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*This announcement, for which the directors (the "Directors") of Shanghai Fudan Microelectronics Group Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.*



**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: 8102)

## **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO CO-OPERATION AGREEMENTS FOR THE RESEARCH AND DEVELOPMENT OF IC CHIPS**

On 18 January 2010, the Company entered into a co-operation agreement with Fukong Hualong for the research and development of electricity meter IC chips for a co-operation term commencing from the date of signing the agreement up to the termination of product life. Pursuant to the No. 1 Agreement, both parties would co-operate for the research and development of a new version of electricity meter IC chips with a view to expand market share and achieve a complement in advantages. Under the No. 1 Agreement, after deducting the production costs, revenue derived from the product would be shared by the Company and Fukong Hualong based on two sales volume levels at the ratios of 82% to 18% and 88% to 12% respectively.

On 21 February 2011, the Company entered into a co-operation agreement with Fukong Hualong for the research and development of lighting product IC chips for a co-operation term commencing from the date of signing the agreement up to the termination of product life. Pursuant to the No. 2 Agreement, both parties agreed to set up a research and development team and based on the existing technologies and skills, to re-develop brand new lighting product IC chips in order to improve the defects and to enhance quality and price competitiveness of the existing products. The Company will purchase the finished goods from Fukong Hualong at a cost based on the product selling price after deducting the relevant production costs and a 50% profit sharing.

Fukong Hualong is being held as to 51% and 49% equity interest by the Company and Fudan Technology Enterprise respectively. Fudan Technology Enterprise is a substantial shareholder of the Company and is interested in 109,620,000 Domestic Shares representing 17.76% of the Company's issued share capital. As such, Fudan Technology Enterprise is a connected person of the Company as defined under the GEM Listing Rules. Accordingly, the transactions contemplated under the No. 1 Agreement and No. 2 Agreement constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

In view of the similar nature of the No. 1 Agreement and the No. 2 Agreement and the transactions will be continued, the transactions contemplated thereunder constitute continuing connected transactions of the Company under Rule 20.14 of the GEM Listing Rules. As the annual caps of the above-mentioned continuing connected transactions do not exceed the applicable percentage ratios (other than the profits ratio) of 5%, the continuing connected transactions exempt from shareholders' approval requirement but subject to the reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules.

#### **CO-OPERATION AGREEMENT FOR THE RESEARCH AND DEVELOPMENT OF ELECTRICITY METER IC CHIPS**

On 18 January 2010, the Company entered into a co-operation agreement with Fukong Hualong for the research and development of electricity meter IC chips ("No. 1 Agreement") for a co-operation term commencing from the date of signing the agreement up to the termination of product life. Pursuant to the No. 1 Agreement, both parties would co-operate for the research and development of a new version of electricity meter IC chips with a view to expand market share and achieve a complement in advantages. Both parties agreed to contribute its own human resources, software and hardware facilities for technology development as well as to bear related research and development costs in respect of the related product. In addition to these costs, the Company has to bear the costs of specific intellectual proprietary rights, part of equipments required for research and development, sample production, product packaging and testing as well as mass production. The Company would also be responsible for the definition of product specifications, project management and control, and product promotion and marketing. Fukong Hualong would be responsible for provision of funding, part of equipments required, design and testing in relation to product research and development. The resultant intellectual proprietary rights would be shared equally by both parties. Under the No. 1 Agreement, after deducting the production costs, revenue derived from the product would be shared by the Company and Fukong Hualong based on two sales volume levels at the ratios of 82% to 18% and 88% to 12% respectively.

The product under No. 1 Agreement has completed research and development by end of 2010 and has been launched into the market. During the period up to the date of this announcement, in accordance with the settled sales and costs, the Company has to pay Fukong Hualong with profit sharing amounted to approximately RMB467,000 (approximately HK\$570,000) which is less than the applicable percentage ratio (other than the profits ratio) of 5% and HK\$1,000,000 and is qualified as a de minimis transaction. The Company expects that the transaction amount will be gradually increased and the estimated annual profit sharing payable to Fukong Hualong for the two years ended 31 December 2011 and 2012 will be RMB2,160,000 and RMB3,680,000 respectively.

#### **CO-OPERATION AGREEMENT FOR THE RESEARCH AND DEVELOPMENT OF LIGHTING PRODUCT IC CHIPS**

On 21 February 2011, the Company entered into a co-operation agreement with Fukong Hualong for the research and development of lighting product IC chips ("No. 2 Agreement") for a co-operation term commencing from the date of signing the agreement up to the termination of product life. Pursuant to the No. 2 Agreement, both parties agreed to set up a research and development team and based on the existing technologies and skills, to re-develop brand new lighting product IC chips in order to improve the defects and to enhance quality and price competitiveness of the existing products. The Company would be responsible for the product promotion and marketing and Fukong Hualong would be responsible for the product development as well as production. The resultant intellectual proprietary rights would be shared equally by both parties. The Company will purchase the finished goods from Fukong Hualong at a cost based on the product selling price after deducting the relevant production costs and a 50% profit sharing.

