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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)

2021 THIRD QUARTERLY REPORT

The board of directors (the “Board”) of Shanghai Fudan Microelectronics Group Company Limited (the “Company”) is pleased to announce the third quarterly unaudited consolidated results report of the Company and its subsidiaries (the “Group”) prepared in accordance with China Accounting Standards for Business Enterprises for the nine months ended 30 September 2021. This announcement is made pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rules 13.09(2) and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

IMPORTANT NOTICE:

The Board, the supervisory committee, the directors (the “Directors”), supervisors and the senior management of the Company warrant the truthfulness, accuracy and completeness of the contents of this quarterly report and accept responsibility severally and jointly for any false statement, misleading representation herein or material omission herefrom.

The legal representative, principal in charge of accounting and head of accounting department (Accounting Chief) warrant the truthfulness, accuracy and completeness of the financial information of this quarterly report.

The third quarterly financial statements were unaudited or not

☐

Yes

☒

No

1. PRINCIPAL ACCOUNTING DATA

(a) Principal accounting data and key financial indicators

RMB

Item	Reporting Period	Change as compared with the corresponding period of last year (%)	From the beginning of the year to the end of the Reporting Period	Change from the beginning of the year to the end of the reporting period as compared with the same period last year (%)
Operating income	703,127,215.97	49.64	1,831,791,210.40	53.53
Net profits attributable to the shareholders of the Company	193,884,234.58	325.80	388,227,526.69	266.09
Net profits attributable to the shareholders of the Company after non-recurring profit or loss	174,166,936.28	696.11	335,895,544.48	683.77
Net cash flows from operating activities	N/A	N/A	379,177,943.55	250.34
Basic earnings per share (RMB/share)	0.25	257.14	0.54	260.00
Diluted earnings per share (RMB/share)	N/A	N/A	N/A	N/A
Weighted average return on net asset (%)	7.25	4.83	17.06	11.31
Total research and development investment	192,279,614.57	32.11	518,558,794.73	41.50
Percentage of research and development investment in operating income (%)	27.35	-3.63	28.31	-2.40

RMB

	As at the end of the Reporting Period	As at the end of last year	Change as at the end of the Reporting Period as compared with the end of last year (%)
Total assets	4,023,369,855.00	2,678,603,017.23	50.20
Net assets attributable to the shareholders of the Company	2,999,593,758.97	1,930,252,359.14	55.40

Note: “Reporting Period” means and hereinafter referred to the 3-month period from the beginning to the end of the current quarter.

Since 2021, because of strong demand from downstream business within the Group's industry resulted with increasing orders from customers accordingly and increases in prices of main products with different degrees, the Group kept increases in operating income of all product lines and a growth in net profit with increase in profit margin, details are as follows:

i) From July to September 2021

For the period from July to September 2021, the Group achieved an operating revenue of approximately RMB0.703 billion, representing an increase of approximately 49.64% over the same period in 2020, a net profit attributable to the shareholders of the Company of approximately RMB0.194 billion, representing an increase of approximately 325.80% over the same period in 2020, and a net profit attributable to shareholders of the Company after non-recurring profit or loss of approximately RMB0.174 billion, representing an increase of approximately 696.11% over the same period in last year.

The operating income of the products lines were: approximately RMB0.235 billion for security and Identification IC Chips, approximately RMB0.189 billion for Non-volatile Memory Chips, approximately RMB0.091 billion for Smart Meter Chips, approximately RMB0.119 billion for FPGA and other chips, and approximately RMB0.069 billion (after eliminating intra-group transactions) for IC testing services. Benefited from the increases in portion of products with high profit margin and selling prices, the comprehensive profit margin of products for the period from July to September increased from 45.09% of the last corresponding period to 62.88%.

ii) From January to September 2021

For the period from January to September 2021, the Group achieved an operating revenue of approximately RMB1.832 billion, representing an increase of approximately 53.53% over the same period in 2020, a net profit attributable to the shareholders of the Company of approximately RMB0.388 billion, representing an increase of approximately 266.09% over the same period in 2020, and a net profit attributable to shareholders of the Company after non-recurring profit or loss of approximately RMB0.336 billion, representing an increase of approximately 683.77% over the same period in last year.

