



**FUDAN
MICRO**

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)

2024

INTERIM REPORT



* for identification only

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Principal Accounting Data and Key Financial Indicators

The board of directors (the “Board”) of Shanghai Fudan Microelectronics Group Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the half-year ended 30 June 2024 together with the comparative figures for the corresponding period in 2023 or as at 31 December 2023 as follows:

KEY ACCOUNTING DATA

	Half-year ended 30 June	
	2024	2023
	RMB 0'000	RMB 0'000
	(Unaudited)	(Unaudited)
Revenue	179,409.53	179,622.93
Net profits attributable to the shareholders of the Company	34,809.20	44,927.08
Net profits attributable to the shareholders of the Company after deducting non-recurring profit or loss	30,882.02	41,499.14
Net cash flows generated from operating activities	12,712.92	(109,043.92)

	As at	As at
	30 June 2024	31 December 2023
	RMB 0'000	RMB 0'000
	(Unaudited)	(Audited)
Net assets attributable to the shareholders of the Company	559,936.56	530,297.62
Total assets	866,583.41	841,135.09

Principal Accounting Data and Key Financial Indicators

KEY FINANCIAL INDICATORS

	Half-year ended 30 June	
	2024	2023
	RMB	RMB
	(Unaudited)	(Unaudited)
Basic earnings per share (RMB/share)	0.42	0.55
Diluted earnings per share (RMB/share)	0.42	0.55
Basic earnings per share after deducting non-recurring profit or loss (RMB/share)	0.38	0.51
Weighted average return on net asset (%)	6.34	9.39
Weighted average return on net asset after deducting non-recurring profit or loss (%)	5.63	8.67
Percentage of research and development investment over revenue (%)	33.31	32.74

During 1 January 2024 and 30 June 2024 (the “Reporting Period”), the Group achieved an revenue of approximately RMB1.794 billion, representing a decrease of approximately 0.12% over the same period in 2023; the comprehensive gross profit margin was 56.49%, representing a decrease of 10.61 percentage points over the same period in 2023; net profit attributable to owners of the parent company of approximately RMB348 million, representing a decrease of approximately 22.52% over the same period in 2023; and net profit attributable to owners of the parent company after deducting non-recurring profit or loss of approximately RMB309 million, representing a decrease of approximately 25.58% over the same period in 2023. The Group accelerated the launch of new products and strengthened market development and was affected by the rebound in demand in downstream markets such as consumer electronics, the sales volume of all product lines of the IC design business increased; There was adjustment of sales price of some products due to competition in the market, and a slight increase in revenue of IC design business when compared with last year; Comprehensive gross profit margin was dropped due to the decrease in product selling prices and product restructuring, which was the main reason for the decrease in net profit attributable to the parent company for the Reporting Period.

As at 30 June 2024, the total assets of the Group amounted to approximately RMB8.666 billion, representing an increase of approximately 3.03% over the beginning of the Reporting Period, and the net assets attributable to the owners of the parent company amounted to approximately RMB5.599 billion, representing an increase of approximately 5.59% over the beginning of the Reporting Period.

During the Reporting Period, cash flows from operating activities amounted to approximately RMB127 million. It is because the strategic stockpiling was completed in last year and the cash paid for the purchase of products in the current period decreased, resulting in the net cash flows from operating activities turning from negative to positive.

Management Discussion and Analysis

(I) INDUSTRY AND PRINCIPAL BUSINESS

1. Industry Development

The Group is mainly engaged in the design, development and testing of large integrated circuits. According to the “Classification of Industries of the National Economy (GB/T 4754-2017)” the Company is classified under the industry of “C Manufacturing Industry – C39 Computer, Communication and Other Electronic Equipment Manufacturing Industry”.

In the first half of 2024, the semiconductor industry is showing initial signs of recovery. Demand in markets such as smartphones, personal computers, servers and automobiles has given the semiconductor industry a new impetus for growth. Data from the National Bureau of Statistics shows that the production of integrated circuit products increased by 28.9% annually. The World Semiconductor Trade Statistics Organisation (WSTS) has upgraded its forecast for the global semiconductor market of 2024. In its Spring 2024 edition of the Semiconductor Market Forecast, WSTS has revised its 2024 market size forecast upwards from US\$588.364 billion to US\$611.231 billion, with the America and Asia-Pacific regions projected to experience significant growth at 25.1% and 17.5%, respectively.

2. Analysis of Principal Business, Products and Industry Position

a) *Security and identification IC chips*

The Group’s security and identification product line has a wide range of products, including logical encryption card chips, high-frequency/ultra-high-frequency tag chips, NFC TAG/channel chips, UHF reader/writer chips and temperature measurement chips, RFID and sensor chips; Smart card and security chip series mainly include smart CPU card, secure SE and secure MCU; Intelligent identification device product series, mainly include contactless reader/writer chips and TSI touch chips. Security and identification products are widely used in the fields of identification, financial payment, mobile communication, intelligent connection, anti-counterfeiting and traceability, cold chain management, industrial control, and automotive electronics. In addition, we provide customers with complete solutions based on various types of consumer, industrial and automotive chips. In the future, the functions and application areas of intelligent and security products will also be greatly expanded with the continuous progress of cutting-edge technologies such as the Internet of Things and AI.

During the Reporting Period, the product line expanded actively into new application areas while consolidated traditional areas at the same time, and new products and applications represented by ultra-high-frequency EPC tag, anti-counterfeiting security chips and automotive readers and writers were recognised by customers. During the Reporting Period, the product line achieved revenue of approximately RMB370 million (2023: RMB410 million).

Management Discussion and Analysis

(I) INDUSTRY AND PRINCIPAL BUSINESS *(Continued)*

2. Analysis of Principal Business, Products and Industry Position *(Continued)*

b) Non-volatile memory

The Group has formed three major product lines, namely EEPROM, NOR Flash and NAND Flash, established a complete niche non-volatile memory product architecture, and research and development reserves for various technology platforms including FLOTOX, ETOX and SONOS. By the development of a new process design platform, development of a series of new products, and the direction of expansion of the large-capacity system-level memory products, we will continue to enhance our capabilities and optimise product performance and cost advantages. The Group's comprehensive memory product line, combined with its FPGA, MCU, security and identification product lines, meets the needs of commercial, high industrial specification and automotive customers, providing one-stop solutions for applications such as industrial control instrumentation, medical, communications, automotive and consumption electronics. During the Reporting Period, this product line fully utilised the Group's advantages of stable and reliable performance of memory products and wide range of applications, and achieved growth in sales volume and amount. In terms of technology, we are developing high-performance industrial and automotive products actively to further strengthen the competitiveness of the Group's memory products. During the Reporting Period, the product line achieved revenue of approximately RMB599 million (2023: RMB588 million).

c) Smart meter ASIC chips

The Group's smart meter product line covers smart meter MCUs and general-purpose MCUs and automotive MCUs. Smart meter MCU is the core component of electronic energy smart meter, which can realise the functions of electricity consumption information measurement, automatic reading and information transmission for industrial and domestic users. The general-purpose MCU products can be applied in many fields such as smart meters, smart water, gas and heat meters and smart homes. Automotive MCUs are used in car body control and comfort systems.

The Group has the FM33A0xx/A0xxEV/A0xxEVB/A0xxEH series of smart meter MCU chips, FM33LG0xx/LC0xx/LE0xx/FR0xx/LF0xx/FK5xx/FG0xx/FH0xx and other series of general-purpose MCU chips and FM33LG0xxA/LE0xxA/FT0xxA/FG0xxA/LF0xxA and other series of automotive MCU chip. The MCU core series covers 32-bit ARM Cortex M0+ platform and M-STAR platform, with embedded memory capacity ranging from 64KB to the highest 1MKB, which realised the platformisation and serialisation of the products, which are widely used in the application fields of smart metering, smart water, gas and heat metering, smart home appliances, and automotive electronics. During the Reporting Period, the product line achieved revenue of approximately RMB212 million (2023: RMB113 million).

