 2020.
Third tranche	Meet any one of the following conditions: <ol style="list-style-type: none"> 1. The revenue increased by 90% or above over 2020; 2. Sales profit margin increased by 90% or above over 2020. 	Meet any one of the following conditions: <ol style="list-style-type: none"> 1. The revenue increased no less than 72% over 2020; 2. Sales profit margin increased no less than 72% over 2020.
Fourth tranche	Meet any one of the following conditions: <ol style="list-style-type: none"> 1. The revenue increased by 120% or above over 2020; 2. Sales profit margin increased by 120% or above over 2020. 	Meet any one of the following conditions: <ol style="list-style-type: none"> 1. The revenue increased no less than 96% over 2020; 2. Sales profit margin increased no less than 96% over 2020.

2. Reserved Grant

If the Reserve Grant is granted on or before 31 December 2021, the performance assessment requirements of the Reserved Grant will be the same as the First Grant.

If the Reserve Grant is granted after 31 December 2021, The performance assessment requirements of the Reserved Grant will be evaluated on an annual basis for the 3 financial years of 2022 to 2024, and the achievement of performance assessment target will be one of the attribution conditions for the Participants for the current year. The performance assessment objectives of Share Incentive Scheme are set out below:

Tranche	Performance Assessment Target A	Performance Assessment Target B
	Company attribution factor 100%	Company attribution factor 80%
First tranche	Meet any one of the following conditions: 1. The revenue increased by 65% or above over 2020; 2. Sales profit margin increased by 65% or above over 2020.	Meet any one of the following conditions: 1. The revenue increased no less than 52% over 2020; 3. Sales profit margin increased no less than 52% over 2020.
Second tranche	Meet any one of the following conditions: 1. The revenue increased by 90% or above over 2020; 2. Sales profit margin increased by 90% or above over 2020.	Meet any one of the following conditions: 1. The revenue increased no less than 72% over 2020; 2. Sales profit margin increased no less than 72% over 2020.
Third tranche	Meet any one of the following conditions: 1. The revenue increased by 120% or above over 2020; 2. Sales profit margin increased by 120% or above over 2020.	Meet any one of the following conditions: 1. The revenue increased no less than 96% over 2020; 2. Sales profit margin increased no less than 96% over 2020.

As referred to in the table above, “revenue” means audited consolidated revenue of the Company; “sales profit margin” means audited revenue after deducting operating expenses of the Company.

- (e) Performance assessment requirements at the Participant's individual level:

The individual assessment of Participants is carried out according to the internal performance assessment system of the Company. The individual evaluation results of the Participants are divided into four levels: "pass" and "fail". The corresponding attribution situations are as follows:

Assessment standards	Pass	Fail
Individual Attribution Coefficient	100%	0

If the Company's performance reaches performance assessment target, the number of Restricted Shares actually attributable to the Participant in the current year = the number of individual attribution for the year × the company attribution coefficient × the individual attribution coefficient.

If the Restricted Shares that the Participant belongs to in the current plan cannot be attributed or cannot be fully attributed due to assessment reasons, the Restricted Shares shall become invalid and shall not be deferred to the next year.

Explanation on reasonableness of the performance appraisal indicators of the Restricted Shares:

The Company is a professional company engaged in the design, development and testing of very large integrated circuits as well as provision of system solutions to customers. The Company has established and improved product lines such as security and identification IC chips, non-volatile memory chips, smart meter ASIC chips, FPGA chips and testing services for IC products, and the products are widely used in numerous fields such as finance, social security, urban public transportation, electronic certificates, mobile payment, anti-counterfeiting traceability, smart phones, security monitoring, industrial control, signal processing and smart computing. The Group continued to increase investment in product research and development, and promoted product structure optimization through technological innovation, so as to adapt to the technical needs of the Internet of Things, financial payment, industry, consumer electronics and other application fields in the new era, and to support the Company's steady growth in operating performance.

Based on comprehensive considerations including but not limited to the macroeconomic environment, the Company's historical performance, development in vaccine industry, competition in the market, the Company's future development plan and other relevant factors, the Company has set the performance assessment indicators of the Share Incentive Scheme. The objectives set in the Share Incentive Scheme are beneficial to enhance the competitiveness of the Company, motivate employees, ensure the realization of the Company's development strategy and business objectives, and bring more efficient and lasting returns to Shareholders.