The operating income of the products lines were: approximately RMB0.608 billion for security and Identification IC Chips, approximately RMB0.553 billion for Non-volatile Memory Chips, approximately RMB0.19 billion for Smart Meter Chips, approximately RMB0.304 billion for FPGA and other chips, and approximately RMB0.177 billion (after eliminating intra-group transactions) for IC testing services. Benefited from the increases in portion of products with high profit margin and selling prices, the comprehensive profit margin of products for the period from January to September increased from 46.05% of the last corresponding period to 58.16%.

(b) Non-recurring profit and loss items and amounts

RMB		
Item	Amount for the Reporting Period	Amount from the beginning of the year to the end of current reporting period
Gains or losses from disposal of non-current assets (including setting off of provision for assets impairment)	-16,847.84	160,177.55
Government subsidies (other than those closely related to the Company's routine business, in line with national policies and regulation, continuously provided in accordance with certain standard quota or ration) incorporated into the current profit or loss	26,614,744.12	63,166,360.65
Non-operating income and expenses other than the above items	185.93	-1,788.42
Other profit and loss items in line with the definition of non-recurring profits and losses	-	767,764.59
Less : Affected amount of income tax	-1,802,715.27	-3,081,173.77
Affected amount of minority interest (after tax)	-5,078,068.64	-8,679,358.39
Total	19,717,298.30	52,331,982.21

Explanation of recognition of extraordinary profit and loss items in accordance with the requirement of explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public - Extraordinary Profit and Loss" as ordinary profit and loss.

☐ Applicable ☒ Not applicable

(c) Disclosure as to, and reasons for, material changes in principal accounting data and key financial indicators

☒ Applicable ☐ Not applicable

Name of item	Fluctuation (%)	Main Reasons
Operating income (July to September)	49.64	Mainly due to increase in high demand of downstream market, operating income increased as a result of increases in sales volume and price.
Operating income (January to September)	53.53	
Net profits attributable to the shareholders of the Company (July to September)	325.80	Mainly due to increase in high demand of downstream market brought with increases in operating income and profit margin.
Net profits attributable to the shareholders of the Company (January to September)	266.09	
Net profits attributable to the shareholders of the Company after non-recurring profit or loss (July to September)	696.11	Mainly due to increase in net profits attributable to the shareholders of the Company that resulted in sharp fluctuation, in addition, as a result of the period-on-period decrease in non-recurring profit or loss, the fluctuation is higher than the net profits attributable to the shareholders of the Company.
Net profits attributable to the shareholders of the Company after non-recurring profit or loss (January to September)	683.77	
Net cash flow from operating activities (January to September)	250.34	Mainly due to increase of receipts from trade receivable resulted from increase in the Group's operating income.
Basic earnings per share (July to September)	257.14	Mainly due to increase in the Group's net profits.
Basic earnings per share (January to September)	260.00	
Total research and development investment (July to September)	32.11	Mainly due to increases of R&D staff of the Group and salary level which resulted with increase in employee benefits over the last corresponding period. The period-on-period increase also due to the bases of employee benefits last year were relatively lower as a result of reduction or waiver of social security expenses due to the pandemic. With a view to expedite the industrialization of fund raising project investments and to enrich the products of FPGA and PSoC Chips, the investments of the relevant R&D projects have been enlarged to include molding tape-out and sub-contracting testing services with additional investment in IP acquisitions.
Total research and development investment (January to September)	41.50	

Total assets	50.20	Mainly due to the Company's fund raised from IPO of A shares; increase in operating income with increase in bills receivable and trade receivable from customers of the Group; increase in inventories in order to cope with tight production capacity within the industry and the acquisitions of office premises and equipment for production needs.
Net assets attributable to the shareholders of the Company	55.40	Mainly due to increase in share capital and share premium of the Company upon completion of IPO of A shares; increase in undistributed profit as a result of increase in net profits

2. SHAREHOLDERS INFORMATION

The table below sets out the total number of ordinary shareholders, the number of preference shareholders whose voting rights have been restored, and the shareholding status of the top ten shareholders.