Management Discussion and Analysis

(I) INDUSTRY AND PRINCIPAL BUSINESS *(Continued)*

2. Analysis of Principal Business, Products and Industry Position *(Continued)*

d) *FPGA chips and other products*

The Group is one of the leading companies in FPGA technology in China. FPGA has the programmability and flexibility of software, making them an ideal solution in areas such as 5G communications and artificial intelligence, which have more frequent iterative upgrade cycles and greater technological uncertainty.

The Group's FPGA product line has a series of ultra-large scale heterogeneous fusion programmable logic device series. The Group is the first in China which has successfully developed 100 million-gate FPGA and heterogeneous fusion programmable system-on-chip (PSoC) chips, as well as field programmable artificial intelligence (FPAI) chips with field programmable gate array (FPGA) and artificial intelligence (AI) for AI applications. The product line is currently advancing a new generation of FPGA and PSoC based on the advanced 1xnm FinFET process, providing low-cost, low-power consumption, high-performance, and high-reliability product series for application scenarios such as computer vision, machine learning, and high-speed digital processing, targeting industry sectors such as intelligent cockpits, video surveillance, medical imaging, and network communications. Other products are mainly smart appliance chips, which have good applications in areas such as leakage protection devices and household appliances. During the Reporting Period, the product line achieved revenue of approximately RMB553 million (2023: RMB586 million).

(II) CORE TECHNOLOGY AND RESEARCH AND DEVELOPMENT PROGRESS Core technology and its leading advancements and changes during the Reporting Period

(a) *Security and identification IC chips*

After years of continuous Research and Development and technology accumulation, the Group's security and identification product line has formed relatively obvious technical and research and development advantages in the two key technical fields of radio frequency and security. Based on the accumulation of radio frequency chip design technology for many years, further research to form a new generation of NFC technology to support more types of NFC devices, and at the same time, we have made technological breakthroughs in UHF RFID tag chips and reader/writer chips, and our UHF tag chip FM13UF0051E has passed GS1 EPC global Gen2V2 certification. The UHF tag chips have accumulated technology in the areas of high sensitivity design, low power consumption design, and high reliability design. The product line is also deploying microwave band RFID products and various types of sensor products, striving to form a wireless connection + sensing + computing technology advantage, to provide a total solution for the interconnection of everything. The financial security chip adopts a leading process design with significant advantages such as stability, reliability and security, and has passed the chip EMV certification in the first half of the year.

Management Discussion and Analysis

(II) CORE TECHNOLOGY AND RESEARCH AND DEVELOPMENT PROGRESS

(Continued)

Core technology and its leading advancements and changes during the Reporting Period

(Continued)

(b) Non-volatile memory

The memory product line has made key progress and achieved significant results in product serialisation on SONOS EE, 1.8V ETOX, and 28nm NAND platforms. We strengthened the co-operation with main chip makers continuously, completed the platform certification of NOR/NAND series new products, and made breakthroughs in WiFi6 and 4GLTE projects for many customers.

(c) Smart meter ASIC chips

The Company is currently researching and implementing embedded flash memory technology, low-power clock technology, built-in true random number generator, AES encryption computing unit and ECC/RSA public key cryptography algorithm acceleration engine in the area of smart meter MCU technology. Compare with competitors in the same industry, the products developed by the Company based on the above technology have larger storage capacity, higher main frequency and significantly lower standby power consumption, which demonstrates the Company's leading chip design capability.

During the Reporting Period, the Group's MCU products have completed the development and flow of 12-inch 55nm and 90nm embedded flash memory process platforms. We have initially completed the productisation of a 12-inch 90nm embedded flash memory platform for domestic market, and promoted the productisation of domestic 12-inch 55nm embedded flash memory platform actively. In the future, we will realise the complete layout of 12-inch and 8-inch process platforms, further enriching our product line-up and expanding our market share in key industries such as public utilities, smart home appliances, automotive electronics and industrial control. We will gradually launch a variety of high-capacity, high-reliability, high-performance industrial and automotive MCUs based on the 12-inch process platform.

(d) FPGA chips and other chips

The Company is one of the leading companies in FPGA technology in China. In the FPGA field, the company has formed a clear technological cluster advantage, constructed core technology barriers, and strengthened its competitive advantage. Currently, the Company has been able to provide 10 million-gate, 100 million-gates and billion-gates of FPGA products and PSoC products, with a full flow of independent intellectual property rights FPGA supporting EDA tools Procise™. The Company has formed a comprehensive FPGA and PSoC product spectrum, and the series of products have been widely used in the areas of network communication, video graphics, power equipment, industrial control and high reliability.

During the Reporting Period, the Company completed the flow of new-generation PSoC products and promoted the productisation of new-generation FPGA and PSoC products. In the future, the Company will combine advanced packaging technologies to further enrich the spectrum of new-generation FPGA platforms, and continue to launch more competitive FPGA, PSoC and FPAI products.

Management Discussion and Analysis

(III) ANALYSIS ON THE CORE COMPETITIVENESS

As a light-asset enterprise under Fabless mode, the Company builds its core competitiveness on the design and research and development business of integrated circuits. In order to ensure the Group's continuous innovation ability, the Group continues to invest in product research and development, talent team construction, quality and services, domestic and foreign markets and consolidating the supply chain, to strengthen the Group's operation base and build a barrier of entry for corporate development.

1. Multi-level product research and development system and profound technology accumulation have formed comprehensive product lines

The Group has continued to focus on the design and research and development of integrated circuits and has established a multi-level research and development system ranging from technology pre-research, product design, engineering realisation and application development, and has accumulated comprehensive industry experience and key product technologies. After more than 20 years of development, the Group has formed comprehensive product lines, including security and identification chips, non-volatile memory, smart meter chips, FPGA and other products, IC testing services. The products are widely used in finance, social security, urban public transport, electronic certificate, mobile payment, anti-counterfeiting and traceability, smart phone, security monitoring, industrial control, signal processing, intelligent computing and many other fields.

Under the above mentioned research and development system, the Group designs and updates the products for daily operation, plans ahead for the future trend of the market, and makes corresponding technical reserves for the iteration and expansion of its products in the future. The effective operation of the multi-level research and development mechanism ensures the Group's sustainable competitiveness in the future market.

The Group considers great importance to investment in research and development of products and technologies. During the Reporting Period, the Group invested RMB598 million in research and development, accounted for 33.31% of its revenue, which was at a relatively high level.

2. Good talent training mechanism and incentive mechanism have formed a research and development team with profound professional background

Integrated circuit design is a technology intensive industry. The Group attaches great importance to the construction of talent echelon. At present, it has research and development teams for product and system definition, digital and analog circuit design and verification, testing and engineering implementation, system solutions, etc., forming a diversified and multi-level Research and development talent echelon.

Most of the core staff of the Group's business division team, quality management team and marketing and sales team of each product line graduated from renowned universities in China and abroad, and have solid reserves and rich experience in professional skills, product research and development, and market development. The Company has formed a solid and complementary talent team from top to bottom, covering operation, management, research and development, sales, quality control and other aspects, which ensures the effectiveness of the Company's management, decision-making and execution.

Management Discussion and Analysis

(III) ANALYSIS ON THE CORE COMPETITIVENESS *(Continued)*

3. High quality control system

The Group considers great importance to the quality control of products from research and development to delivery, and has established a high level quality control system. The Group has passed ISO9001, QC080000, ISO14001 and ISO45001 quality control system certification and participated in the formulation of a number of national and industrial standards. After years of market verification, the Group's products have been recognized by numerous well-known manufacturers at domestic and oversea market, and the market share of many products ranks in the forefront of the industry.

