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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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors (the “Board”) of Shanghai Fudan Microelectronics Group Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022, along with the comparative audited figures for the year ended 31 December 2021. Such financial results in this announcement had been agreed by Ernst & Young Hua Ming (LLP), the external auditor of the Company.

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

(All amounts in RMB unless otherwise stated)

	Note 4	2022	2021
Assets			
Current assets			
Cash at bank and on hand		1,190,828,339.52	801,647,230.19
Financial assets held for trading		80,167,958.90	390,948,111.87
Notes receivable	1	252,144,057.13	372,363,594.25
Accounts receivable	2	730,204,276.92	451,703,130.78
Financing of accounts receivable		81,708,392.03	-
Prepayments		474,702,228.34	84,362,851.17
Other receivables		20,352,381.01	18,473,721.44
Inventories		1,483,264,548.04	916,083,064.72
Other current assets		13,728,762.53	6,081,071.74
Total current assets		4,327,100,944.42	3,041,662,776.16
NON-CURRENT ASSETS			
Long-term equity investments		42,508,902.76	75,508,769.52
Investments in other equity instruments		33,902,315.43	32,987,123.03
Investment properties		122,687,909.50	-
Fixed assets		694,446,705.71	567,876,494.59
Construction in progress		193,776,441.01	54,689,418.17
Right-of-use assets		41,886,980.15	47,942,433.91
Intangible assets		85,750,633.28	74,833,172.67
Development costs		316,521,697.31	172,728,127.43
Long-term prepaid expenses		66,244,507.84	57,378,801.04
Deferred tax assets		3,243,844.60	7,484,219.27
Other non-current assets		182,817,172.08	31,922,847.40
Total non-current assets		1,783,787,109.67	1,123,351,407.03
Total assets		6,110,888,054.09	4,165,014,183.19

LIABILITIES AND EQUITY**Current liabilities**

Short-term borrowings		54,000,000.00	100,000.00
Accounts payable	3	201,182,480.44	200,262,918.53
Contract liabilities		210,402,283.73	126,274,826.25
Employee benefits payable		192,340,093.25	162,012,097.14
Taxes payable		10,735,058.29	15,731,095.55
Other payables		72,335,632.38	31,163,593.01
Current portion of non-current liabilities		15,181,384.65	44,832,935.50
Other current liabilities		147,699,399.83	132,771,061.35

Total current liabilities

903,876,332.57 713,148,527.33

Non-current liabilities

Long-term borrowings		-	18,200,000.00
Lease liabilities		33,162,705.60	38,553,525.36
Deferred income		16,548,141.05	24,215,577.84
Deferred tax liabilities		4,131,496.92	3,994,006.16

Total non-current liabilities

53,842,343.57 84,963,109.36

Total liabilities

957,718,676.14 798,111,636.69

Owners' equity

Share capital	4	81,665,650.00	81,450,200.00
Capital surplus		1,622,905,978.93	1,259,212,929.93
Other comprehensive income		13,684,518.28	10,509,082.70
Surplus reserves		40,832,825.00	40,725,100.00
Undistributed profits	5	2,772,141,379.40	1,748,348,393.72

Total equity attributable to shareholders of the parent company

4,531,230,351.61 3,140,245,706.35

Minority interests

621,939,026.34 226,656,840.15

Total shareholders' equity

5,153,169,377.95 3,366,902,546.50

Total liabilities and shareholders' equity

6,110,888,054.09 4,165,014,183.19

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

(All amounts in RMB unless otherwise stated)

	Note 4	2022	2021
Revenue	7	3,538,908,884.94	2,577,262,346.93
Less: Cost of sales	7	1,250,271,225.31	1,058,923,542.46
Taxes and surcharges	8	24,560,276.91	12,263,146.20
Selling expenses		222,818,922.72	171,639,406.24
Administrative expenses		138,935,477.14	112,055,490.71
Research and development expenses	9	735,419,692.61	691,637,283.03
Finance expenses		(7,753,839.50)	(1,171,733.58)
Including: Interest expenses		4,354,699.62	4,527,523.11
Interest income		14,813,114.77	8,431,206.09
Add: Other income		106,915,037.93	108,883,535.56
Investment losses		(1,674,356.94)	(2,713,577.29)
Including: Investment losses in associates and joint ventures		(8,129,075.27)	(5,526,536.20)
Profit arising from changes in fair value		1,866,476.71	948,111.87
Credit impairment reverses /(losses)		1,109,908.97	(1,311,048.83)
Assets impairment losses		(162,804,292.45)	(64,880,461.60)
Gains on disposals of assets		1,329,678.22	519,205.28
Operating profit		1,121,399,582.19	573,360,976.86
Add: Non-operating income		111,404.79	104,975.63
Less: Non-operating expenses		300.00	16,433.13
Total profit:		1,121,510,686.98	573,449,519.36
Less: Income tax expenses	10	4,245,922.69	14,124,809.57
Net profit		1,117,264,764.29	559,324,709.79
Classified by operation continuity			
Net profit from continuing operations		1,117,264,764.29	559,324,709.79
Classified by ownership of the equity			
Net profit attributable to shareholders of the parent company		1,076,843,340.68	514,466,780.71
Gains or losses of minority interests		40,421,423.61	44,857,929.08
Other comprehensive income, net of tax		3,175,435.58	1,172,303.73
Other comprehensive income, net of tax, attributable to shareholders of the parent company		3,175,435.58	1,172,303.73
Other comprehensive income that may not be reclassified to profit or loss			
Changes in fair value of investments in other equity instrument		777,913.54	1,931,730.92

Other comprehensive income that will be reclassified to profit or loss		
Exchange differences on translation of foreign currency financial statements	<u>2,397,522.04</u>	<u>(759,427.19)</u>
Other comprehensive income, net of tax, attributable to minority interests	<u>-</u>	<u>-</u>
Total comprehensive income	<u>1,120,440,199.87</u>	<u>560,497,013.52</u>
Including :		
Attributable to shareholders of the parent company	1,080,018,776.26	515,639,084.44
Attributable to minority interests	40,421,423.61	44,857,929.08
Earnings per share	11	
Basic earnings per share	<u>1.32</u>	<u>0.69</u>
Diluted earnings per share	<u>1.31</u>	<u>0.69</u>

Notes to Financial Statements

For the year ended 31 December 2022

(All amounts in RMB unless otherwise stated)

1. Basis of preparation of the financial statements

These financial statements have been prepared in accordance with Accounting Standards for Business Enterprises - Basic Standard and specific accounting standards, implementation guidance, interpretations and other relevant provisions issued subsequently by the Ministry of Finance (collectively referred to as “ASBEs”).