Total number of ordinary shareholders at the end of the Reporting Period	21,269	Total number of preference shareholders whose voting rights have been restored at the end of the reporting period (if any)	N/A
As at the end of the Reporting Period, the total number of shareholders is 21,269, of which 21,259 is A shares and 10 is H shares.			

Share						
Top ten shareholders						
Name of shareholders	Nature of shareholders	Number of shares held	Percentage held (%)	Number of shares held with selling restriction	Status on charges, pledges or frozen	
					Status of shares	Number
HKSCC Nominees Limited (Note)	Foreign entity	284,205,990	34.89	-	unknown	-
Shanghai Fudan Fukong Technology Enterprise Holdings Limited	State-owned entity	109,620,000	13.46	109,620,000	Nil	-
Shanghai Fuxin Fangao IC Technology Co. Ltd.	State-owned entity	106,730,000	13.10	106,730,000	Nil	-
Shanghai Zhengben Corporate Management Consultant Partnership Enterprise (limited partnership)	Domestic non-state-owned legal person	52,167,270	6.40	52,167,270	Pledged	52,167,270
Shanghai Zhenghua Corporate Management Consultant Partnership Enterprise (limited partnership)	Domestic non-state-owned legal person	34,650,000	4.25	34,650,000	Nil	-

Shanghai Guonian Corporate Management Consultant Partnership Enterprise (limited partnership)	Domestic non-state-owned legal person	29,941,470	3.68	29,941,470	Nil	-
Shanghai Shenghao Corporate Management Consultant Partnership Enterprise (limited partnership)	Domestic non-state-owned legal person	14,741,000	1.81	14,741,000	Nil	-
Shanghai Nianjin Corporate Management Consultant Partnership Enterprise (limited partnership)	Domestic non-state-owned legal person	14,677,840	1.80	14,677,840	Pledged	14,677,840
CITIC Construction Investment Fund - Fudan Micro Strategic Allotment of Collective Asset Management Plan	Other	12,000,000	1.47	12,000,000	Nil	-
Shanghai Yuhao Corporate Management Consultant Partnership Enterprise (limited partnership)	Domestic non-state-owned legal person	9,011,000	1.11	9,011,000	Nil	-

Share

Top ten holders of circulating shares whose shares are not subject to selling restrictions			
Name of shareholders	Number of shares in circulation without any selling restrictions	Type and number of shares	
		Type	Number
HKSCC Nominees Limited (Note)	284,205,990	Overseas listed foreign invested shares	284,205,990
CCB Fund-China Construction Bank-China Life-China Life Entrusted CCB Fund Equity Portfolio	2,266,555	RMB ordinary shares	2,266,555
Bank of China Co. Ltd. - Huaan Culture, Sports and Health Theme Flexible Configuration Hybrid Securities Investment Fund	1,340,015	RMB ordinary shares	1,340,015
China Merchants Bank Co., Ltd. - Galaxy Innovation Growth Hybrid Securities Investment Fund	1,300,000	RMB ordinary shares	1,300,000
Feng Meijun	1,160,033	RMB ordinary shares	1,160,033
Caitong Fund – ICBC - Guangdong Huaxing Bank Co., Ltd.	925,230	RMB ordinary shares	925,230
Gu Meiyang	840,001	RMB ordinary shares	840,001