4. Business expansion mode with both localization and internationalization

While continuing to promote the rapid development of domestic business, the Group takes initiative to participate in international market with the development goal of building a platform with international competitiveness. As an 'A+H' listed company, the Company has an internationalised information disclosure channel and comprehensive experience in communicating with international investors. In addition, the Group has also set up subsidiaries and branches in the United States, Singapore, China Hong Kong, China Taiwan and other countries and regions to strengthen the linkage with international industry giants, in-depth understand the development trends of technologies in the industry, and cultivate and enhance the Group's international market influence and brand awareness.

5. In-Depth supply chain collaboration model

The outsourced suppliers selected by the Group are mainly world-known companies and domestic leading listed companies in China, with advanced technological standards and sufficient capacity reserves. As a large-scale integrated circuit design enterprise, the Group has diversified products and wide application fields. It has a strong ability to resist cyclical fluctuations, and can generate demands continuously and stably for tape-out, packaging, testing, etc. It guarantees the turnover efficiency effectively and operating efficiency of upstream and downstream enterprises, and enhances the Group's position in the industrial chain.

6. Have a good brand image and market reputation

The Group has been innovating for more than 20 years continuously, entering new application fields, and has won many honors in the industry through abundant products, stable and highly reliable quality, and honest and mutually beneficial business quality. The Company won the scientific and technological progress awards issued by the Shanghai Municipal People's Government for many times.

Management Discussion and Analysis

(IV) MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the semiconductor industry began to show initial signs of recovery and the Company's chip sales volume grew significantly. However, with the gradual intensification of market competition, the Company is facing greater competitive pressure. Each product line consolidated and expanded its market through cost reduction, efficiency improvement, price adjustment, and markets exploration. Revenue from the IC design business remained stable, while that from the testing business after offsetting and consolidation declined. In the first half of 2024, the Group achieved revenue of approximately RMB1.794 billion, basically the same when compared to the same period in 2023; the comprehensive gross profit margin was decreased to 56.49% due to decrease in product selling price; net profit attributable to owners of the parent company of approximately RMB348 million, representing a decrease of approximately 22.52% over the same period in 2023. Details are as follows:

There were no significant changes in the principal activities of the Group during the Reporting Period. The Group has a wide range of product lines among the domestic chip design enterprises, with four major product lines, namely, security and identification, non-volatile memory, smart meter chips and field-programmable gate arrays (FPGAs), and provides chip testing services to customers through its 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. **Security and identification:** The product line has a number of sub-product series, including smart card and security chips, RFID and sensor chips, and chips for intelligent identification devices. During the Reporting Period, the product line achieved revenue of approximately RMB370 million.

During the Reporting Period, financial cards, social security cards and transport cards continued to maintain a stable market share in a relatively stable market size for traditional smart cards, with good market performance and brand influence, amidst the low level of the economy and intense competition in market prices. During the Reporting Period, we completed the EMV certification for our new generation of financial card products and started to expand our overseas markets and channels. Logic encryption chips and high-frequency RFID chips continue to hold a large market share. UHF tag chip passed the GS1 certification. The current UHF RFID market overseas demand is strong and the demand is also gradually penetrate the domestic retailers. Attributable to the Company's good accumulation of RF technology and have a better performance of the reader chip and tag chip, the market development is relatively smooth. In terms of NFC channel chip electronic price tag and other products, the Company also has a good market position and is developing new application markets actively. In the field of wireless charging and accessory anti-counterfeiting, the Company's SE chip has achieved high volume sales and is in a leading position in the market. In the automotive field, leveraging on the trend of nationalisation, major OEMs and Tier One automotive brands have already started to import contactless card reader chips for this product line.

Management Discussion and Analysis

(IV) MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

2. **Non-volatile memory:** The product line features a wide range of memory products such as Electrically Erasable Read-Only Memory (EEPROM), NOR Flash, and SLC NAND Flash with a variety of capacities, interfaces, and packages. During the Reporting Period, the product line achieved revenue of approximately RMB599 million. After the adjustment in 2023, the memory products gradually recovered due to the digestion of terminal and channel inventories. The Company's memory product line benefited from the changes in the industry, with greater growth in sales volume, and the prices of consumer and industrial SPI NAND and NOR product lines stopped falling and rebounded. In terms of industrial instruments and meters, the Company is increasing the market share of its EEPROM products steadily. In terms of consumer products, the Company is highly focused on customer demand in the areas of networking, security and wearables with a view to further expanding sales. Sales of the Company's high-reliability products in the memory product line are stable which is an important foundation for this product line.

3. **Smart meter:** The product line mainly includes: smart meter MCUs, general-purpose MCUs and Automotive MCUs, etc. During the Reporting Period, the product line achieved revenue of approximately RMB212 million. During the Reporting Period, the Company's smart meter MCUs continued to maintain a leading position in terms of market share of single-phase smart meter MCUs in the national grid. Benefiting from the growth in grid tenders, shipments of smart meter MCU were favourable, which drove the growth of the division's results. In the general-purpose MCU market, end-user price pressures were transmitted and led to pressure on MCU prices. The product line is planning for the future by adjusting its pricing strategy, increasing its technical service support, and guarding its existing customer base in the industry, while at the same time expanding its new customer base and developing a new distributor pipeline proactively. The Company's market share in the field of intelligent water, gas and heat meters has increased. It has been deployed in the fields of intelligent home appliances and automotive electronics actively, and have achieved stable and quantitative production for some customers.

Management Discussion and Analysis

(IV) MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

4. **FPGA and other products:** The Group is one of the leading companies in FPGA technology in China and currently provides four series of products, namely, 10 million-gate FPGA chips, 100 million-gate FPGA chips, billion-gate FPGAs and embedded programmable system-on-chip (PSoC). During the Reporting Period, the product line achieved revenue of approximately RMB553 million.

The Company's FPGA product line has a series of ultra-large-scale heterogeneous fusion programmable logic device series products, and it is the first in China to have successfully developed 100 million-gate FPGAs and heterogeneous fusion programmable system-on-chip (PSoC) chips, as well as reconfigurable chips FPAI for AI applications, which are a fusion of field programmable (FPGA) and artificial intelligence (AI). The new generation FPGA platform development and industrialisation project has completed a number of wafer flow, packaging, and sampling to a number of customers for trial use. The product companion tool, Vulture™, is under internal testing and is expected to be released for the first time in the second half of the year.

Other products mainly include smart appliance chips, which have good applications in leakage protection devices and low-voltage appliances. During the Reporting Period, the product line established the strategic goal of planning for development in the direction of new energy sources (electric vehicle charging piles and photovoltaic and energy storage), and began to deliver small batches of arc fault detection modules/chips for application in this field.

5. **Testing services:** The Group's testing services business is carried out by the Company's subsidiary, Sino IC. During the Reporting Period, Sino IC achieved revenue of approximately RMB130 million, and revenue after consolidation and offsetting amounted to approximately RMB58 million.

Sino IC has carried out integrated circuit test research and development in China at the early stage, and have accumulated numerous technologies in the fields of product testing solutions, mass production automation, and testing information technology, and have undertaken a number of major national scientific and technological projects and provincial and ministerial-level scientific research projects. Sino IC has developed 10GHz high-speed wafer KGD test and over 10,000 pins high-density wafer test methods, which have been realised in mass production, and is actively developing AI chips, high-performance computing chips, automotive chip test solutions and complete sets of engineering technologies.

