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*This announcement, for which the directors (the "Directors") of the 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)

**REVISION OF ANNUAL CAPS FOR  
THE EXISTING CONTINUING CONNECTED TRANSACTIONS  
AND  
CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO COOPERATION AGREEMENT FOR GPS IC CHIPS**

Reference is made to the Announcement published on 11 August 2011 in relation to the No. 1 Agreement for the research and development of electricity meter IC chips. After release of products contemplated under the agreement, sales have been satisfactory and better than expected and thus, the annual caps of the profit sharing payable to Fukong Hualong for the three years ended 31 December 2014 have to be revised. Reference is made to the Announcement in relation to the No. 2 Agreement entered into by the Company with Fukong Hualong for the research and development of lighting product IC chips. Due to delay in research and development, the products that were originally planned to be launched in last year have been deferred to be released shortly. As such, the marketing life of these products has to be extended accordingly and the annual caps of purchases of finished products to be ordered by the Company from Fukong Hualong have to be revised.

Reference is also made to the Company's announcement published on 24 June 2009 in relation to the Cooperation Agreement entered into by the Company with Fukong Hualong. Out of the projects under the Cooperation Agreement, the chip and system of GPS have achieved a periodical success. On 23 April 2012, the Company entered into the No. 3 Agreement with Fukong Hualong for the product development of GPS IC chips for a term starting from the agreement date up to the end of the estimated product life which is about 3 years. Pursuant to the No. 3 Agreement, the Company and Fukong Hualong will carry out two cooperation modules respectively in project mode and product sales mode.

Under the project mode, the Company will be the primary applicant for the government grant, and 10% of which will be shared by the Company as compensation for administrative expenses, and after deducting the subcontracting charges paid by the Company, the remaining proceeds will be Fukong Hualong's entitlement of R & D Income as compensation for its provision of basic equipment, facilities and human resources.

Under the product sales cooperation mode, both parties will determine the market selling price with references to production costs, selling costs and market conditions (“Market Selling Price”), and the Company will sell products to Fukong Hualong at a price of production costs plus 50% gross profit on Market Selling Price.

The Company and Fudan Technology Enterprise are respectively interested in 51% and 49% equity interest in Fukong Hualong. 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. 3 Agreement constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to rule 20.36 of the GEM Listing Rules, the Company must re-comply with rule 20.35(3) of the GEM Listing Rules in relation to the previous announcement of continuing connected transactions, if the cap in rule 20.35(2) of the GEM Listing Rules is exceeded or when the relevant agreement is renewed or there is a material change to the terms of the agreement.

As the transactions contemplated under the No. 3 Agreement will be on a continuing basis, the No. 3 Agreement constitutes continuing connected transactions of the Company under rule 20.14 of the GEM Listing Rules. In view of the similar nature of these transactions contemplated under the above-mentioned cooperation agreements and will be continued, these transactions have to be aggregated in accordance with rule 20.25 of the GEM Listing Rules. As the annual caps of these continuing connected transactions do not exceed the applicable percentage ratios (other than the profits ratio) of 5%, these continuing connected transactions exempt from shareholders’ approval requirement but subject to the reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules.

#### **REVISION OF ANNUAL CAPS FOR NO. 1 AGREEMENT**

Reference is made to the Company’s announcement published on 11 August 2011 (the “Announcement”) in relation to the cooperation agreement entered into by the Company with Fukong Hualong on 18 January 2010 for the research and development of electricity meter IC chips (“No. 1 Agreement”). After release of products contemplated under the agreement, sales have been satisfactory and better than expected and thus, the annual caps of the profit sharing payable to Fukong Hualong for the three years ended 31 December 2014 have to be revised as follows:

	Original annual caps RMB’000	Revised annual caps RMB’000
For the year ended 31 December 2012	3,680	4,500
For the year ended 31 December 2013	-	2,000
For the year ended 31 December 2014	-	2,000

#### **REVISION OF ANNUAL CAPS FOR NO. 2 AGREEMENT**

Reference is made to the Announcement, whereas the Company entered into a cooperation agreement with Fukong Hualong on 21 February 2011 for the research and development of lighting product IC chips (“No. 2 Agreement”). Due to delay in research and development, the products that were originally planned to be launched in last year have been deferred to be released shortly. As such, the marketing life of these products has to be extended accordingly and the annual caps of purchases of finished products to be ordered by the Company from Fukong Hualong have to be revised as follows:

	Original annual caps RMB'000	Revised annual caps RMB'000
For the year ended 31 December 2011	1,750	N/A
For the year ended 31 December 2012	4,650	4,650
For the year ended 31 December 2013	-	5,000
For the year ended 31 December 2014	-	6,000

## **COOPERATION AGREEMENT FOR GPS IC CHIPS**

Reference is also made to the Company's announcement published on 24 June 2009 in relation to a cooperation agreement entered into by the Company with Fukong Hualong for the setting up a jointly developed "Chip & System" mode ("Cooperation Agreement") with a view to explore markets in global positioning system ("GPS"), smart video player and mobile payment. Out of the projects under the Cooperation Agreement, the chip and system of GPS have achieved a periodical success. The costs of research and development incurred by each party under the Cooperation Agreement, having deducted with relative government grant already received, amounted to approximately RMB2,850,000.