The financial statements have been prepared on a going concern basis.

The financial statements have been prepared under the historical cost convention, except for certain financial instruments. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant requirements.

2. Significant accounting policies and estimates

The Group formulated specific accounting policies and accounting estimates according to the characteristics of its actual production and operation, which is mainly embodied in the impairment of financial instruments, depreciation of fixed assets, amortization of intangible assets, eligibility of the development costs for capitalisation and recognition and measurement of revenue.

1. Declaration Following ASBEs

The financial statements have been prepared in accordance with ASBEs, and presented truly and completely the Group’s and the Company’s financial position as at 31 December 2022 and the operating results and cash flows for the year ended 31 December 2022.

2. Accounting Period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

3. Functional Currency

The Company’s functional currency is Renminbi and these financial statements are presented in Renminbi. The currency unit is RMB Yuan unless otherwise stated.

The subsidiaries and associates of the Group determine their functional currencies according to the main economic environment in which they operate. In preparation of the financial statements, their functional currencies are translated into RMB.

3. Products and services

Revenue from external transactions

	2022	2021
Security and Identification Chips	976,052,956.98	866,262,870.90
Non-Volatile Memory	940,310,039.15	721,026,182.95
Smart Meter Chips	594,579,681.69	295,785,007.36
FPGA and Other Chips	803,149,655.86	452,507,378.01
Integrated Circuit Test Services	218,619,100.28	240,276,516.59
Lease income	6,197,450.98	1,404,391.12
	<u>3,538,908,884.94</u>	<u>2,577,262,346.93</u>

Geographic information

Revenue from external transactions

	2022	2021
Mainland China	3,366,575,722.96	2,344,514,970.78
Others	172,333,161.98	232,747,376.15
	<u>3,538,908,884.94</u>	<u>2,577,262,346.93</u>

Segment Reporting

Operating segment

For management purposes, the Group is organised into business units based on their products and services and has two reporting segments as follows:

(1) The Design and Sales of Integrated Circuits segment (“Design segment”) manufactures products including Security and Identification Chips, Non-Volatile Memory, Smart Meter Chips, FPGA and Other Chips;

(2) The integrated circuit testing services segment (“Testing segment”) provides testing services for Integrated Circuit chips and products.

The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is measured consistently with the Group’s total profit from continuing operation.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

2022

	Design segment	Testing segment	Offsets between segments	Consolidation
Sales to external customers	3,320,289,784.66	218,619,100.28	-	3,538,908,884.94
Inter-segment sales	-	56,874,755.04	(56,874,755.04)	-
Investment losses in associates and joint ventures	8,129,075.27	-	-	8,129,075.27
Assets impairment losses	162,804,292.45	-	-	162,804,292.45
Depreciation and amortisation	113,732,265.77	79,684,301.81	-	193,416,567.58
Total profit	1,044,270,275.62	74,471,328.17	2,929,933.03	1,121,671,536.82
Income tax	5,336.12	4,443,217.38	(202,630.81)	4,245,922.69
Total assets	4,961,230,529.35	1,149,715,956.74	(58,432.00)	6,110,888,054.09
Total liabilities	835,915,645.30	121,861,462.84	(58,432.00)	957,718,676.14
Long-term equity investments in joint ventures and associates	42,508,902.76	-	-	42,508,902.76
Capital expenditure (note)	508,335,862.88	411,720,789.83	-	920,056,652.71

2021

	Design segment	Testing segment	Offsets between segments	Consolidation
Sales to external customers	2,335,581,439.22	241,680,907.71	-	2,577,262,346.93
Inter-segment sales	75,862,823.65	42,744,978.16	(118,607,801.81)	-
Investment losses in associates and joint ventures	5,526,536.20	-	-	5,526,536.20
Assets impairment losses	64,880,461.60	-	-	64,880,461.60
Depreciation and amortisation	145,735,812.36	77,291,426.99	-	223,027,239.35
Total profit	470,202,245.89	103,793,567.81	(546,294.34)	573,449,519.36
Income tax	412,836.09	13,671,143.36	40,830.12	14,124,809.57
Total assets	3,613,951,802.61	556,241,695.09	(5,179,314.51)	4,165,014,183.19
Total liabilities	704,191,206.04	99,099,745.16	(5,179,314.51)	798,111,636.69
Long-term equity investments in joint ventures and associates	75,508,769.52	-	-	75,508,769.52
Capital expenditure	450,308,386.25	112,832,028.59	-	563,140,414.84

Note: Capital expenditure includes investment properties, fixed assets, construction in progress, right-of-use assets, intangible assets, development expenditure, long term amortisation and other non-current asset expenditure

4. Notes to Major Items of the Consolidated Financial Statements

1. Notes receivable

	2022	2021
Bank acceptance bills	44,206,905.70	222,633,952.12
Commercial acceptance bills	212,028,645.42	156,701,047.72
	<u>256,235,551.12</u>	<u>379,334,999.84</u>
Less: Provision for bad debts	4,091,493.99	6,971,405.59
	<u>252,144,057.13</u>	<u>372,363,594.25</u>

Notes receivable that were endorsed or discounted but not yet due at the balance sheet date were as follows:

	2022		2021	
	Termination of confirmation	Non-termination confirmation	Termination of confirmation	Non-termination confirmation
Bank acceptance bills		4,000,000	15,702,190.06	-

The movements on the provision for bad debts in relation to the notes receivable are as follows:

	Opening balance	Provision	Recovered or reversal	Closing balance
2022	6,971,405.59	-	(2,879,911.60)	4,091,493.99
2021	3,704,348.00	3,267,057.59	-	6,971,405.59

2. Accounts receivable

The credit period of accounts receivable is generally one to three months. Accounts receivable are non-interest-bearing.