The research and development of product under No. 2 Agreement are near completion and the Company expects that the annual purchases of finished goods from Fukong Hualong for the two years ended 31 December 2011 and 2012 will be RMB1,750,000 and RMB4,650,000 respectively.

## **REASONS FOR THE TRANSACTIONS**

It is the Company's overall business objectives to become a leader in the IC design and system integration business in the PRC with keen determination to be one of the global leading application specific IC design companies. The Company has launched the same related electricity meter and lighting products in early years, however, these products are outdated in both efficiency and technology in today's market, and Fukong Hualong has substantial experience in research and development and design of the relevant products. The Directors consider that the co-operation will help the success in the research and development of new version products, increase in market sharing and the achieving of synergy effect.

The Board (including all independent non-executive directors) is of the view that the transactions contemplated under these co-operation agreements are entered in the ordinary and usual course of the Group's business, on normal commercial terms, fair and reasonable and in the best interests of the Company and shareholders as a whole, as (i) the Company can share the substantial experience of Fukong Hualong in respect of research and development design of electricity meter and lighting products for the renovation of new products ; (ii) Fukong Hualong possesses of experienced staff and part of research and development equipments and the Company is enabled to save its costs, time spent on research and development and needs no recruitment on staff; and (iii) the Company would be able to get self-developed proprietary rights at low research and development costs.

## **PROPOSED ANNUAL CAPS**

In respect of the two aforesaid agreements, the Directors propose the annual caps for the two financial years ended 31 December 2011 and 2012 as follows:

	2011 RMB'000	2012 RMB'000
Profit sharing under No. 1 Agreement	2,160	3,680
Purchases under No. 2 Agreement	<u>1,750</u>	<u>4,650</u>
Total	<u>3,910</u>	<u>8,330</u>

The above expected annual caps are determined by reference to existing sales orders on hand and the estimated business for the year ended 31 December 2011.

## **IMPLICATIONS UNDER THE GEM LISTING RULES**

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

Fukong Hualong and is principally engaged in the development of integration of IC chips application and micro-system in the PRC with 13-year experience in system on chips and research and development in micro-system, and has held several intellectual proprietary rights under registration application. Its business comprise of information communication, Global Positioning System, power electronics and multi-media information terminal. Fukong Hualong is being held as to 51% and 49% equity interest by the Company and Fudan Technology Enterprise respectively.

Fudan Technology Enterprise is principally engaged in investment holdings. Fudan Technology Enterprise is held as to 90% equity interest by Shanghai Commerce and Invest (Group) Corporation and 10% equity interest by the Shanghai Fudan University.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries and at the date of this announcement, Fudan Technology Enterprise is a substantial shareholder of the Company and is interested in 109,620,000 Domestic Shares representing 17.76% of the Company's issued share capital. Fudan Technology Enterprise is also interested in 49% equity interest of Fukong Hualong. As such, Fudan Technology Enterprise is a connected person of the Company as defined under the GEM Listing Rules. Accordingly, the transactions contemplated under the No. 1 Agreement and No. 2 Agreement constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

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

In view of the similar nature of the No.1 Agreement and the No.2 Agreement and the transactions will be continued, the transactions contemplated thereunder constitute continuing connected transactions of the Company under Rule 20.14 of the GEM Listing Rules. As the annual caps of the above-mentioned continuing connected transactions do not exceed the applicable percentage ratios (other than the profits ratio) of 5%, the continuing connected transactions exempt from shareholders' approval requirement but subject to the reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions having the following meanings:

“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 and whose H Shares are listed on GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Shares”	the domestic invested shares of nominal value of RMB0.10 each in the share capital of the Company, which are subscribed for in RMB
“Fudan Technology Enterprise”	上海復旦科技產業控股有限公司 Shanghai Fudan Technology Enterprise Holdings Limited*, a limited company incorporated in the PRC
“Fukong Hualong”	上海復控華龍微系統技術有限公司 Shanghai Fukong Hualong Micro-system Technology Company Limited*, a limited company incorporated in the PRC
“GEM”	The Growth Enterprise Market of the Stock Exchange

“GEM Listing Rules”	Rules Governing the Listing of Securities on the GEM
“Group”	The Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“PRC”	the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

*For the purpose of illustration only and unless otherwise stated, the conversion of HK\$ into RMB is based on the exchange rate of RMB1.00 to HK\$1.22.*

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

Shanghai, the PRC, 11 August 2011

As at the date of this announcement, the Company’s executive Directors are Mr. Jiang Guoxing, Mr. Shi Lei, Mr. Yu Jun, Ms. Cheng Junxia and Mr. Wang Su; non-executive Directors are Ms. Zhang Qianling, Mr. He Lixing and Mr. Shen Xiaozu and independent non-executive Directors are Mr. Cheung Wing Keung, Mr. Guo Li and Mr. Chen Baoying.

*This announcement will remain on the GEM website [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting and publish on the Company’s website at [www.fmsh.com](http://www.fmsh.com).*

\* For identification only