Management Discussion and Analysis

(V) RISK FACTORS

1. Risk of slower growth in the IC industry

The Group is principally engaged in the integrated circuit design business and the development of the Group is highly correlated with the downstream industrial development. Due to the imbalance between supply and demand, as well as the influence of macroeconomic cycles, the IC industry has an obvious cyclicity. Although the Group's product lines cover a wide range of application, including industrial grade products, consumption, and high reliability, and are more resistant to volatility, any industry-wide growth slowdown may adversely affect the Group's results.

2. Risk of the international trading environment has significant impact on the Group's operations

In recent years, the uncertainty of the international trade environment has increased, and anti-globalization trade has further spread. Some countries have adopted trade protection measures and have repeatedly taken long-arm jurisdictional measures, which have had an impact on the China's integrated circuit industry. The integrated circuit industry has typical characteristics of global division of labor and cooperation. If there are major adverse changes in the international trade environment, the trade friction between countries and regions further escalates, and global trade protectionism continues to heat up, the production and operation of upstream and downstream companies in the integrated circuit industry chain may be adversely affected, resulting in an increase in upstream and downstream transaction costs in the industry chain, which may adversely affect the operation of the Group.

3. Risk of new product development and technology iteration

The integrated circuit design industry in which the Group operates is a typical technology-intensive industry, where technology upgrades and product iterations are fast. At the same time, chip products have high technical barriers and the advantages of first-mover companies are obvious. The Group will face the risk of being seized by competitors for market share if the Group misjudges the market demand in the follow-up research and development process or the research and development progress becomes slow. In addition, high-end chip research and development has the characteristics of long development cycle, large capital investment, and high research and development risk. During the research and development process, some key technologies may be failed to break through or product performance, parameters, yield, etc. which may not meet the needs of the market and there is risk of failure of research and development and falling behind next-generation technology.

Management Discussion and Analysis

(V) RISK FACTORS *(Continued)*

4. Risk of falling of product selling price and gross profit margin

Although some of the Group's current product lines still maintain relatively high gross profit margins, competition in the market is gradually intensifying, the average selling price and comprehensive gross profit margin of the Group's main products will face the risk of continuous decline if the Group cannot take effective measures to consolidate and enhance the competitiveness of its products which due to the advancement of technology, the increase in the prices of labor and raw materials, the decline of the Group's product bargaining power, or the major changes in the industry in the future, which will result in the Group being in a disadvantageous position in the fierce market competition and reducing the sustainable profitability.

5. Risk of high supplier concentration and price fluctuations of raw materials

The Group operates in the Fabless mode. The Group mainly focus in design and sale of integrated circuits. The production process such as wafer manufacturing, packaging and testing are mainly completed by professional wafer foundries and packaging and testing manufacturers. The concentration of this industry is relatively high, and accordingly the concentration of the Group's suppliers is also relatively high. At the same time, due to industry fluctuations and changes in production capacity, raw material prices will also become fluctuate. The aforementioned factors have a direct impact on the profitability of the Group.

6. Risk of structural fluctuations in production capacity

The Group operates in a Fabless mode and has established long-term cooperative relations with major wafer manufacturers and packaging and testing manufacturers in the industry. With years of stable cooperation, comprehensive product lines and growing business volume, the Group can obtain a certain capacity guarantee. During the Reporting Period, although the production capacity in some areas of the industry had increased, the production capacity of high-end products required by the Group still needs to be further expanded. If the production capacity cannot meet the needs of the Group's business development, it will have impact on the Group's business.

7. Risk of intellectual property and legal

Chip design is a technology-intensive industry, and the final chip product is highly complex. Therefore, even if the Group has taken strict intellectual property protection measures and quality control measures, etc., it is still unable to eliminate legal risks completely that caused by intellectual property disputes, technology licensing risks (EDA design tools, IP core licensing, etc.) and disputes caused by product quality defects.

Management Discussion and Analysis

(V) RISK FACTORS *(Continued)*

8. Risk of impairment of inventories

The inventories of the Group mainly include chips and wafers, due to the implementation of strategic stockpiling by the Company in the previous year, the amount of inventories was relatively large. At the end of the Reporting Period, the carrying amount of the inventories of the Group was approximately RMB3,231.743 million, accounting for 52.83% of the corresponding total current assets at the end of the period. The Group makes corresponding impairment provisions every year according to the amount of the net realizable value of inventories lower than the cost. At the end of the Reporting Period, the balance of inventory impairment provisions of the Group was approximately RMB271.5477 million, and the proportion of inventory impairment provisions was 7.75%. In the event that there are changes in market demand, intensified market competition or accelerated product replacement due to technical repetitive computing, the risk of impairment of inventories may increase, which will have an adverse impact on the operating results of the Group.

9. Financial risks associated with Research and Development

The Group attaches great importance to the independent research and development of core technologies. During the Reporting Period, the research and development investment was about RMB598 million, representing 33.31% of revenue during the Reporting Period, and the research and development investment intensity was relatively high. If the intangible assets formed by the development expenditure are provided and amortized, or the development expenditure is written off or the intangible assets are impaired, it may have a large impact on the profit of the Group.

10. Risk of collection of accounts receivable and notes receivable

At the end of the Reporting Period, the carrying amount of the Group's accounts receivable was approximately RMB1,402.7164 million, and the carrying amount of notes receivable was approximately RMB128.39 million. The total carrying amounts of accounts receivable and notes receivable accounts for 85.34% of revenue. If the macroeconomic situation, industry development prospects and other factors change in the future adversely, and there are major difficulties of customer's operating conditions, the Group may face the risk of increasing bad debt losses due to uncollectible accounts receivable and notes receivable.

Management Discussion and Analysis

(VI) MAIN OPERATION SITUATION IN THE REPORTING PERIOD

Main business analysis

1. Analysis of changes in financial statements related items

Item	Half-year ended 30 June		RMB0'000
	2024	2023	Change (%)
Cost of sales	78,061.94	59,090.72	32.11
Finance expenses	1,857.89	(786.30)	N/A
Other income	10,366.77	4,708.29	120.18
Asset impairment losses	(294.54)	(5,204.85)	-94.34
Net cash flow generated from operating activities	12,712.92	(109,043.92)	N/A
Net cash flow generated from financing activities	(753.09)	101,485.09	N/A

Reasons for changes in cost of sales: mainly attributable to the increase in cost of sales as a result of the increase in sales of the Company's products.

Reasons for changes in finance expenses: mainly attributable to the increase in the Company's bank loans and the corresponding increase in interest expenses, as well as the increase in foreign exchange losses.

Reasons for changes in other income: mainly attributable to the increase in the Company's entitlement of the VAT input tax incentives for IC enterprises.

Reasons for changes in asset impairment losses: mainly attributable to the decrease in the provision for losses for the decline in value of inventories as a result of the rebound in the market for some of the Company's products and the recovery in selling prices. For the Reporting Period, the Group recorded impairment loss on inventories of RMB2,767,993.49 and impairment loss on intangible assets of RMB117,375.60. Inventories are stated at the lower of cost and net realizable value, which are written down below cost to net realizable value if the cost is higher than the net realizable value.

Reasons for changes in net cash flow generated from operating activities: mainly attributable to the completion of the Company's strategic stockpiling in last year and thus there was decrease in cash paid for the purchase of goods in the first half of the year, which resulted in net cash flows from operating activities improved from negative to positive.

Reasons for changes in net cash flow generated from financing activities: mainly attributable to decrease in the net addition of the Company's bank loans as compared to the same period of the last year.