An ageing analysis of accounts receivable based on the invoice date is as follows:

	2022	2021
Within 1 year	688,650,408.23	406,261,790.71
1 to 2 years	45,143,732.53	33,402,497.07
2 to 3 years	5,857,596.33	13,381,307.68
3 to 4 years	1,307,312.70	8,972,172.29
4 to 5 years	996,764.59	36,902.43
Over 5 years	4,711,864.53	6,957,587.19
	<u>746,667,678.91</u>	<u>469,012,257.37</u>
Less: Provision for bad debts	16,463,401.99	17,309,126.59
	<u>730,204,276.92</u>	<u>451,703,130.78</u>

	31 December 2022				
	Book balance		Provision for bad debts		Book value
	Amount	proportion (%)	Amount	proportion (%)	Amount
Accounts receivable for which bad debt allowance is provided by portfolio of credit risk characteristics					
Highly Reliable Product Sales Portfolio	462,229,531.89	61.90	4,980,898.80	1.08	457,248,633.09
Industrial Sales Portfolio	235,327,373.81	31.52	10,002,872.63	4.25	225,324,501.18
Testing Services Portfolio	49,110,773.21	6.58	1,479,630.56	3.01	47,631,142.65
	746,667,678.91	100.00	16,463,401.99	2.20	730,204,276.92

	31 December 2021				Book value
	Book balance		Provision for bad debts		
	Amount	proportion (%)	Amount	proportion (%)	
Accounts receivable for which bad debt allowance is provided by portfolio of credit risk characteristics					
Highly Reliable Product Sales Portfolio	220,338,215.38	46.98	5,120,432.94	2.32	215,217,782.44
Industrial Sales Portfolio	208,153,293.48	44.38	10,972,724.87	5.27	197,180,568.61
Testing Services Portfolio	40,520,748.51	8.64	1,215,968.78	3.00	39,304,779.73
	469,012,257.37	100.00	17,309,126.59	3.69	451,703,130.78

The movements on the provision for bad debts in relation to the accounts receivable are as follows:

	Opening balance	Provision	Translation of foreign currency	Recovered or Reversal	Written-off	Closing balance
2022	17,309,126.59	1,770,002.63	-	-	(2,615,727.23)	16,463,401.99
2021	20,902,190.36	677,836.61	(770.58)	(2,633,845.37)	(1,636,284.43)	17,309,126.59

3. Accounts payable

Accounts payable are non-interest-bearing and are generally settled within 3 months. An ageing analysis of accounts payable based on the invoice date is as follows:

	2022	2021
Within 1 year	187,918,075.41	200,135,123.53
1 to 2 years	<u>13,264,405.03</u>	<u>127,795.00</u>
	<u>201,182,480.44</u>	<u>200,262,918.53</u>

As at 31 December 2022, the Group did not have significant accounts payable aged over 1 year (31 December 2021: Nil).

4. Share capital

2022

			Opening balance	Changes for the year			Closing balance
				Issue of new shares	Others	Total	
Ordinary RMB	shares	in	53,017,200.00	215,450.00	-	215,450.00	53,232,650.00
Foreign overseas	shares	listed	28,433,000.00	-	-	-	28,433,000.00
			81,450,200.00	215,450.00	-	215,450.00	81,665,650.00

On 24 November 2022, the Company issued ordinary shares of A shares to the eligible persons who satisfied the vesting conditions of the first vesting period of the first batch of the 2021 A Share Restricted Share Incentive Scheme, the share capital was increased by RMB215,450.00.

2021

			Opening balance	Changes for the year			Closing balance
				Issue of new shares	Others	Total	
Ordinary RMB	shares	in	41,017,200.00	12,000,000.00	-	12,000,000.00	53,017,200.00
Foreign overseas	shares	listed	<u>28,433,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,433,000.00</u>
			69,450,200.00	12,000,000.00	--	12,000,000.00	81,450,200.00

5. Undistributed profits

	2022	2021
Balance at the beginning of the year	1,748,348,393.72	1,239,128,570.38
Net profit attributable to shareholders of the parent company	1,076,843,340.68	514,466,780.71
Less: Appropriation to surplus reserve	(107,725.00)	(5,246,957.37)
Dividends paid	(52,942,630.00)	-
Balance at end of the year	2,772,141,379.40	1,748,348,393.72

6. Dividend

On 21 March 2023, the Company held the 8th meeting of the 9th session of the Board for the purpose of considering and passing the “Resolution of the 2022 Distribution Plan of the Company”. The Company intends to use the total share capital registered on the equity registration date for the implementation of equity distribution as the base, every 10 shares will be distributed with a cash dividend of RMB1.35 (tax included) (2021 paid: RMB0.65 (tax included)) with total cash dividend amounted to RMB110,248,627.50 (2021 paid: RMB52,942,630.00), representing 10.24% of the net profits attributable to the shareholders of the parent for the year 2022.

7. Revenue and Costs of Sales

	2022		2021	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operations	3,510,573,053.08	1,241,292,662.24	2,551,976,044.49	1,048,745,666.61
Other operations	28,335,831.86	8,978,563.07	25,286,302.44	10,177,875.85
	<u>3,538,908,884.94</u>	<u>1,250,271,225.31</u>	<u>2,577,262,346.93</u>	<u>1,058,923,542.46</u>

8. Taxes and surcharges

	2022	2021
Urban maintenance and construction tax	11,890,251.53	5,194,656.89
Education surcharge	4,412,697.46	2,226,281.54
Local education surcharge	2,941,798.29	1,484,187.68
Property tax	1,835,094.13	2,249,784.26
Land use tax	13,001.82	17,082.82
Vehicle and vessel tax	10,020.00	7,040.00
Stamp duties	3,457,413.68	1,084,113.01
	<u>24,560,276.91</u>	<u>12,263,146.20</u>

9. Research and development expenses

	2022	2021
Staff costs	418,839,734.93	384,159,560.36
Material costs	125,150,466.01	135,924,354.34
Equity incentive fees	93,728,472.47	9,628,492.10
Depreciation and amortisation	67,828,247.23	124,286,979.87
Professional service fee	20,668,756.06	26,651,854.34
Office and administrative expenses	2,378,849.85	4,405,321.44
Travelling expense	623,146.36	1,354,903.07
Others	6,202,019.70	5,225,817.51
	<u>735,419,692.61</u>	<u>691,637,283.03</u>

10. Income tax expenses

	2022	2021
Current income tax expenses	5,336.12	12,554,716.48
Deferred income tax expenses	4,240,586.57	1,570,093.09
	<u>4,245,922.69</u>	<u>14,124,809.57</u>

The reconciliation between income tax expenses and total profit is as follows:

	2022	2021
Accounting profit	1,121,510,686.98	573,449,519.36
Income tax expense at the rate of 15%	168,226,603.05	86,017,427.90
Effect of different tax rates for some subsidiaries	(1,333,257.11)	(554,453.91)
Expenses not deductible for tax purposes	4,704,899.77	4,589,004.53
Super deduction of research and development costs	(116,406,048.21)	(64,667,763.05)
Tax impact of utilisation of unrecognized deductible losses and deductible temporary differences in previous years	(90,967,921.59)	(15,768,326.09)
Tax impact of unrecognised deductible temporary differences and deductible losses in the year	44,371,796.98	4,503,759.95
Deductions for technology and innovation	(4,350,150.20)	-
Others	-	5,160.24
Tax charge at the Group's effective tax rate	<u>4,245,922.69</u>	<u>14,124,809.57</u>

11. Earnings per Share

	2022 RMB/Share	2021 RMB/Share
Basic earnings per share		
Continuing operations	<u>1.32</u>	<u>0.69</u>
Diluted earnings per share		
Continuing operations	<u>1.31</u>	<u>0.69</u>

Basic earnings per share and diluted earnings per share are calculated as follows.

	2022	2021
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company		
Continuing operations	<u>1,076,843,340.68</u>	<u>514,466,780.71</u>
Attributed to:		
Continuing operations	<u>1,076,843,340.68</u>	<u>514,466,780.71</u>

	2022	2021
Shares		
Weighted average number of common shares in issued	814,681,542.00	745,460,904.00
Dilution effect - weighted average number of common shares		
Stock options	<u>6,686,339.00</u>	<u>217,494.00</u>
Weighted average number of common shares of the Company issued and outstanding	<u>821,367,881.00</u>	<u>745,678,398.00</u>

MANAGEMENT DISCUSSION AND ANALYSIS

I. DISCUSSION AND ANALYSIS OF OPERATING

For the year ended 31 December 2022 (the “reporting period”), the IC industry has transformed from a global chip shortage in 2021 to structural shortage. With significant downward trend in the price of consumption products electronic chips, the continuous shortage of automotive chips and the relatively large shortage of silicon carbide chips, the semiconductor industry was in a downward cycle generally during the reporting period which increased the operational challenges for companies. In order to deal with the declining demand for some chips which represented by consumption electronic products, the Group focused on its strengths and key markets, and explored markets actively in industrial grade products, consumption and high reliability applications which resulting in substantial growth in the Group's revenue and profit. During the year of 2022, the Group achieved revenue of approximately RMB3,539 million, representing an increase of 37.31% when compared with the last year; net profit attributable to shareholders of the parent company of approximately RMB1,077 million, representing an increase of 109.31% when compared with the last year; and comprehensive gross profit margin of 64.67%. The report on the business situation in 2022 is as follows:

(1) Business situation for each product line

The Group is a domestic chips design enterprise with a wide range of products with four major product lines: security and identification chips, non-volatile memory, smart meter chips, and programmable gate array FPGA. We also provide chip testing services to customers through a subsidiary, Sino IC Technology Co., Ltd. (上海華嶺集成電路技術股份有限公司) (“Sino IC”).

1. Product line of security and identification chips

The product line has a number of sub-products including smart card and security chips, radio frequency identification (“RFID”) and sensor chips, and smart identification device chips, etc. In 2022, it achieved revenue of approximately RMB976 million.

The smart card and security chip markets are relatively mature and the competition is stable. During the reporting period, the Group maintained a steady development in the financial sector, secured continuous supply in the transportation sector and increased investment in the 3rd Generation of Social security sector, which achieved good results and strengthened the Group's market position in the smart card industry. At the same time, the Group has made breakthroughs in the market of telecommunication SIM cards and security chips. In the future, the Group will increase exploration of applications of SE chips in access control, door locks, home appliances, digital property protection and anti-counterfeiting accessories, so as to discover business opportunities in the “internet of everything”.

In the aspect of RFID and sensor chips, the products are widely used in various consumption products due to the good reliability, security and radio frequency compatibility of the product line. During the reporting period, the Group's high-frequency RFID series products continued to maintain leading market shares in areas such as anti-counterfeiting of consumables, education, game props, automated retail and libraries. In aspect of UHF RFID, we are promoting products actively such as EPC protocol reader chips and tag chips, and dual frequency temperature measurement chips, which are expected to form a new market breakthrough in the application scenario of UHF RFID. In the aspect of NFC chips, product introduction of a number of well-known smart appliance manufacturers was completed. Although demand in the consumption electronics market declined in 2022, the business of NFC chips is expected to grow continuously due to the improvement of economic situation and recover of consumer market.

In the aspect of smart identification device chips, during the reporting period, the Group continued to focus on traditional areas such as smart door locks and electronic signage POS to secure its market share. At the same time, the Company also focused on exploring market opportunities in new applications such as overseas POS, automotive electronics and electric two-wheelers, and achieved mass production in a number of projects with promising future prospects.

2. Product line of non-volatile memory

The product line has products including EEPROM memory, NOR Flash memory and SLC NAND Flash memory in a variety of capacities, interfaces and packages. In 2022, it achieved revenue of approximately RMB940 million.

After two years of rapid growth, the memory industry entered into a downturn in the second half of 2022. The Group's memory products are facing market pressure in consumption electronic devices such as home appliances, computer related and networking equipments. There were services strengthening and price adjustment of the Group's memory product line in order to cope with fluctuations in the consumer market, and on the other hand, the Group has strengthened its market expansion in the industrial market, high reliability market and automotive electronics to ensure the stability of its product line. The FM24C512DA1 (EEPROM) has passed the AEC-Q100 Grade 1 certification and is in use in vehicles. It is suitable for T-BOX, intelligent cockpit, domain controller, entertainment system, transmission system, security and site scenarios. NOR Flash and Nand Flash series are also under the process of certification and promotion.

3. Product line of smart meter chips

The product line mainly includes: smart meter MCU, and general low-power MCU. In 2022, it achieved revenue of approximately RMB595 million.

During the reporting period, the Group's smart meter MCU continued to maintain a leading position in the market share of single-phase smart meter MCUs in the national power grid. The current MCU market is characterised by fragmentation of applications and there are opportunities for nationalisation in a number of sub-segments. This product line is based on smart electric meters and extends to water, gas and heat meters. New products and new solutions are introduced actively according to the characteristics of white home appliances, motor drives, new energy and other fields. The Group will seize the window of automotive electronics, strengthen contact with car manufacturers, create a good foundation and gain a deeper understanding of the needs and requirements of the automotive electronics industry.