China Construction Bank Corporation-Oriental Innovation and Technology Hybrid Securities Investment Fund	721,766	RMB ordinary shares	721,766
Industrial and Commercial Bank of China Co., Ltd. - Bosera Science and Technology Innovation Board 3-year regularly open hybrid securities investment funds	589,150	RMB ordinary shares	589,150
Shenzhen Hefeng Asset Management Co., Ltd. - Hefeng Ronghui Private Equity Fund	588,173	RMB ordinary shares	588,173
Details relating to the related relationship of the above shareholders or the parties acting in concert	<ol style="list-style-type: none"> 1. Shanghai Zhengben Corporate Management Consultant Partnership Enterprise (limited partnership) and Shanghai Nianjin Corporate Management Consultant Partnership Enterprise (limited partnership) are parties acting in concert. 2. Shanghai Shenghao Corporate Management Consultant Partnership Enterprise (limited partnership), Shanghai Yuhao Corporate Management Consultant Partnership Enterprise (limited partnership) and the companies that are not included in the top 10, namely Shanghai Xuling Corporate Management Consultant Partnership Enterprise (limited partnership) and Shanghai Haoyue Corporate Management Consultant Partnership Enterprise (limited partnership) are parties acting in concert. 3. The Company is not aware whether other shareholders have related party relationship or acting-in-concert arrangements 		
Description of the top 10 shareholders and the top 10 unrestricted shareholders participating in margin trading and securities lending and refinancing business (if any)	<ol style="list-style-type: none"> 1. Gu Meiying held 44,000 shares through an investor's securities credit account. 2. Shenzhen Hefeng Asset Management Co., Ltd. - Hefeng Ronghui Private Equity Fund held 588,173 shares through an investor's securities credit account. 		

Note: Shares held by HKSCC Nominees Limited are held on behalf of its clients. As 4,000 H shares held by individual shareholder(s) were in transit and have not registered for transfer, the number of shares held by HKSCC Nominees Limited as at 30 September 2021 was 284,209,990 shares which has a difference of 4,000 shares from the record of the Company's share registrar. As the relevant rules of the Hong Kong Stock Exchange do not require clients to report whether the shares that they hold are pledged or frozen, HKSCC Nominees Limited is unable to provide statistics on the number of shares that have been charged, pledged or frozen

3. OTHER REMINDERS

Other important information about the Company's operating conditions during the reporting period that need to remind investors

☒ Applicable ☐ Not applicable

The 26th meeting of the 8th session of the Board and the 10th meeting of the 8th session of the Supervisory Committee of the Company held on 23 September 2021 have resolved to propose the adoption of the 2021 Restricted Share Incentive Scheme (Draft) with 10,000,000 restricted shares to be granted to participants under the Restricted Share Incentive Scheme. Out of which, the first grant of restricted shares is 8,997,000 shares and the reserved grant is 1,003,000 shares. 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. The matters related to the Restricted Share Incentive Scheme are subject to shareholders' approval at the 2021 second extraordinary general meeting, 2021 second A shareholders' class meeting and the 2021 second H shareholders' meeting to be held on 5 November 2021.

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.

4. QUARTERLY FINANCIAL STATEMENTS

(a) Audit opinion
☐ Applicable ☒ Not applicable

(b) Financial statements

Consolidated Balance Sheet 30 September 2021

RMB

Item	30 September 2021	31 December 2020
	(Unaudited)	(Unaudited)
Current assets:		
Cash	1,137,457,778.32	440,699,680.21
Bill receivables	374,730,325.83	296,716,865.58
Trade receivables	481,164,440.54	439,477,415.11
Prepayments	75,436,638.75	64,097,974.58
Other receivables	8,692,134.66	11,752,036.8
Inventories	850,849,271.41	610,597,557.24
Other current assets	6,859,556.60	3,153,289.62
Total current assets	2,935,190,146.11	1,866,494,819.14
Non-current assets:		
Long-term receivables	65,628,536.36	70,295,724.52
Investment in other equity instruments	30,824,198.06	30,863,697.93
Fixed assets	570,361,544.86	347,588,297.16
Construction in progress	57,796,603.28	49,269,882.49
Right-of-use assets	50,756,077.37	47,676,306.58
Intangible assets	101,620,261.13	117,162,424.24
Development expenses	145,764,448.53	104,875,536.15
Long-term deferred expenses	50,959,003.98	29,039,916.72
Deferred income tax assets	8,351,654.12	9,052,382.30

