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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)

**REVISION OF ANNUAL CAPS FOR
THE EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
TERMINATION OF CONTINUING CONNECTED TRANSACTION
IN RELATION TO COOPERATION AGREEMENT FOR
LIGHTING PRODUCT IC CHIPS**

Reference is made to the Announcements in relation to the No. 1 Agreement entered into by the Company with Fukong Hualong and revision of the relevant annual caps respectively. As sales of products contemplated under the agreement were better than expected, the Directors consider that the existing annual caps of the profit sharing payable to Fukong Hualong for the two years ended 31 December 2014 will be exceeded and the annual caps have to be further revised.

With reference to the Announcements, the Company entered into the No. 2 Agreement with Fukong Hualong and revised the relevant annual caps respectively. Due to delay in research and development as well as production, both the Company and Fukong Hualong believe that the products under development have been far behind today's market. In this connection, on 8 May 2013, both parties entered into an agreement to terminate the related project.

Reference is also made to the Announcements relating to the No. 3 Agreement entered into by the Company with Fukong Hualong. Because of increasing demand in products, the Directors expect that the transaction amounts of the existing annual caps under the product sales mode will not be sufficient to cover the sales in the coming future. As such, the annual caps relating to the Company's sales of products to Fukong Hualong for the two years ended 31 December 2014 have to be revised.

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. 1 Agreement and 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. 1 Agreement and the No. 3 Agreement will be on a continuing basis, these transactions constitute 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.

Reference is made to the announcements of Shanghai Fudan Microelectronics Group Company Limited (the "Company") published on 24 June 2009, 11 August 2011, 23 April 2012 and 30 April 2012 in relation to the Co-operation Agreements entered with Fukong Hualong (the "Announcements"). Unless the context otherwise requires, terms defined in this announcement shall have the same meanings as those defined in the Announcements.

FURTHER REVISION OF ANNUAL CAPS FOR NO. 1 AGREEMENT

Reference is made to the Announcements 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") and revision of the relevant annual caps respectively. As sales of products contemplated under the agreement were better than expected, the Directors consider that the existing annual caps of the profit sharing payable to Fukong Hualong for the two years ended 31 December 2014 will be exceeded and the annual caps have to be further revised as follows:

	Original revised annual caps RMB'000	Further revised annual caps RMB'000
For the year ended 31 December 2013	2,000	5,000
For the year ended 31 December 2014	2,000	5,000

TERMINATION OF NO. 2 AGREEMENT

With reference to the Announcements, 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") and revised the relevant annual caps respectively. Due to delay in research and development as well as production, both the Company and Fukong Hualong believe that the products under development have been far behind today's market. In this connection, on 8 May 2013, both parties entered into an agreement to terminate the related project.

REVISION OF ANNUAL CAPS FOR NO. 3 AGREEMENT

Reference is also made to the Announcements relating to a cooperation agreement entered into by the Company with Fukong Hualong on 23 April 2013 for the product development of GPS IC chips (“No. 3 Agreement”). Because of increasing demand in products, the Directors expect that the transaction amounts of the existing annual caps under the product sales mode will not be sufficient to cover the sales in the coming future. As such, the annual caps relating to the Company’s sales of products to Fukong Hualong for the two years ended 31 December 2014 have to be revised:

	Original annual caps RMB’000	Revised annual caps RMB’000
For the year ended 31 December 2013	10,200	13,000
For the year ended 31 December 2014	10,200	16,000

As the transaction amounts contemplated under the project mode would not be affected by sales, revision of annual caps is not required.

AGGREGATION OF TRANSACTIONS

As the nature of the transactions contemplated under No. 1 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	
	2013 RMB’000	2014 RMB’000
No. 1 Agreement (as further revised)	5,000	5,000
No. 3 Agreement:		
(a) R & D income of Fukong Hualong under the project mode (no revision)	2,200	2,200
(b) Sales to Fukong Hualong under the product sales mode (as revised)	13,000	16,000
	<hr/> 15,200	<hr/> 18,200
Total	<hr/> <u>20,200</u>	<hr/> <u>23,200</u>

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 two years ended 31 December 2014.

REASONS FOR THE TRANSACTIONS AND REVISION OF ANNUAL CAPS

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 IC chips in early years, however, these products are outdated in both efficiency and technology in today's market; besides, the Directors believe that the participation in GPS IC chips will enhance the technology level and industry position of the Company; 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 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 15-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. 1 Agreement and 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. 1 Agreement and No. 3 Agreement will be on a continuing basis, these transactions constitute 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.

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

Shanghai, the PRC, 8 May 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 Lin Fujiang.

This announcement will remain on the GEM website 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.

* For identification only