4. FPGA and other products

The Company is one of the leading companies in the field of FPGA technology in China. At present, we can provide three series of products: 10 million-gate-level FPGA chips, 100 million-gate-level FPGA chips and embedded programmable devices (PSoC). Other products are mainly including smart electrical chips and special chips for residual current protection. FPGA and other products achieved revenue of approximately RMB803 million in 2022. The Group has the first domestically marketed embedded programmable PSoC, which can well meet the needs of high-speed communication, signal processing, image processing, industrial control and other application fields, and has received good market response.

At present, the Group is actively developing 1 billion-gate-level products to ensure our leading position in domestic FPGA technology. At the same time, the Group is further enriching its 28nm FPGA and PSoC chip spectrum to meet the demands of different levels of the market, continuously enhancing its product competitiveness, achieving sustainable and stable development and winning the brand loyalty of our customers.

5. Testing Services

Sino IC, our subsidiary, has carried out integrated circuit test research and development in China at the early stage, and has formed many technical achievements in the fields such as product test solution, mass production test automation and test informatization, and undertaken a number of major national science and technology special projects and provincial and ministerial level research projects. The 10GHz high-speed wafer KGD test and over 10,000 pins high-density wafer test methods developed by Sino IC are in mass production, and we are actively developing test solutions and complete engineering technologies for artificial intelligence chips, high-performance computing chips and automotive chips.

(2) Supply chain consolidation and development

During the reporting period, the Group increased its investment in the supply chain and strengthened cooperation with suppliers in the areas of production capacity assurance and integration of manufacturing processes actively which based on its assessment of the medium to long-term chip manufacturing. Although there are still shortages of individual products, the Group's overall supply capacity has improved. The Group is highly conscious of the security of its inventory and analyses market conditions regularly to minimise the impact of supply chain fluctuations on the Group's operations.

(3) Research and development

The Group places a high priority on research and development and has maintained a high level of investment in research and development over a long period of time. During the reporting period, the Group invested approximately RMB886 million in research and development, accounting for 25.04% of revenue for the year. The Group will continue to strengthen its advantages in product definition, systematic design, engineering implementation, marketing and brand building, and develop new products that can truly bring smart life to the public actively.

II. PRINCIPAL BUSINESSES, OPERATING MODEL OF THE GROUP, CONDITIONS OF THE INDUSTRY AND RESEARCH AND DEVELOPMENT DURING THE REPORTING PERIOD

1. Principal activities

The Group engaged in the design, development and testing of very large integrated circuits as well as provision of system solutions to customers. The Group has established and improved product lines such as security and identification IC chips, non-volatile memory, smart meter chips, FPGA chips and testing services for IC products, and the products are widely used in numerous fields such as finance, social security, Anti-counterfeit and traceability, anti-counterfeiting and traceability, network communications, home appliances, automotive electronics, industrial control, signal processing, data centers, artificial intelligence and many other aspects.

2. Main products and services

2.1 Security and identification IC chips

The security and identification products rely on self-developed radio-frequency, memory chips and security anti-attack technologies, and has formed a number of product series, such as RFID and sensor chips, smart card and security chips, smart identification device chips, etc. The products include memory card, HF/UHF tag chips, NFC TAG, contact/contactless/dual interface smart card, security SE chips, security MCU chips, contactless reader equipment and mobile payment and dozens of other products. It is one of the suppliers with a complete range of domestic security and identification chip products.

Description and application fields of the security and identification chip product line of the Group are as follows:

Product type	Product description	Application fields
RFID and sensor chip series	It is mainly composed of FM11, FM13 and FM44 series products, including contactless logic encryption chips, NFC tag and access chips, high-frequency RFID chips, UHF RFID tag chips, reader chips, sensor chips, etc.	Identity identification, electronic shelf, smart household electrical appliances, logistics management, anti-counterfeiting and traceability, vehicle management, etc.
Smart card and security chip series	It is mainly composed of FM12, FM15 and other series products, including contactless CPU card chips, dual interface CPU card chips and security chips	Social security card, health card, bank card, bus card, citizen card, SIM card, etc.
Smart identification device chip series	It is mainly composed of FM17 series, and the product is of contactless reader chip type	Door lock, access control, contactless card reader, OBU, financial POS, subway gate, public bicycle system, etc.

2.2 Non-volatile memory

The memory chip product line of the Group provides a variety of non-volatile memory products with multiple interfaces, packages, comprehensive capacity and cost-effectiveness. At present, the main products are EEPROM memory chips, NOR flash memory chips and SLC NAND Flash memory, with a variety of capacity, interfaces and packaging forms, which representing a leading market share in China.

Description and application fields of non-volatile memory products of the Group are as follows:

Product type	Product description	Application fields
EEPROM memory	It is mainly composed of FM24 / FM25 / FM93 series, supports I2C, SPI and Micro Wire interfaces with storage capacity of 1Kbit-1024Kbit	Mobile phone module, smart meter, communication, home appliances, display, LCD panel, automotive electronics, computer memory strip, medical instruments, industrial control instruments, password lock, etc.
NOR Flash memory	It is mainly composed of FM25 / FM29 series, supports SPI and general parallel interface with storage capacity of 0.5Mbit-256Mbit	Network communication, IoT module, computer and peripheral products, mobile phone module, display and screen module, smart meter, security monitoring, on-board box, Ukey, automotive electronic medical instruments, industrial control instruments, wifi/ Bluetooth module, high reliability application, etc.

SLC NAND Flash memory	It is mainly composed of FM25 / FM9 series, supports SPI and ONFI parallel interfaces with storage capacity of 1Gbit-4Gbit	Network communication, security monitoring, wearable device, on-board box, automotive electronics, medical instruments, etc.
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2.3 Smart meter chips

Smart meter MCU is the core component of electronic watt-hour meter and smart meter, which can realize the functions, such as, power consumption information measurement, automatic reading, information transmission of industrial and household users; general low-power MCU products can be applied to many fields including smart meter, smart water, gas and heat meter, smart home, Internet of Things, etc.