Other non-current assets	6,117,381.20	6,284,030.00
Total non-current assets	1,088,179,708.89	812,108,198.09
Total assets	4,023,369,855.00	2,678,603,017.23
Current liabilities:		
Short-term borrowings	100,000.00	-
Trade payables	201,779,426.02	159,595,143.92
Contract liabilities	192,674,462.16	25,704,513.56
Employee remuneration payables	80,904,443.14	114,420,274.19
Tax and levy payables	18,574,538.45	18,431,196.66
Other payables	25,603,544.48	49,819,848.75
Non-current liabilities due within one year	44,391,443.43	9,999,817.43
Other current liabilities	112,250,928.75	100,160,988.54
Total current liabilities	676,278,786.43	478,131,783.05
Non-current liabilities:		
Long term borrowings	63,200,000.00	-
Lease liabilities	41,829,696.10	40,681,893.47
Deferred income	28,589,994.40	44,086,888.09
Deferred income tax liabilities	3,651,179.11	3,651,182.41
Total non-current liabilities	137,270,869.61	88,419,963.97
Total liabilities	813,549,656.04	566,551,747.02
Owners' equity (or shareholders' equity):		
Paid-in capital (or share capital)	81,450,200.00	69,450,200.00
Capital reserve	1,246,128,796.62	576,858,667.16
Other comprehensive income	9,180,522.65	9,336,778.97
Surplus reserve	35,478,142.63	35,478,142.63
Undistributed profit	1,627,356,097.07	1,239,128,570.38
Total owners' equity attributable to Parent Company (or shareholders' equity)	2,999,593,758.97	1,930,252,359.14
Minority interest	210,226,439.99	181,798,911.07
Total owners' equity (or shareholders' equity)	3,209,820,198.96	2,112,051,270.21
Total liabilities and owners' equity (or shareholders' equity)	4,023,369,855.00	2,678,603,017.23

Consolidated Income Statement
From January to September 2021

RMB

Item	For the 3rd quarter from January to September	
	2021	2020
	(Unaudited)	(Unaudited)
I. Total operating income	1,831,791,210.40	1,193,145,628.79
II. Total operating costs	1,444,519,765.27	1,139,215,956.72
Including: Operating costs	766,355,023.34	643,715,593.32
Business taxes and surcharges	6,694,877.48	4,915,255.80
Distribution costs	119,176,750.18	72,318,348.55
Administrative expenses	77,846,949.92	81,351,179.36
Research and development expenses	476,680,565.67	337,226,958.05
Finance costs	-2,234,401.32	-311,378.36
Including: Interest expenses	1,298,335.49	309,877.94
Interest income	6,781,259.30	5,230,652.29
Add: Other income	73,549,395.79	75,757,358.87
Investment income	-4,667,187.70	-1,167,272.99
Including: Investment income from associates and joint venture	-4,667,187.70	-1,167,272.99
Impairment loss on credit	-2,573,821.03	-2,340,222.20
Impairment loss on assets	-29,232,548.92	-1,903,339.91
Gain on disposal of assets	160,177.55	14,387.23
III. Operating profits	424,507,460.82	124,290,583.07
Add: Non-operating income	785.93	-
Less: Non-operating expenses	2,574.35	2,457.01
IV. Total profits	424,505,672.40	124,288,126.06
Less: Income tax expenses	7,850,616.99	5,112,952.61
V. Net profits	416,655,055.41	119,175,173.45
Net profits from continuing operation	416,655,055.41	119,175,173.45
1. Net profits attributable to shareholders of the Parent Company	388,227,526.69	106,046,551.29
2. Gain or loss of minority interests	28,427,528.72	13,128,622.16
VI. Net other comprehensive income after tax	-156,256.32	-2,118,006.26
Net other comprehensive income after tax attributable to owners of the Parent Company	-156,256.32	-2,118,006.26
1. Other comprehensive income that may not be reclassified to profit or loss	-	-1,605,978.20
Change in fair value of other equity instrument investments	-	-1,605,978.20
2. Other comprehensive income that will be reclassified to profit or loss	-156,256.32	-512,028.06
Exchange differences arising from translation of foreign currency denominated financial statements	-156,256.32	-512,028.06
VII. Total comprehensive income	416,498,799.09	117,057,167.19
(I) Total comprehensive income attributable to owners of the parent company	388,071,270.37	103,928,545.03