On 23 April 2012, the Company entered into a cooperation agreement with Fukong Hualong for the product development of GPS IC chips ("No. 3 Agreement") for a term starting from the agreement date up to the end of the estimated product life which is about 3 years. Pursuant to the No. 3 Agreement, the Company and Fukong Hualong will carry out two cooperation modules respectively in project mode and product sales mode.

1. Under the project mode, the Company will be responsible for project management including deployment of subcontracting and quality control and Fukong Hualong will be responsible for the implementation of technical development and prototype algorithm. The Company will be the primary applicant for the government grants and expects to receive RMB4,000,000, RMB5,000,000 and RMB5,000,000 respectively over the three years ended 31 December 2014. The Company will share 10% of the grants as compensation for administrative expenses and, after deducting the reimbursement of subcontracting charges paid by the Company, the remaining proceeds will be Fukong Hualong's entitlement of research and development income ("R & D Income") as compensation for its provision of basic equipment, facilities and human resources. During the three years ended 31 December 2014, Fukong Hualong is expected to receive R & D Income of approximately RMB1,600,000, RMB2,200,000 and RMB2,200,000 respectively. As the government grants are applied on actual expenditure incurred basis, it is expected that both parties will not result with any significant surplus or deficit in this project.
2. Based on the above-mentioned project mode, both parties, having realized that there are prospects in product industrialization, have entered into cooperation of product sales mode. The Company will be responsible for the production of qualified IC chips and Fukong Hualong will be responsible for product marketing. Both parties will determine a market selling price with references to the production costs, selling and distribution costs and market conditions ("Market Selling Price"), and the Company will sell products to Fukong Hualong at a price based on production costs plus 50% gross profit on Market Selling Price. In accordance with the negotiated selling price aforesaid, the Company's forecast of annual sales to Fukong Hualong for the three years ended 31 December 2014 are approximately RMB8,100,000, RMB10,200,000 and RMB10,200,000 respectively.

## AGGREGATION OF TRANSACTIONS

As the nature of the transactions contemplated under No. 1 Agreement, No. 2 Agreement and No. 3 Agreement are similar and will be continued, pursuant to rule 20.25 of the GEM Listing Rules, these transactions should be aggregated:

	Annual caps for the year ended 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
No. 1 Agreement (revised)	4,500	2,000	2,000
No. 2 Agreement (revised)	4,650	5,000	6,000
No. 3 Agreement:			
Costs of research and development under the Cooperation Agreement	2,850	-	-
(a) R & D income of Fukong Hualong under the project mode	1,600	2,200	2,200
(b) Sales to Fukong Hualong under the product sales mode	8,100	10,200	10,200
	12,550	12,400	12,400
Total	21,700	19,400	20,400

The above expected annual caps are determined by reference to the expected progress of project development, existing sales orders on hand and the business forecast for the three years ended 31 December 2014.

## REASONS FOR THE TRANSACTIONS

It is the Company's overall business objectives to become a leader in the IC design and system integration business in the PRC with keen determination to be one of the global leading application specific IC design companies. One of the Company's business targets is the diversification of product chains. The Company has launched similar products of electricity meter and lighting IC chips in early years, however, these products are outdated in both efficiency and technology in today's market, and whereas, Fukong Hualong has substantial experience in research and development and design of the relevant products. The Directors consider that the cooperation will facilitate technology exchange, improve the success rate of research and development, increase market share and achieve a synergy effect.

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

## **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 is principally engaged in the development of integration of IC chips application and micro-system in the PRC with 14-year experience in system on chips and research and development in micro-system with several intellectual proprietary rights. Its business comprises of information communication, GPS, power electronics and multi-media information terminal.

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. Fukong Hualong is being held as to 51% and 49% equity interest by the Company and Fudan Technology Enterprise respectively. 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. 3 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.

Pursuant to rule 20.36 of the GEM Listing Rules, the Company must re-comply with rule 20.35(3) of the GEM Listing Rules in relation to the previous announcement of continuing connected transactions, if the cap in rule 20.35(2) of the GEM Listing Rules is exceeded or when the relevant agreement is renewed or there is a material change to the terms of the agreement.

As the transactions contemplated under the No. 3 Agreement will be on a continuing basis, the transactions contemplated under the No. 3 Agreement constitutes continuing connected transactions of the Company under rule 20.14 of the GEM Listing Rules. In view of the similar nature of these transactions contemplated under the above-mentioned cooperation agreements and will be continued, these transactions have to be aggregated in accordance with rule 20.25 of the GEM Listing Rules. As the annual caps of these continuing connected transactions do not exceed the applicable percentage ratios (other than the profits ratio) of 5%, these continuing connected transactions exempt from shareholders' approval requirement but subject to the reporting, announcement and annual review requirements under Chapter 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

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

Shanghai, the PRC, 23 April 2012

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