In addition to the performance assessment at the company level, the Company has also set up a stringent performance assessment mechanism for each individual employee, which is expected to lead to a more accurate and comprehensive evaluation on the performance of the Participants. The Company will determine whether the relevant Participants meet the conditions of attribution according to the annual performance assessment results.

In summary, the Company's appraisal mechanism under the Share Incentive Scheme is integrated, comprehensive and practicable. Meanwhile, the Participants are subject to the scientific and reasonable performance indicators, through which the appraisal purpose of the Share Incentive Scheme can be achieved.

Accounting Treatment on the Restricted Shares:

In accordance with relevant requirements of the Accounting Standards for Business Enterprises No. 11 – Share-Based Payments and the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, on each balance sheet date during the period from the Grant Date to the attribution date, the Company shall revise the number of the Restricted Shares which are expected to be attributed according to the changes in the latest available number of persons eligible to be attributed the Restricted Shares, fulfilment of the performance targets and other subsequent information, and recognize the services acquired during such period in relevant costs or expenses and capital reserve at the fair value of the Restricted Shares on the Grant Date.

1. Fair Value of the Type II Restricted Shares and the Determination Method

The Company will include the services obtained in the current period into relevant costs or expenses and capital reserves according to the fair value of stock options on the Grant Date. In accordance with the relevant requirements of the Accounting Standards for Business Enterprises No. 11-Share-based Payments 《企業會計準則第 11 號 – 股份支付》 and the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments 《企業會計準則第 22 號 — 金融工具確認和 計量》 issued by the Finance Department, the requirements were effective on 1 January 2007 and applicable to listed companies. Pursuant to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments 《企業會計準則第 22 號 — 金融工具確認和 計量》 in relation to the requirements of recognition of fair value, a proper valuation model has to be selected for the measurement of the fair value of stock options. The Company has selected the Black Scholes model to calculate the fair value of the Type II Restricted Shares, and uses the model on 23 September 2021 to predict the Type II Restricted Shares under the First Grant.

2. The Estimated Impact on the Operating Performance in each accounting period due to the implementation of the Restricted Shares

Assuming that the Company grants Restricted Shares in October 2021, in accordance with PRC Accounting Standards, the amortization of cost of the Restricted Shares under the First Grant for each accounting period is as follows:

Amortization cost of the Restricted Shares	RMB0'000				
	2021	2022	2023	2024	2025
19,856.38	1,695.56	9,380.87	5,010.58	2,691.60	1,077.77

The above estimations do not include the Reserved Grant of 1,003,000 Restricted Shares, the Reserved Grant will incur additional share payment expenses when granted.

The Company estimates that, based on available information, the amortization of costs of the Restricted Shares will have an impact on the net profit each year within the validity period. The implementation of the Incentive Scheme will further improve the cohesion of the employees and stability of team, stimulate the enthusiasm of the management, and improve operating efficiency, thus will have a positive effect on the Company's performance and internal value.

Proposed Issue of Restricted Shares Pursuant to Specific Mandate

The Company proposed to issue no more than 10,000,00 Restricted Shares to be granted to the Participants (including those under the First Grant and the Reserved Grant) under the Incentive Scheme pursuant to a Specific Mandate, representing approximately 1.23% of the total issued share capital of the Company as of the date of this announcement, which is subject to, among other things, the approval at the EGM and the Class Meetings. No Restricted Shares will be granted to connected persons of the Company.

2. PROPOSED ADOPTION OF THE ASSESSMENT MANAGEMENT MEASURES

To ensure the smooth implementation of the Incentive Scheme, the Assessment Management Measures and other relevant laws, administrative regulations, normative documents, the relevant requirements of the Articles of Association as well as the actual situation of the Company. The full text of the Assessment Management Measures will be set out in the circular to be despatched to the Shareholders.