(II) Total comprehensive income attributable to minority interests	28,427,528.72	13,128,622.16
VIII. Earnings per share:		
(I) Basic earnings per share (RMB/share)	0.54	0.15
(II) Diluted earnings per share (RMB/share)	N/A	N/A

For the business combination under common control effected in the current period, the net profit recognized by the merged party before the combination was RMB0, and the net profit recognized by the merged party in the previous period was RMB0.

Consolidated Cash Flows Statement
From January to September 2021

RMB

Item	For the 3rd quarter from January to September	
	2021	2020
	(Unaudited)	(Unaudited)
I. Cash flow generated from operating activities:		
Cash received from sale of goods and rendering of services	2,081,554,188.70	1,250,234,037.73
Refund of taxes and levies received	9,616,832.09	9,498,496.58
Other cash received relating to operating activities	55,257,227.32	72,257,595.36
Sub-total of cash inflow from operating activities	2,146,428,248.11	1,331,990,129.67
Cash paid for purchase of goods and services received	997,936,708.19	637,622,315.21
Cash paid to and on behalf of employees	507,753,835.15	408,343,600.20
Payments of all types of taxes and levies	54,904,957.37	43,493,669.98
Other cash paid relating to operating activities	206,654,803.85	134,299,658.69
Sub-total of cash outflow from operating activities	1,767,250,304.56	1,223,759,244.08
Net cash flow generated from operating activities	379,177,943.55	108,230,885.59
II. Net cash flow generated from operating activities		
Net cash received from investments	-	16,484,352.67
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets	224,311.29	56,352.12
Other cash received relating to investment activities	3,976,334.68	3,952,471.47
Sub-total of cash inflow from investment activities	4,200,645.97	20,493,176.26
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets	447,010,883.85	154,749,421.83
Cash paid for investments	199,344,002.98	-
Sub-total of cash outflow from investment activities	646,354,886.83	154,749,421.83
Net cash flow generated from investment activities	-642,154,240.86	-134,256,245.57

III. Cash flow generated from financing activities:		
Cash received from investors	680,282,781.80	-
Cash received from loans obtained	94,900,000.00	23,726,388.40
Sub-total of cash inflow from financing activities	775,182,781.80	23,726,388.40
Cash paid for distribution of dividends, profit or interest expenses	1,298,335.49	17,012.19
Other cash paid relating to financing activities	12,561,662.19	9,950,845.74
Sub-total of cash outflow from financing activities	13,859,997.68	9,967,857.93
Net cash flow generated from financing activities	761,322,784.12	13,758,530.47
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	-932,391.68	-3,001,760.06
V. Net increase in cash and cash equivalents	497,414,095.13	-15,268,589.57
Add: Balance of cash and cash equivalents at the beginning of the period	279,369,367.09	268,055,358.23
VI. Balance of cash and cash equivalents at the end of the period	776,783,462.22	252,786,768.66

Particulars on adjustment to relevant items in the financial statements as at the beginning of the year according to initial application of new income standards and new lease standards since 2021

☐ Applicable ☒ Not applicable

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

Shanghai, the PRC, 28 October 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, Ms. 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 purpose only*