Description and application fields of MCU chip product series of the Group are as follows:

Product type	Product description	Application fields
Smart meter MCU	It is mainly composed of FM33A series of products, and the product is of the type of smart meter MCU with 32-bit Cortex-M0 as the core	IR46 standard smart energy meter, State Grid 2020 standard smart energy meter, State Grid single-phase / three-phase smart energy meter, Southern Power Grid single-phase / three-phase smart energy meter, overseas single-phase / three-phase smart energy meter, etc.
General low-power MCU	It is mainly composed of FM33A, FM33G, FM33L, FM33LC, FM33LG, FM3316, FM33LG0xxA Series of MCU products, including 32-bit low-power MCU chips with ARM Cortex-M0 as the core and 16-bit enhanced 8xC251 processor with low-power MCU chips as the core	Domestic / overseas single-phase and three-phase smart meters, smart water meters / heat meters / gas meters, Internet of Things related instruments and communication modules, smoke alarm and sensor modules, smart home, display panel control, automobile electronics, etc.

2.4 FPGA chips

FPGA, an on-site programmable gate array, is a hardware reconfigurable integrated circuit chip. FPGA has the programmability and flexibility of software, and is an ideal solution in 5G communication, artificial intelligence and other fields with frequent repeated operation and fast upgrading cycles and large technical uncertainty. The Company is one of the leading companies in the field of FPGA technology in China.

Description and application fields of FPGA chip product series of the Company are as follows:

Product type	Product description	Application fields
10-million gate FPGA chips	Using 65nm CMOS technology, it is a series of SRAM FPGA products with high performance and cost-effective	Applicable to high-performance and large-scale applications such as network communication, information security, industrial control and high reliability application
100-million gate FPGA chips	Using 28nm CMOS technology, it is a series of SRAM FPGA products with high performance and in large scale	Applicable to 5G communication, artificial intelligence, data center, high reliability and other high-performance, large bandwidth and ultra large- scale applications
Embedded programmable device PSoC	Using 28nm CMOS technology, it is a series of embedded programmable SoC products	Applicable to video, industrial control, security, AI, high reliability and other applications

2.5 Testing services for IC products

Through the subsidiary, Sino IC, the Group provides customers with integrated solutions of integrated circuit testing services from chip verification analysis, wafer testing to finished product testing. The specific scopes of integrated circuit testing include wafer testing and finished product testing. The testing capability covers a wide range of product fields, such as mobile intelligent terminals, information security, digital communications, FPGA, CIS, financial IC cards, automotive electronics, IOT devices, MEMS devices, three-dimensional high-density devices, new materials, new structures, etc.

III. ANALYSIS OF OPERATING RESULTS

During the Reporting Period, the Group achieved revenue of approximately RMB3,539 million, representing an increase of 37.31% when compared with the last year; net profit attributable to shareholders of the parent company of approximately RMB1,077 million, representing an increase of 109.31% when compared with the last year; and comprehensive gross profit margin of 64.67%. This was mainly due to the timely adjustment of the product mix and pricing strategies of various product lines and active customer base development of the Group which resulting in a stable comprehensive gross profit margin. As at 31 December 2022, the total assets of the Group were approximately RMB6,111 million, representing an increase of 46.72% when compared with the last year; and the net assets attributable to shareholders of the parent company were approximately RMB4,531 million, representing an increase of 44.30% when compared with the last year.

The growth of the above major accounting data and financial indicators is mainly due to the following:

- (1) There were wide variation in demand and slowdown in demand for some product lines for downstream applications during the year, however, the Group achieved various level of revenue growth in major product lines of IC design business by adjusting its product mix in a timely manner and exploring new products and customers actively;
- (2) Comprehensive gross profit margin increased by 5.76 percentage point as compared with last year, benefiting from adjustment of product mix and new product launches;
- (3) The Group's share-based payments expenses increased significantly in Year 2022 due to the implementation of restricted share incentive scheme and there was increase in provision of impairment of inventory due to the decline of demand and price of memory products which affected by the ultimate demand of consumption products.

Reasons for changes in revenue: mainly due to the variation in demand and slowdown in demand for some product lines for downstream applications during the year, however, the Group achieved various level of revenue growth in major product lines of IC design business by adjusting its product mix in a timely manner and exploring new products and customers actively.

Reasons for changes in cost of sales: mainly due to the increase in revenue and the cost of sales increased accordingly.

Reasons for changes in taxes and surcharges: mainly due to the increase in revenue and the taxes and subcharges increased accordingly.

Reasons for changes in selling expenses: mainly due to the increase in staff remuneration as a result of the expansion of the Group's operations, number of staff and salary increased during the reporting period, as well as significant increase in share-based payments as a result of the implementation of the A Shares restricted share incentive scheme.

Reasons for changes in administrative expenses: mainly due to the increase in staff remuneration as a result of the expansion of the Group's operations, increased investment in human resources and reasonable salary increases, as well as increased depreciation and amortisation due to the acquisition of office buildings.

Reasons for changes in finance expenses: mainly due to the increase of cash at bank and on hand attributable to the proceeds raised from issuance of shares by the Company and its subsidiary and increase in interest income accordingly.

Reasons for changes in assets impairment losses: mainly due to the weak market demand for consumption electronic products, which resulted in a significant increase in the provision of impairment of inventories due to the decrease in demand and price of some of the Group's chips products.

MATERIAL INVESTMENTS AND ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group had no material investments in and acquisitions and disposals of subsidiaries during the year.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Company has completed the issuance of A shares on 29 July 2021. Up to 31 December 2022, the Company made use of RMB510,040,737.31 according to the schedule to invest in research and development of programmable system on-chip and industrialize projects and as reserve fund for development and technology. The remaining unutilized RMB160,972,522.22 balance from fund raising will be gradually applied to the relevant projects.

The subsidiary of the Company, Sino IC, completed the public offering and listing on the Beijing Stock Exchange on 28 October 2022. The proceeds of offering was RMB540,000,000 and the actual net proceeds after deducting issuing expenses (tax not inclusive) was RMB507,600,000. As at 31 December 2022, the unutilised proceeds of Sino IC amounted to RMB222,192,779.93, which will be used in the investment of IC testing industrialisation project and the construction of research and development center project.

Save as mentioned above, there was no other specific plan for material investments or capital assets as at 31 December 2022.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2022, net assets of the Group amounted to RMB5,153,169,377.95 (2021: RMB3,366,902,546.50), a growth of approximately 53.05% over last year; of which current assets amounted to RMB4,327,100,944.42 (2021: RMB3,041,662,776.16), representing an increase of approximately 42.26% over last year, of which included cash at bank and on hand which were RMB1,190,828,339.52 (2021: RMB801,647,230.19), representing an increase of approximately 48.55% over last year.