3. PROPOSED GRANT OF AUTHORIZATION TO THE BOARD OF DIRECTORS TO DEAL WITH MATTERS RELATING TO THE SHARE INCENTIVE SCHEME

To ensure the smooth implementation of the Incentive Scheme, it is proposed at the EGM and the Class Meetings that the Board of Directors shall be authorized to handle matters relating to the Incentive Scheme, including but not limited to the following:

- (a) to propose at the EGM and the Class Meetings that the Board of Directors be authorized to be responsible for the following matters in relation to the implementation of the Incentive Scheme:
 - (1) to authorize the Board to determine the Grant Date under the Share Incentive Scheme;
 - (2) to authorize the Board to adjust the number of the Restricted Shares to be granted/attributed according to the terms of the Share Incentive Scheme in the event of conversion of capital reserve into share capital, stock dividend, share split or share consolidation and share allotment of the Company;
 - (3) to authorize the Board to adjust the Grant Price for the Restricted Shares to be granted/attributed according to the terms of the Share Incentive Scheme in the event of conversion of capital reserve into share capital, stock dividend, share split or share consolidation and share allotment of the Company;

- (4) to authorize the Board to grant the Restricted Shares to a Participant upon his/her fulfillment of the conditions of grant, and to handle all necessary matters in connection with the grant of the Restricted Shares, including signing agreement on the grant of Restricted Shares;
 - (5) to authorize the Board to review and confirm the qualification of the Participants for attribution and the number of the Restricted Shares to be attributed, and to agree to the Board of Directors delegating such rights to the Remuneration and Assessment Committee;
 - (6) to authorize the Board to handle all matters necessary in connection with the attribution of the Restricted Shares, including but not limited to the submission of application to a stock exchange in respect of the attribution of the Restricted Shares, applying to securities registration and clearing company for registration and clearing services, amending the Articles of Association; and applying to register the change in registered capital of the Company;
 - (7) to authorize the Board to handle the changes and termination of restricted stock incentive plans in accordance with the provisions of the 2021 Restricted Share Incentive Scheme, including but not limited to canceling the qualification of the Participant, invalidating the Restricted Shares that the Participant has not yet vested, and handling the inheritance of the Restricted Shares that the deceased Participant has not yet vested;
 - (8) to authorize the Board to determine the Participants, number of grant, Grant Price, Grant Date and all other matters in respect of the Reserved Grant under the Share Incentive Scheme;
 - (9) to authorize the Board to execute, implement, revise and terminate any agreement relating to the Share Incentive Scheme and other relevant agreements;
 - (10) to authorize the Board to manage and adjust the Share Incentive Scheme, and from time to time formulate or amend the management and implementation rules of the Incentive Scheme, subject to compliance with the terms of the Share Incentive Scheme. However, if such amendments are subject to approval at the general meeting or/and by relevant regulatory authorities under the requirements of laws, regulations or relevant regulatory authorities, such amendments by the Board shall be subject to such approvals; and
 - (11) to authorize the Board to implement all other necessary matters in connection with the Share Incentive Scheme, except such rights as expressly required under the relevant documents to be exercised by the Shareholders at a general meeting;
- (b) to propose at the EGM and the Class Meetings to authorize the Board of Directors to complete procedures with relevant governments and authorities in relation to the Incentive Scheme including review, registration, filing, approval and consent; to sign, execute, amend and complete documents submitted to relevant governments, authorities, organizations, and individuals; to amend the Articles of Association and handle the registration of the change in registered capital of the Company; and to carry out all actions deemed to be necessary, appropriate, or expedient in relation to the Incentive Scheme;

- (c) to propose at the EGM and the Class Meetings to authorize the Board of Directors to engage intermediaries, such as financial consultant, receiving bank, accountants, lawyers or securities companies, for the implementation of the Incentive Scheme;
- (d) to propose at the EGM and the Class Meetings to approve the period of authorization given to the Board of Directors to be consistent with the validity period of the Share Incentive Scheme; and
- (e) Save for matters to be approved by the Board of Directors as explicitly stipulated by laws, administrative regulations, rules of CSRC, regulatory documents, the Incentive Scheme or the Articles of Association, the above authorizations may be exercised directly by the Chairman of the Board or appropriate person authorized by the Chairman of the Board on behalf of the Board.

The total funds to be raised and the proposed use of proceeds

Under the Share Incentive Scheme, not more than 10,000,000 Restricted Shares will be granted and not more than RMB180,000,000 will be raised. The proceeds obtained by the Company from the Share Incentive Scheme shall be applied towards the replenishment of the working capital.

Dilution effect

The shareholding structure of the Company before and after the attribution of the Restricted Shares granted under the Share Incentive Scheme to the Participants is set out as follows:

	As of the date of this announcement	Assuming full attribution and issue of the Restricted Shares under the Share Incentive Scheme (note)
Number of A Shares	530,172,000	540,172,000
Number of H Shares	<u>284,330,000</u>	<u>284,330,000</u>
Total	<u>814,502,000</u>	<u>824,502,000</u>

Note: Assuming that no other Shares are issued or repurchased by the Company from the date of this announcement up to the date of fully attribution of Restricted Shares

Fund raising activities in the past 12 months

The Company has completed the issuance of 120,000,000 ordinary A shares and listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange, and the net proceeds raised is RMB680,282,800 for the purposes of investing in R&D projects and replenishment of working capital.