Management Discussion and Analysis

(VI) MAIN OPERATION SITUATION IN THE REPORTING PERIOD *(Continued)*

Main business analysis *(Continued)*

2. Analysis of assets and liabilities status

Status of assets and liabilities

Item	30 June 2024	Balance as at 30 June 2024 as a percentage of total assets (%)	31 December 2023	RMB0'000	
				Balance as at 31 December 2023 as a percentage of total asset	Change in balance as at the end of the Reporting Period as compared with last year (%)
Financial assets held for trading	14,042.31	1.62	3,021.38	0.36	364.76
Notes receivable	12,839.00	1.48	39,094.62	4.65	-67.16
Accounts receivable	140,271.64	16.19	92,961.93	11.05	50.89
Intangible assets	20,906.76	2.41	14,327.69	1.70	45.92
Employee benefits payables	15,746.73	1.82	25,111.83	2.99	-37.29
Non-current liabilities due within one year	26,389.79	3.05	7,234.02	0.86	264.80
Other current liabilities	11,713.30	1.35	17,251.06	2.05	-32.10
Long-term borrowings	35,651.55	4.11	53,006.37	6.30	-32.74

Reasons for changes in financial assets held for trading: mainly attributable to the increase in the Group's structured deposits.

Reasons for changes in notes receivable: mainly attributable to the maturity of commercial notes held by the Company and decrease in the transfer of endorsements.

Reasons for changes in accounts receivable: mainly attributable to the increase in the overall proportion of highly reliable customers and the longer payback period provided to them.

Reasons for changes in intangible assets: mainly attributable to the completion of certain research and development projects of the Company and the transfer of development expenditure to intangible assets.

Reasons for changes in employee benefits payables: mainly attributable to the fact that the year-end bonuses provided by the Company for the previous year were paid out during the Reporting Period.

Reasons for changes in non-current liabilities due within one year: mainly attributable to the increase in long-term borrowings due within one year.

Reasons for changes in other current liabilities: mainly attributable to the decrease in outstanding commercial notes endorsed and the decrease in revenue recognised from certain government grants.

Reasons for changes in long-term borrowings: mainly attributable to the reallocation of long-term borrowings to non-current liabilities due within one year.

Consolidated Balance Sheet (Unaudited)

30 June 2024

Item	Note	RMB	
		30 June 2024 (unaudited)	31 December 2023 (audited)
Current assets:			
Cash at bank and on hand	(4)	813,008,807.03	1,003,337,496.96
Financial assets held for trading	(5)	140,423,111.11	30,213,750.00
Notes receivable	(6)	128,389,951.54	390,946,203.95
Accounts receivable	(7)	1,402,716,435.19	929,619,309.54
Receivable financing	(8)	175,062,697.29	156,656,371.19
Prepayments	(9)	123,439,392.99	110,682,041.34
Other receivables	(10)	5,521,083.48	23,871,720.59
Inventories	(11)	3,231,743,009.02	3,177,370,636.58
Other current assets	(12)	96,385,777.69	114,586,140.71
Total current assets		6,116,690,265.34	5,937,283,670.86
Non-current assets:			
Long-term equity investments	(13)	40,495,079.40	42,519,687.82
Investment in other equity instruments	(14)	35,530,697.14	35,465,034.27
Fixed assets	(15)	1,095,385,871.93	1,115,454,318.00
Construction in progress	(16)	545,818,044.95	480,656,568.13
Right-of-use assets	(17)	26,867,587.00	33,859,418.43
Intangible assets	(18)	209,067,606.02	143,276,878.80
Development costs	(58)	442,913,107.99	456,108,580.08
Long-term prepaid expenses	(19)	57,514,766.06	64,086,240.91
Deferred income tax assets	(20)	6,854,477.00	4,129,192.02
Other non-current assets	(21)	88,696,568.65	98,511,297.07
Total non-current assets		2,549,143,806.14	2,474,067,215.53
Total assets		8,665,834,071.48	8,411,350,886.39
Current liabilities:			
Short-term borrowings	(22)	904,872,039.08	893,860,090.54
Accounts payable	(23)	276,378,116.79	235,756,887.78
Contract liabilities	(24)	90,455,355.71	57,567,549.49
Employee benefits payables	(25)	157,467,310.92	251,118,256.79
Taxes payables	(26)	18,422,099.44	13,936,835.09
Other payables	(27)	198,628,683.90	182,230,721.48
Non-current liabilities due within one year	(28)	263,897,928.87	72,340,225.85
Other current liabilities	(29)	117,132,965.10	172,510,566.20
Total current liabilities		2,027,254,499.81	1,879,321,133.22

Consolidated Balance Sheet (Unaudited)

30 June 2024

Item	Note	RMB	
		30 June 2024 (unaudited)	31 December 2023 (audited)
Non-current liabilities:			
Long-term borrowings	(30)	356,515,477.70	530,063,719.49
Lease liabilities	(31)	15,227,613.13	21,710,718.02
Deferred income	(32)	22,293,436.31	14,682,715.04
Deferred income tax liabilities	(20)	3,870,809.57	3,870,791.48
Total non-current liabilities		397,907,336.71	570,327,944.03
Total liabilities		2,425,161,836.52	2,449,649,077.25
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	(33)	81,906,040.00	81,906,040.00
Capital reserve	(34)	1,812,723,083.31	1,782,726,457.49
Other comprehensive income	(35)	16,330,617.01	16,123,727.63
Surplus reserve	(36)	40,953,020.00	40,953,020.00
Undistributed profit	(37)	3,647,452,851.91	3,381,266,932.48
Total owners' equity attributable to the parent company (or shareholders' equity)		5,599,365,612.23	5,302,976,177.60
Minority interest		641,306,622.73	658,725,631.54
Total owners' equity (or shareholders' equity)		6,240,672,234.96	5,961,701,809.14
Total liabilities and owners' equity (or shareholders' equity)		8,665,834,071.48	8,411,350,886.39

Balance Sheet of the Parent Company (Unaudited)

30 June 2024

Item	Note	RMB	
		30 June 2024 (unaudited)	31 December 2023 (audited)
Current assets:			
Cash at bank and on hand		593,025,948.79	717,310,460.37
Financial assets held for trading		140,423,111.11	30,213,750.00
Notes receivable		121,426,668.91	382,505,361.75
Accounts receivable	(68)1	1,388,867,627.19	915,611,576.16
Receivable financing		157,534,222.38	122,477,874.90
Prepayments		122,469,262.03	109,889,821.02
Other receivables	(68)2	3,843,327.08	7,796,801.03
Inventories		3,243,174,243.29	3,199,864,157.44
Other current assets		35,492,144.03	65,445,534.03
Total current assets		5,806,256,554.81	5,551,115,336.70
Non-current assets:			
Long-term equity investments	(68)3	130,818,483.26	132,759,364.48
Investment in other equity instruments		24,919,218.92	24,919,218.92
Fixed assets		710,348,661.90	701,363,748.06
Construction in progress		7,879,892.81	44,512,201.05
Right-of-use assets		11,162,795.90	14,603,824.06
Intangible assets		210,246,780.33	145,685,657.34
Development costs		443,235,136.00	456,108,580.08
Long-term prepaid expenses		38,248,761.62	42,074,476.14
Other non-current assets		76,976,751.54	89,934,412.54
Total non-current assets		1,653,836,482.28	1,651,961,482.67
Total assets		7,460,093,037.09	7,203,076,819.37
Current liabilities:			
Short-term borrowings		904,872,039.08	893,860,090.54
Accounts payable		296,477,543.84	266,940,953.56
Contract liabilities		86,186,997.70	54,999,960.89
Employee benefits payables		155,913,551.94	237,982,894.09
Taxes payables		17,857,838.10	13,069,716.06
Other payables		53,599,382.22	57,067,183.98
Non-current liabilities due within one year		254,955,609.63	62,287,031.73
Other current liabilities		92,208,317.70	144,602,332.93
Total current liabilities		1,862,071,280.21	1,730,810,163.78