The Group kept profiting for the past years, and thus profit, placement of shares and cash flows generated internally have been used to meet the operations and business development needs. The Company has completed in the issuance of A shares in 2021 and a subsidiary, Sino IC, completed public offering and listing on the Beijing Stock Exchange in 2022 which provided additional funds for the Group. With the cautious treasury policy adopted by the Group, the current cashflow is sufficient to cope with daily operation and future development. The Group may also obtain appropriate credit facilities from financial institutions when there is additional funding requirement for its business development in the future, including but not limited to bank borrowings, acceptance bills, discounted bills, trade finance and letters of credit, depending on the scale and duration of the funding requirements. The Group does not use any financial instruments for hedging purposes and does not have foreign currency net investments hedged by currency borrowings and other hedging instruments.

As at 31 December 2022, the Group had bank borrowings amounted to RMB50,000,000.00 (2021: RMB49,955,540.83).

CHANGE OF SHARE CAPITAL

On 24 November 2022, the Company issued 2,154,500 ordinary shares of A shares to the eligible persons who satisfied the vesting conditions of the first vesting period of the first batch of the 2021 A Share Restricted Share Incentive Scheme, the share capital was increased by RMB215,450.00. The total number of shares upon the completion of the issuance was 816,656,500 shares (including 532,326,500 A shares and 284,330,000 H shares).

PLEDGE OF ASSETS

As at 31 December 2022, the Group had fixed assets with carrying amounts RMB173,447,600.91 were pledged for the securities of bank borrowings which were fully repaid in Year 2022. The Group is still in the process of releasing the pledge up to the date of this announcement (2021: fixed assets with carrying amounts RMB178,037,972.67 were pledged for the securities of bank borrowings of RMB49,800,000.00).

CAPITAL MANAGEMENT

The key objective of the Group's capital management is to ensure the Group's ability to operate on a going concern basis and maintain healthy capital ratios so as to support business growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments in response to changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not constrained by any external mandatory requirements on capital. The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and various reserves. There was no change in the Group's capital management objectives, policies or procedures in 2022 and 2021.

The Group manages its capital with the gearing ratio. The gearing ratio of the Group, which is the total liabilities divided by the total liabilities and owner's equity as at 31 December 2022 is approximately 15.67% (2021: 19.16%).

COMMITMENTS AND CONTINGENCIES

1. Major Commitments

	2022	2021
Contracted but not provided		
Capital commitment	<u>204,494,238.41</u>	<u>264,057,272.11</u>

2. Contingencies

As at the balance sheet date, the Group has no contingent that need to be disclosed.

EMPLOYEES

The Group provides employees with competitive compensation and benefits, including salary, bonus, social insurance, housing provident fund, health examination, supplementary commercial medical insurance and other welfare systems. The Group provides employees with various leave in accordance with the law, including personal leave, sick leave, marriage leave, work injury leave, bereavement leave, annual leave, maternity leave, paternity leave and others.

The Group has established a complete performance appraisal system, and evaluates each employee according to the targeted appraisal objectives. At the end of each year, the Group formulates a salary adjustment plan based on the results of employee performance evaluation, and with reference to the market salary situation and the Group's current operating conditions. Besides, the Group optimizes the talent team through comprehensive talent evaluation mechanisms such as performance appraisal and talent promotion channels to achieve the development goal of building and developing a first-class talent team.

FUTURE OUTLOOK

In 2023, the Group will continue to consolidate and enhance its comprehensive competitive advantages in technology, services, quality and branding, further expand its production capacity and product applications, as well as continuously increase the coverage of the Group's business in the industrial chain, so as to achieve a sustainable, rapid and healthy development of the Group. Meanwhile, the Group will continue to consolidate the Group's technological advantages through technical cooperation between colleges and enterprises and continuous investment in research and development, and actively focus on advanced technologies and products overseas to build up the Group's competitive advantages in the international market. In terms of product technology, the Group will focus on product line layout, study industry trends actively, follow the market situation closely and accelerate product implementation. In terms of product planning and technology pre-research, each product line will closely follow the development trend of the industry, strengthen product differentiation, strive for technological advance and enhance its core competitiveness. In terms of marketing and operation, which is driven by the market and technology, to keep track of external information and changes in the situation in a timely manner, organize quality resources and formulate reasonable marketing strategies in accordance with the Group's product development strategy. Through reliable products and excellent service, we are able to build customers base and reputation, maintain our credibility and continue to create value for our customers. The Group insists on people-oriented, market-centric and customer-focused standards to maintain good customer relations, build corporate culture, create a positive corporate image and improve corporate social responsibility, thereby creating a solid foundation for the Group's sustainable development.

FINAL DIVIDEND

The Board proposes to declare a final dividend of RMB1.35 (tax inclusive) per 10 shares for the year ended 31 December 2022 (2021 paid: RMB0.65 (tax included)) with total cash dividend amounted to RMB110,248,627.50 (2021 paid: RMB52,942,630.00).

The above proposal is subject to consideration and approval at the upcoming annual general meeting (the “AGM”) of the Company. If the proposed distribution being approved at the AGM, the final dividend distribution for the year ended 31 December 2022 is expected to be implemented within 60 days after the AGM. Details of the Company's closure of register of shares and the declaration and payment of dividends will be announced in due course.

DIRECTORS’ AND SUPERVISORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or supervisor or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors or supervisors to acquire such rights in any other body corporate.

DIRECTORS’ AND SUPERVISORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct on terms no less exacting than the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Having made specific enquiry to all directors and supervisors, the directors and supervisors have complied with such code of conduct and the required standard of dealings throughout the year ended 31 December 2022.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director or supervisor nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of the Company’s subsidiaries was a party during the year.

USE OF PROCEEDS

A. On 28 October 2022, the subsidiary of the Company, Sino IC, completed public offering and listing on the Beijing Stock Exchange. Sino IC offered to the public for 40,000,000 RMB ordinary shares for an issuance price of RMB13.50 per share. The total amount raised was RMB540,000,000 and the actual net proceeds after deducting issuing expenses (tax not inclusive) was RMB507,600,000 which the proceeds will be invested in the IC testing industrialisation project and the construction of research and development center project.