Save as disclosed above, the Company has not conducted any fund raising activities involving the issuance of share capital within 12 months immediately preceding the date of this announcement.

Listing Rules implications

The Share Incentive Scheme does not involve the grant of options over new H Shares or issue of H Shares by the Company (or any of its subsidiaries) and therefore, it does not fall within the ambit of, and is not subject to, the regulations of Chapter 17 of the Hong Kong Listing Rules.

The First Grant and Reserved Grant under the Share Incentive Scheme do not involve the grant of Restricted Shares to connected persons of the Company (or any of its subsidiaries) and therefore is not subject to the notification, announcement and shareholder approval requirements under Chapter 14A of the Hong Kong Listing Rules.

EGM

The EGM and the Class Meetings will be convened on Thursday, 28 October 2021 at Building 4, Lane 127, Guotai Road, Shanghai, the PRC, respectively at 10:00 a.m., 10:30 a.m. and 10:45 a.m. to consider and, if thought fit, approve (i) the proposed adoption of the Incentive Scheme and the issue and grant of Restricted Shares under the Share Incentive Scheme pursuant to Specific Mandate; (ii) the proposed adoption of the Assessment Management Measures; and (iii) the proposed authorization to the Board to deal with matters relating to the Share Incentive Scheme.

Closure of Register of Member of H Shares

The register of members of H Shares will be closed from Monday, 25 October 2021 to Thursday, 28 October 2021, both days inclusive, during which period no transfer of H Shares shall be registered, in order to determine the holders of the H Shares who are entitled to attend and vote at the EGM and the Class Meeting of H Shareholders. To be eligible to attend and vote at the EGM and the Class Meeting of H Shareholders, all properly completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's H Share registrar, or the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 22 October 2021

DEFINITIONS

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

“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
“A Shareholder(s)”	holder(s) of A Shares
“Assessment Management Measures”	the Management Measures for Assessment for the Implementation of the 2021 Restricted Share Incentive Scheme
“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
“Class Meeting(s)”	the Class Meeting of A Shareholders and Class Meeting of H Shareholders
“Class Meeting of A Shareholders”	the 2021 second class meeting of A Shareholders to be held on Thursday, 28 October 2021 at 10:30 a.m. or immediately after the conclusion of the EGM (or any adjournment thereof)
“Class Meeting of H Shareholders”	the 2021 second class meeting of H Shareholders to be held on Thursday, 28 October 2021 at 10:45 a.m. or immediately after the conclusion of the Class Meeting of A Shareholders (or any adjournment thereof)
“CSRC”	the China Securities Regulatory Commission
“Directors”	the director(s) of the Company
“EGM”	the 2021 second extraordinary general meeting of the Company to be held at 10:00 a.m. on Thursday, 28 October 2021
“First Grant”	the proposed grant of not more than 8,997,000 Restricted Shares, representing approximately 89.97% of the total number of Restricted Shares under the Share Incentive Scheme
“Grant Date”	the date on which the Company grants the Restricted Shares
“Grant Price”	the price of each Restricted Share to be granted to the Participants
“Group”	the Company and its subsidiaries
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Participant(s)”	the participants of the Share Incentive Scheme
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Reserved Grant”	the reserved grant of not more than 1,003,000 Restricted Shares, representing approximately 10.03% of the total number of Restricted Shares under the Share Incentive Scheme
“Restricted Share(s)”	A Share(s) to be granted to the Participants by the Company at the Grant Price stipulated under the Share Incentive Scheme, which are subject to the conditions stipulated under the Share Incentive Scheme
“Sci-Tech Innovation Board”	the Sci-Tech Innovation Board of the Shanghai Stock Exchange
“Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Share Incentive Scheme”	the 2021 Restricted Share Incentive Scheme of the Company
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	registered holder(s) of the Domestic Shares and H Shares
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the EGM and the Class Meetings to issue and allot no more than 10,000,000 A Shares as Restricted Shares under the Share Incentive Scheme
“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, 23 September 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*