Balance Sheet of the Parent Company (Unaudited)

30 June 2024

Item	Note	RMB	
		30 June 2024 (unaudited)	31 December 2023 (audited)
Non-current liabilities:			
Long-term borrowings		356,515,477.70	530,063,719.49
Lease liabilities		4,651,187.99	8,299,474.53
Deferred income		12,369,196.34	3,905,302.43
Deferred tax liabilities		3,868,253.69	3,868,253.69
Total non-current liabilities		377,404,115.72	546,136,750.14
Total liabilities		2,239,475,395.93	2,276,946,913.92
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)		81,906,040.00	81,906,040.00
Capital reserve		1,620,524,891.06	1,590,711,665.24
Other comprehensive income		12,551,863.83	12,551,863.83
Surplus reserve		40,953,020.00	40,953,020.00
Undistributed profit		3,464,681,826.27	3,200,007,316.38
Total owners' equity (or shareholders' equity)		5,220,617,641.16	4,926,129,905.45
Total liabilities and owners' equity (or shareholders' equity)		7,460,093,037.09	7,203,076,819.37

Consolidated Income Statement (Unaudited)

For the half-year ended 30 June 2024

Item	Note	RMB	
		Half-year ended 30 June 2024 (unaudited)	2023 (unaudited)
Total Revenue	(38)	1,794,095,311.26	1,796,229,282.46
Including: Revenue		1,794,095,311.26	1,796,229,282.46
Total cost of sales		1,535,418,500.77	1,311,295,313.34
Including: Cost of sales	(38)	780,619,386.93	590,907,243.07
Business taxes and surcharges	(39)	4,625,993.78	4,386,875.58
Selling expenses	(40)	120,356,300.26	122,234,659.43
Administrative expenses	(41)	70,938,744.49	74,025,934.77
Research and development expenses	(42)	540,299,186.90	527,603,643.01
Finance expenses	(43)	18,578,888.41	(7,863,042.52)
Including: Interest expenses		21,459,686.35	7,602,536.08
Interest income		8,149,763.40	8,533,982.05
Add: Other income	(44)	103,667,742.69	47,082,873.71
Investment (loss)/income	(45)	(951,694.96)	1,292,302.72
Including: Investment losses from associates and joint venture		(2,023,462.08)	(2,408,697.28)
Gains/(Losses) from changes in fair value	(46)	209,361.11	(1,651,438.35)
Credit impairment losses	(47)	(15,026,452.41)	(13,438,831.17)
Assets impairment losses	(48)	(2,945,369.09)	(52,048,533.60)
Gains on disposal of assets	(49)	925,633.09	369,250.51
Operating profits		344,556,030.92	466,539,592.94
Add: Non-operating income	(50)	51,200.92	0.41
Less: Non-operating expenses	(51)	500,000.00	–
Total profits		344,107,231.84	466,539,593.35
Less: Income tax expenses	(52)	4,422,997.41	2,542,186.23
Net profits		339,684,234.43	463,997,407.12

Consolidated Income Statement (Unaudited)

For the half-year ended 30 June 2024

Item	Note	RMB	
		Half-year ended 30 June 2024 (unaudited)	2023 (unaudited)
Net profits attributable to shareholders of the parent company		348,091,959.43	449,270,770.72
Gains or losses of minority interests		(8,407,725.00)	14,726,636.40
Net other comprehensive income after tax		206,889.38	1,877,043.60
Net other comprehensive income after tax attributable to owners of the parent company		206,889.38	1,877,043.60
Other comprehensive income that will be reclassified to profit or loss		206,889.38	1,877,043.60
Other comprehensive income can be classified as profit or loss under the equity method		–	326,243.37
Exchange differences arising from translation of foreign currency denominated financial statements		206,889.38	1,550,800.23
Total comprehensive income		339,891,123.81	465,874,450.72
Total comprehensive income attributable to owners of the parent company		348,298,848.81	451,147,814.32
Total comprehensive income attributable to minority interests		(8,407,725.00)	14,726,636.40
Earnings per share:			
Basic earnings per share (RMB/share)		0.42	0.55
Diluted earnings per share (RMB/share)		0.42	0.55

Income Statement of the Parent Company (Unaudited)

For the half-year ended 30 June 2024

Item	Note	RMB	
		Half-year ended 30 June 2024 (unaudited)	2023 (unaudited)
Revenue	(68)4	1,719,083,335.60	1,685,223,765.99
Less: Cost of sales	(68)4	766,486,595.58	564,367,325.01
Business taxes and surcharges		4,491,573.07	4,011,808.44
Selling expenses		113,323,162.73	118,414,239.10
Administrative expenses		43,422,770.77	47,416,156.94
Research and development expenses		495,054,446.37	490,876,257.27
Finance costs		19,560,909.56	(5,390,416.00)
Including: Interest expenses		20,942,914.05	6,696,154.77
Interest income		6,915,936.24	6,041,127.86
Add: Other income		89,040,825.51	33,038,922.24
Investment income	(68)4	5,353,993.86	731,782.91
Including: Investment losses from associates and joint venture		(1,940,881.22)	(2,127,370.52)
Gains/(Losses) from changes in fair value		209,361.11	(1,651,438.35)
Credit impairment losses		(15,099,489.72)	(13,550,996.68)
Assets impairment losses		(2,945,369.09)	(50,010,745.57)
Gains on disposal of assets		925,633.09	422,330.15
Operating profits		354,228,832.28	434,508,249.93
Less: Non-operating expenses		500,000.00	–
Total profits		353,728,832.28	434,508,249.93
Less: Income tax expenses		7,148,282.39	–
Net profits		346,580,549.89	434,508,249.93
Net other comprehensive income after tax		–	–
Total comprehensive income		346,580,549.89	434,508,249.93

Consolidated Cash Flows Statement (Unaudited)

For the half-year ended 30 June 2024

Item	Note	RMB	
		Half-year ended 30 June 2024 (unaudited)	2023 (unaudited)
Cash flow generated from operating activities:			
Cash received from sale of goods and rendering of services		1,603,297,345.80	1,289,225,761.05
Receipts of taxes and surcharges refunds		16,296,115.78	23,622,238.59
Cash received relating to other operating activities	(53)	43,035,028.70	62,049,125.61
Sub-total of cash inflow from operating activities		1,662,628,490.28	1,374,897,125.25
Cash paid for purchase of goods and services received		746,651,031.68	1,769,894,205.02
Cash paid to and on behalf of employees		640,302,150.28	507,826,611.09
Payments of taxes and surcharges		31,379,158.54	37,760,861.04
Cash paid relating to other operating activities	(53)	117,166,965.93	149,854,635.01
Sub-total of cash outflow from operating activities		1,535,499,306.43	2,465,336,312.16
Net cash flow generated from operating activities		127,129,183.85	(1,090,439,186.91)
Net cash flow generated from investing activities			
Cash received from disposal of investments		279,589,259.02	41,988,303.44
Cash received from return on investments		506,808.22	3,701,000.00
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets		62,470.00	247,349.85
Cash received relating to other investing activities	(53)	792,458.92	2,821,201.61
Sub-total of cash inflow from investing activities		280,950,996.16	48,757,854.90
Cash paid to acquire fixed assets, intangible assets and other long-term assets		195,566,029.33	356,171,193.91
Cash payments for investments		410,000,000.00	–
Sub-total of cash outflow from investing activities		605,566,029.33	356,171,193.91
Net cash flow generated from investing activities		(324,615,033.17)	(307,413,339.01)

Consolidated Cash Flows Statement (Unaudited)