As at 31 December 2022, the balance of fund raising amounted to RMB 222,192,779.93, the use of proceeds and balance of funds were:

	RMB
Actual amount received from fund raising	507,600,000.00
Less: Replacement of Self-raised Funds Invested in advance	86,754,716.98
Expenditures of fund raising projects	200,735,720.87
Add: Accumulated interest income net of charges	2,083,217.78
Balance of special account for fund raising as at 31 December 2022	222,192,779.93

- B. On 24 November 2022, the Company issued 2,154,500 new A Shares pursuant to the 2021 A Shares Restricted Share Incentive Scheme. The issue price is RMB17.935 per share. The total amount raised and the actual net proceeds after deducting issuing expenses were RMB38,640,957,50. The proceeds of which were used as daily working capital in 2022.
- C. In 2021, the Company had its first initial public offering of A shares in the PRC and listed on the Shanghai Stock Exchange upon completion of issuance. The Company offered to the public for 120,000,000 RMB ordinary shares of RMB0.1 each for an issuance price of RMB6.23 per share. The total amount raised was RMB747,600,000 and the actual net proceeds after deducting issuing expenses (tax not inclusive) was RMB680,282,800.
- I. On 27 August 2021, the Board has approved:
1. the Proposal on the Replacement of Self-raised Funds Invested in Advance with Proceeds from the Issuance (關於使用募集資金置換預先投入的自籌資金的議案), which agreed the Company to replace the self-raised funds invested in advance in investment projects with proceeds from the Issuance amounting to RMB374,561,298.30, and the replacement of self-raised funds used in advance for the payment of issuance expenses with proceeds from the Issuance amounting to RMB5,730,425.73. In aggregate, the Company will replace self-raised funds invested in advance with proceeds amounting to RMB380,291,724.03.
 2. The Proposal on Using Part of the Over-raised Proceeds to Permanently Supplement Working Capital (關於使用部分超募資金永久補充流動資金的議案), which agreed the Company to use part of the over-raised proceeds of RMB24 million for permanent supplement of working capital.
- II. On 15 August 2022, the Board has approved:
- The Proposal on Using Temporarily Idle Proceeds for Cash Management (關於使用暫時閒置募集資金進行現金管理的議案), which agreed the Company to use the idle proceeds for cash management under the condition that it does not affect the progress of the investment plan of the proceeds, does not affect the normal production and operation of the Company, and ensures the safety of funds. The Company can use the temporarily idle proceeds of not exceeding RMB160 million (inclusive) to purchase investment products with high security, good liquidity, and capital protection agreements (including but not limited to purchasing principal-guaranteed wealth management products, structured deposits, large deposit certificates, time deposits, call deposits and income certificates). The period of use is valid within 27 August 2022 to 26 August 2023. Within the aforesaid limit and period of use, the amounts can be used on a rolling basis.

III. Use of proceeds and balance of funds

As at 31 December 2022, the balance of fund raising amounted to RMB 160,972,522.22, the use of proceeds and balance of funds were:

	RMB
Actual amount received from fund raising on 29 July 2021 ^(note)	696,803,773.58
Less: Other issuing expenses	10,790,566.05
Replacement of Self-raised Funds Invested in advance already applied in the “SOPC Chips R&D and Industrialization Project”	380,291,724.03
Expenditures of fund raising projects	24,245,563.68
Permanent supplement of working capital	24,000,000.00
Add: Accumulated income from cash management of fund raising	1,662,931.51
Accumulated interest income net of charges	1,474,565.70
	<hr/>
Balance of special account for fund raising as at 31 December 2021, including cash management products	260,613,417.03
	<hr/>
Less: Expenditures of fund raising projects – Development and Technology Reserve Funds	105,503,449.60
Add: Accumulated income from cash management of fund raising	4,889,007.84
Accumulated interest income net of charges	973,546.95
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Balance of special account for fund raising as at 31 December 2022, including cash management products	160,972,522.22
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Note: The actual proceeds from fund raising after deducting issuing expenses (excluding tax) of RMB50,796,226.42 was RMB696,803,773.58.

In accordance with the approval for revision of use of proceeds from fund raising on the extraordinary general meeting of the Company held on 28 September 2020, the Company will keep the expected timetable to use the unutilized balance for the purpose of “Reserve for technology research and development” within two years after the listing date of its A shares (4 August 2021).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s Articles of Association or the laws of the People’s Republic of China which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 24 November 2022, the Company issued 2,154,500 new A Shares pursuant to the 2021 A Shares Restricted Share Incentive Scheme. The issue price is RMB17.935 per share and the additional share capital is RMB215,450.00 with a premium of RMB38,425,507.50, the proceeds of which were used as daily working capital. At 31 December 2022, the Company’s outstanding restricted shares under the 2021 A Shares Restricted Share Incentive Scheme were 7,537,750 (further details are set out in the circular dated 20 October 2021, and the Company’s overseas regulatory announcements dated 5 November 2021, 6 December 2021, 28 October 2022, 7 December 2022 and 15 December 2022). According to the capital structure of the Company, if all the outstanding restricted shares are vested, 7,537,750 additional A Shares ordinary shares of the Company will be issued. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

DIRECTORS' AND SUPERVISOR' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this announcement, none of the directors or supervisors of the Company had an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules. In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2022.

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any significant subsequent events.

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the Listing Rules which also available on the website of the Stock Exchange of Hong Kong Limited (“the Stock Exchange”) and the Company respectively. The primary duties of the audit committee are to review and supervise the financial reporting process, internal control and risk management system of the Group. The audit committee comprises three independent non-executive directors, Mr. Wang Pin (Chairman), Mr. Cao Zhongyong and Mr. Cai Minyong.

The Group’s audited financial statements for the year ended 31 December 2022 have been reviewed by the committee, who is of the opinion that these statements complied with the applicable accounting standards, the requirements as set out by the Stock Exchange and the relevant regulations, and that adequate disclosures had been made.

SCOPE OF WORK OF ERNST & YOUNG HUA MING LLP

The figures in respect of the Group’s consolidated balance sheet and consolidated income statement and the related notes thereto for the year ended 31 December 2022 as set out in the results announcement have been agreed by the Company’s auditor, Ernst & Young Hua Ming LLP, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Ernst & Young Hua Ming LLP in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young Hua Ming LLP on this results announcement.

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

Shanghai, the PRC, 21 March 2023

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. Wu Ping, Ms. Liu Huayan and Mr. Sun Zheng, and independent non-executive Directors are Mr. Cao Zhongyong, Mr. Cai Minyong, Mr. Wang Pin and Ms. Zou Fuwen.

** For identification purpose only*