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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 Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange 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)

## **SUPPLEMENTARY AGREEMENT ON CONTINUING CONNECTED TRANSACTION AND PROPOSED ANNUAL CAP**

Reference is made to the announcement of the Company published on 1 December 2010 in relation to the Co-operation Agreement with Fudan Hi Tech and the Special FPGA Agreement with Fudan University.

As the expected outcome of research and development on the special high reliable FPGA circuits could not be achieved by both parties, the project has been delayed and the related subsidy income could not be recognized. In this regard, the Company has entered into a supplementary agreement with Fudan University on 14 March 2013 (the “Supplementary Agreement”) and both parties agreed to adjust the latter stage cooperation and related expenses so as to expedite the project progress. Pursuant to the Supplementary Agreement, the responsibilities for the research and development of technical modules of the Company and Fudan University will be revised from the ratio of 18% and 82% to 35% and 65% respectively. The additional costs to the Company will be treated as common expenses and the originally agreed surplus sharing ratio of 30% and 70% after deduction of common expenses between the Company and Fudan University remains unchanged. The distributions of surplus are for the compensation of resources contributed by both parties on the research and development and therefore, it is expected that the subsidy income still will not bring profit to either party.

The Company expects that the subsidy income on the research and development of the project will still remain to be approximately RMB30,000,000. The distribution to Fudan University was originally expected to be approximately RMB12,600,000 in total and distributions in the three financial years ended 31 December 2010, 2011 & 2012 would be RMB2,600,000, RMB5,000,000 and RMB5,000,000 respectively. As a result of project delay, there were no distributions paid to Fudan University in these three financial years but a sum of approximately RMB7,000,000 is expected to be distributed in the financial year 2013.

The Fudan University wholly owns Fudan Hi Tech which holds an equity interest of 106,730,000 Domestic Shares, representing 17.29% of the Company's issued share capital. As such, the Fudan University and Fudan Hi Tech are connected persons of the Company as defined under the GEM Listing Rules. Accordingly, the transactions contemplated under the Co-operation Agreement and the Supplementary Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. In addition, as the Fudan University owns Fudan Hi Tech, the transactions under the Co-operation Agreement and the Supplementary Agreement are regarded as entered into by the Company with the same party and should be aggregated under the GEM Listing Rule 20.25.

The annual caps, on an aggregated basis, for the financial year ended 31 December 2013 is RMB7,800,000, for which the applicable percentage ratios (other than the profits ratio) are less than 5%, the continuing connected transactions exempt from shareholders' approval requirements but subject to the reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules.

Reference is made to the announcement of the Company published on 1 December 2010 in relation to the Co-operation Agreement with Fudan Hi Tech and the Special FPGA Agreement with Fudan University (the "Announcement"). Unless the context otherwise requires, terms defined in this announcement shall have the same meanings as those defined in the Announcement.

## **SPECIAL HIGH PERFORMANCE FPGA SUPPLEMENTARY AGREEMENT**

As the expected outcome of research and development on the special high reliable FPGA circuits could not be achieved by both parties, the project has been delayed and the related subsidy income could not be recognized. In this regard, the Company has entered into a supplementary agreement with Fudan University on 14 March 2013 (the "Supplementary Agreement") and both parties agreed to adjust the latter stage cooperation and related expenses so as to expedite the project progress. Pursuant to the Supplementary Agreement, the responsibilities for the research and development of technical modules of the Company and Fudan University will be revised from the ratio of 18% and 82% to 35% and 65% respectively. The additional costs to the Company will be treated as common expenses and the originally agreed surplus sharing ratio of 30% and 70% after deduction of common expenses between the Company and Fudan University remains unchanged. The distributions of surplus are for the compensation of resources contributed by both parties on the research and development and therefore, it is expected that the subsidy income still will not bring profit to either party.

The Company expects that the subsidy income on the research and development of the project will still remain to be approximately RMB30,000,000. The distribution to Fudan University was originally expected to be approximately RMB12,600,000 in total and distributions in the three financial years ended 31 December 2010, 2011 & 2012 would be RMB2,600,000, RMB5,000,000 and RMB5,000,000 respectively. As a result of project delay, there were no distributions paid to Fudan University in these three financial years but a sum of approximately RMB7,000,000 is expected to be distributed in the financial year 2013.

## **REASONS FOR THE TRANSACTION**

The reasons for the transaction have been set out in the Announcement and the foregoing paragraph.

The Board (including all independent non-executive directors) is of the view that the transaction contemplated under the Supplementary Agreement is 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 Fudan University has the specialized equipment and experts who have extensive experience in the related research and development projects, it will consume a lot of time and resources if the Company selects to conduct the research and development projects on its own or by appointing third party consultant firms; and (ii) it is expected that the costs and fees charged by third party firms will be higher than the subsidy income distributed to the Fudan University; and (iii) the Company can initiate the research and development in technologies of special high performance FPGA circuits with costs far below the market and helps enhancement of skill level.

## **IMPLICATIONS UNDER THE GEM LISTING RULES AND PROPOSED ANNUAL CAP**

The Company is an IC design and system integration company based in the PRC and is mainly engaged in the design and sale of IC. Currently, the Group's products include IC cards, power electronics, motor/automobile electronics, telecommunication electronics and consumer electronics.

The Fudan University is a stated-owned university established in Shanghai, the PRC, and is a promoter and initial management shareholder of the Company. Fudan University operates a technology centre which provides research and design of IC and other microelectronics products and research in related technology and provision of technical services, consultancy services, technical training and technical transfer in IC and related systems.

Fudan Hi Tech is wholly owned by the Fudan University and is principally engaged in research and development and sale of similar products in microelectronics, communication, automation, computers and biochemical and medical electronics.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries and as at the date of this announcement, the Fudan University wholly owns Fudan Hi Tech which holds an equity interest of 106,730,000 Domestic Shares, representing 17.29% of the Company's issued share capital. As such, the Fudan University and Fudan Hi Tech are connected persons of the Company as defined under the GEM Listing Rules. Accordingly, the transactions contemplated under the Co-operation Agreement and the Supplementary Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. In addition, as the Fudan University owns Fudan Hi Tech, the transactions under the Co-operation Agreement and the Supplementary Agreement are regarded as entered into by the Company with the same party and should be aggregated under the GEM Listing Rule 20.25.

The Directors estimate that in respect of the above-mentioned continuing connected transactions, for the financial year ended 31 December 2013, annual fees paid for the Co-operation Agreement will not be more than RMB800,000 and the distributions of subsidy income contemplated under the Supplementary Agreement will be approximately RMB7,000,000. The annual caps, on an aggregated basis, for the financial year ended 31 December 2013 is RMB7,800,000, for which the applicable percentage ratios (other than the profits ratio) are less than 5%, the continuing connected transactions exempt from shareholders' approval requirements but subject to the reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules.

Although no Directors had a material interest in the transaction of the Supplementary Agreement, as the executive Director Mr. Jiang Guoxing is a senior executive of the Fudan University and there is potential conflict of interest, thus he has abstained from voting on the relevant board resolution.

*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\$1.25.*

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

Shanghai, the PRC, 14 March 2013

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, Mr. Chen Baoying and Mr. Lin Fujiang.

*This announcement will remain on the GEM website 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