For the half-year ended 30 June 2024

Item	Note	RMB	
		Half-year ended 30 June 2024 (unaudited)	2023 (unaudited)
Cash flow generated from financing activities:			
Cash proceeds from investments by others		14,541,402.41	–
Cash received from borrowings		798,089,293.68	1,065,776,042.57
Sub-total of cash inflow from financing activities		812,630,696.09	1,065,776,042.57
Cash repayments of borrowings		722,163,886.93	35,539,018.20
Cash paid for distribution of dividends, profit or interest expenses		84,601,611.63	6,301,911.31
Cash paid relating to other financing activities	(54)	13,396,103.76	9,084,223.33
Sub-total of cash outflow from financing activities		820,161,602.32	50,925,152.84
Net cash flow generated from financing activities		(7,530,906.23)	1,014,850,889.73
Effect of changes in foreign exchange rate on cash and cash equivalents		(5,585,878.82)	(1,486,615.28)
Net decrease in cash and cash equivalents		(210,602,634.37)	(384,488,251.47)
Add: Balance of cash and cash equivalents at the beginning of the period		992,924,996.96	1,120,286,945.68
Balance of cash and cash equivalents at the end of the period		782,322,362.59	735,798,694.21

Cash Flows Statement of the Parent Company (Unaudited)

For the half-year ended 30 June 2024

Item	RMB	
	Half-year ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
Cash flow generated from operating activities:		
Cash received from sale of goods and rendering of services	1,496,280,769.87	1,175,587,119.49
Receipts of taxes and surcharges refunds	13,865,382.28	17,522,741.52
Cash received relating to other operating activities	16,411,468.28	50,721,324.72
Sub-total of cash inflow from operating activities	1,526,557,620.43	1,243,831,185.73
Cash paid for purchase of goods and services received	801,881,062.36	1,828,701,537.87
Cash paid to and on behalf of employees	552,483,991.35	438,480,450.58
Payments of taxes and surcharges	28,551,594.21	31,780,036.01
Cash paid relating to other operating activities	96,644,301.01	131,668,069.45
Sub-total of cash outflow from operating activities	1,479,560,948.93	2,430,630,093.91
Net cash flow generated from operating activities	46,996,671.50	(1,186,798,908.18)
Cash flow generated from investing activities:		
Cash received from disposal of investments	139,559,335.60	65,854,835.11
Cash received from return on investments	6,729,916.18	2,859,153.43
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets	62,470.00	226,136.68
Cash received relating to other investing activities	792,458.92	2,821,201.61
Sub-total of cash inflow from investing activities	147,144,180.70	71,761,326.83
Cash paid to acquire fixed assets, intangible assets and other long-term assets	56,393,390.77	102,055,334.34
Cash payments for investments	270,000,000.00	–
Sub-total of cash outflow from investing activities	326,393,390.77	102,055,334.34
Net cash flow generated from investing activities	(179,249,210.07)	(30,294,007.51)

Cash Flows Statement of the Parent Company (Unaudited)

For the half-year ended 30 June 2024

Item	RMB	
	Half-year ended 30 June 2024 (unaudited)	2023 (unaudited)
Cash flow generated from financing activities:		
Cash received from borrowings	798,089,293.68	1,065,776,042.57
Sub-total of cash inflow from financing activities	798,089,293.68	1,065,776,042.57
Cash repayments of borrowings	722,163,886.93	35,539,018.20
Cash paid for distribution of dividends, profit or interest expenses	75,590,327.82	6,301,911.31
Cash paid relating to other financing activities	7,157,634.51	3,383,901.17
Sub-total of cash outflow from financing activities	804,911,849.26	45,224,830.68
Net cash flow generated from financing activities	(6,822,555.58)	1,020,551,211.89
Effect of changes in foreign exchange rate on cash and cash equivalents	(5,783,361.87)	(2,433,519.30)
Net decrease in cash and cash equivalents	(144,858,456.02)	(198,975,223.10)
Add: Balance of cash and cash equivalents at the beginning of the period	707,197,960.37	610,191,812.67
Balance of cash and cash equivalents at the end of the period	562,339,504.35	411,216,589.57

Consolidated Statement of Changes in Owners' Equity (Unaudited)

For the half-year ended 30 June 2024

Item	Owners' equity attributable to the Parent Company						Minority interest	RMB
	Paid-in capital (or share capital)	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profit	Subtotal		Total owners' equity
At 31 December 2023 and at								
1 January 2024	81,906,040.00	1,782,726,457.49	16,123,727.63	40,953,020.00	3,381,266,932.48	5,302,976,177.60	658,725,631.54	5,961,701,809.14
Increase/decrease in the current period	-	29,996,625.82	206,889.38	-	266,185,919.43	296,389,434.63	(17,419,008.81)	278,970,425.82
Total comprehensive income	-	-	206,889.38	-	348,091,959.43	348,298,848.81	(8,407,725.00)	339,891,123.81
Capital contribution and withdrawal								
by owners	-	29,996,625.82	-	-	-	29,996,625.82	(9,011,283.81)	20,985,342.01
Amount of share-based payment included								
in owners' equity	-	29,996,625.82	-	-	-	29,996,625.82	(9,011,283.81)	20,985,342.01
Profit distribution to owners (or shareholders)	-	-	-	-	(81,906,040.00)	(81,906,040.00)	-	(81,906,040.00)
At 30 June 2024	81,906,040.00	1,812,723,083.31	16,330,617.01	40,953,020.00	3,647,452,851.91	5,599,365,612.23	641,306,622.73	6,240,672,234.96

For the half-year ended 30 June 2023

Item	Owners' equity attributable to the Parent Company						Minority interest	RMB
	Paid-in capital (or share capital)	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profit	Subtotal		Total owners' equity
At 31 December 2022 and at								
1 January 2023	81,665,650.00	1,622,905,978.93	13,684,518.28	40,832,825.00	2,772,141,379.40	4,531,230,351.61	621,939,026.34	5,153,169,377.95
Increase/decrease in the current period	-	59,393,977.32	1,877,043.60	-	339,022,143.22	400,293,164.14	14,726,636.40	415,019,800.54
Total comprehensive income	-	-	1,877,043.60	-	449,270,770.72	451,147,814.32	14,726,636.40	465,874,450.72
Capital contribution and withdrawal								
by owners	-	59,393,977.32	-	-	-	59,393,977.32	-	59,393,977.32
Amount of share-based payment included								
in owners' equity	-	59,393,977.32	-	-	-	59,393,977.32	-	59,393,977.32
Profit distribution to owners (or shareholders)	-	-	-	-	(110,248,627.50)	(110,248,627.50)	-	(110,248,627.50)
At 30 June 2023	81,665,650.00	1,682,299,956.25	15,561,561.88	40,832,825.00	3,111,163,522.62	4,931,523,515.75	636,665,662.74	5,568,189,178.49

Statement of Changes in Owners' Equity of the Parent Company (Unaudited)

For the half-year ended 30 June 2024

Item						RMB
	Paid-in capital (or share capital)	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profit	Total owners' equity
At 31 December 2023 and at 1 January 2024	81,906,040.00	1,590,711,665.24	12,551,863.83	40,953,020.00	3,200,007,316.38	4,926,129,905.45
Increase/decrease in the current period	-	29,813,225.82	-	-	264,674,509.89	294,487,735.71
Total comprehensive income	-	-	-	-	346,580,549.89	346,580,549.89
Capital contribution and withdrawal by owners	-	29,813,225.82	-	-	-	29,813,225.82
Amount of share-based payment included in owners' equity	-	29,813,225.82	-	-	-	29,813,225.82
Profit distribution to owners (or shareholders)	-	-	-	-	(81,906,040.00)	(81,906,040.00)
At 30 June 2024	81,906,040.00	1,620,524,891.06	12,551,863.83	40,953,020.00	3,464,681,826.27	5,220,617,641.16

For the half-year ended 30 June 2023

Item						RMB
	Paid-in capital (or share capital)	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profit	Total owners' equity
At 31 December 2022 and at 1 January 2023	81,665,650.00	1,436,433,553.18	14,898,539.22	40,832,825.00	2,585,585,605.81	4,159,416,173.21
Increase/decrease in the current period	-	59,393,977.32	-	-	324,259,622.43	383,653,599.75
Total comprehensive income	-	-	-	-	434,508,249.93	434,508,249.93
Capital contribution and withdrawal by owners	-	59,393,977.32	-	-	-	59,393,977.32
Amount of share-based payment included in owners' equity	-	59,393,977.32	-	-	-	59,393,977.32
Profit distribution to owners (or shareholders)	-	-	-	-	(110,248,627.50)	(110,248,627.50)
At 30 June 2023	81,665,650.00	1,495,827,530.50	14,898,539.22	40,832,825.00	2,909,845,228.24	4,543,069,772.96

Notes to Financial Statements

For the half-year ended 30 June 2024

(1) BASIC INFORMATION ON THE COMPANY

Company overview

Shanghai Fudan Microelectronics Group Company Limited (the “Company”) established on 10 July 1998 is a joint stock limited liability company incorporated in Shanghai, the People’s Republic of China. The RMB ordinary shares (A Shares and H Shares) issued by the Company are listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited, respectively. The registered address of the Company is No. 220, Handan Road, Shanghai.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) include the design, development and sale of integrated circuit products; and integrated circuit product testing services.

The financial statements have been approved by resolution of the board of directors of the Company on 28 August 2024.

The scope of consolidation in the consolidated financial statements is determined on the basis of control.

(2) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The financial statements have been prepared in accordance with the “Accounting Standards for Business Enterprises – Basic Standards” promulgated by the Ministry of Finance and the specific accounting standards, application guidelines, interpretations and other relevant regulations subsequently announced and revised (collectively “Accounting Standards for Business Enterprises” or “ASBEs”).

The financial statements are presented on a going concern basis.

Except for certain financial instruments, the financial statements have been prepared under the pricing principle of historical cost. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant regulations.

Going concern

There is no event or circumstance of the Company which casts material doubts to the going concern abilities for the 12 months from the end of the Reporting Period.

Notes to Financial Statements

For the half-year ended 30 June 2024

(3) PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group has 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, impairment of inventories, depreciation of fixed assets, amortization of intangible assets, eligibility of the development costs for capitalisation and recognition and measurement of revenue.

1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company are in accordance with the requirements of the ASBEs, and gives a true and complete view on information including the financial position, the operating results, changes in owners' equity and cash flows of the Company. The unaudited interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with the ASBEs.

2. Accounting period

The Company adopts the Gregorian calendar year as its accounting year, commencing from 1 January to 31 December.

3. Functional currency

The functional currency of the Company is Renminbi.

4. Principal Accounting Policies

The accounting policies used in the preparation of the unaudited interim financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2023. The unaudited interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with the ASBEs.

5. Tax

1. Main types of taxes and corresponding tax rates

Tax type	Tax basis	Tax rate
Value-added tax ("VAT")	VAT payable is the difference between VAT output and deductible VAT input for the current period	13%,6%
Urban maintenance and construction tax	VAT actually paid	7%
Corporate income tax ("CIT")	Taxable profit	29.84%, 25%, 16.5% or 15%
Property tax	It is paid at 1.2% of the original value of the property after deducting 30% or 10%.	1.2%

Notes to Financial Statements

For the half-year ended 30 June 2024

(3) PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

5. Tax (Continued)

1. Main types of taxes and corresponding tax rates (Continued)

Different companies with different CIT rates, disclosed as follows:

Name of taxpayer	Income tax rate (%)
The Company	15%
Sino IC Technology Co., Ltd.	15%
Shanghai Fudan Microelectronics (Hong Kong) Limited	In accordance with the Inland Revenue (Amendment) (No.3) Ordinance 2018, under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019, the first Hong Kong Dollar (“HK\$”) 2,000,000 of assessable profits of a qualifying entity is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.
Fudan Microelectronics (USA) Inc.	Subject to US federal corporate income tax rate of 21% and 8.84% in accordance with local laws

All other PRC entities under the Group are subject to corporate income tax at a rate of 25%.

2. Tax preferential benefits

- (a) According to “Corporate Income Tax Law of the People’s Republic of China”, the preferential income tax rate of 15% is applicable to high-new technology enterprises. The Company and Sino IC obtained the high-tech enterprise certificates No. GR202331003224 and GR202331002511 respectively in 2023, which are valid for three years. Accordingly, the Company and Sino IC pay corporate income tax at a reduced rate of 15% for the year 2023.
- (b) Pursuant to the document “Announcement on Enterprise Income Tax Policy for Promoting High Quality Development of Integrated Circuit Industry and Software Industry” (Announcement No. 45 of 2020 of the Development and Reform Commission of the Ministry of Industry and Information Technology of the Ministry of Finance), which released by the Ministry of Finance, the General Administration of Taxation, the Development and Reform Commission, and the Ministry of Industry and Information Technology, key IC design enterprises and software enterprises encouraged by the Country are exempted from enterprise income tax for the first year to the fifth year from the year of profitability and the tax rate is reduced to 10% for the succeeding years. The Company is eligible for the preferential enterprise income tax rate and is subject to an enterprise income tax rate of 10%.
- (c) In accordance with the requirements under the Circular of the Ministry of Finance and the State Administration of Taxation on the Value-added Tax Policy of Software Products (Cai Shui [2011] No. 100), the Company is entitled to the policies of recovery upon payment of VAT for software products.

Notes to Financial Statements

For the half-year ended 30 June 2024

(4) CASH AT BANK AND ON HAND

Item	30 June 2024	31 December 2023
Cash on hand	13,249.66	20,211.41
Deposits with banks	812,995,557.37	1,003,017,285.55
Other currency funds	–	300,000.00
Total	813,008,807.03	1,003,337,496.96
Including: Total overseas deposits	50,720,898.75	32,983,826.23

Note: As at 30 June 2024, the Group's non-cash and cash equivalent time deposits and accrued interest on time deposits are RMB30,686,444.44. Bank current deposits generate interest income at the interest rate of bank current deposits. The term of short-term time deposits ranges from 7 days to 12 months which depending on the cash needs of the Group, and interest income is obtained at the corresponding bank time deposit rates.

(5) FINANCIAL ASSETS HELD FOR TRADING

Item	30 June 2024	31 December 2023
Financial assets at fair value through current profit or loss	140,423,111.11	30,213,750.00
– debt instrument investments	140,423,111.11	30,213,750.00

(6) NOTES RECEIVABLE

1. Notes receivable by category

Item	30 June 2024	31 December 2023
Bank acceptance notes	36,949,252.60	22,231,659.30
Commercial acceptance notes	91,440,698.94	368,714,544.65
Total	128,389,951.54	390,946,203.95

Note: As at 30 June 2024, the Group had no discounted bank acceptance notes and discounted commercial acceptance notes, the Group had endorsed bank acceptance notes of RMB100,000.00; the Group had endorsed commercial acceptance notes of RMB8,951,460.00.

Notes to Financial Statements

For the half-year ended 30 June 2024

(6) NOTES RECEIVABLE (Continued)

2. Disclosure under the methods of provision for bad debts by category

Category	30 June 2024					31 December 2023					RMB
	Book balance		Provision for bad and doubtful debts			Book balance		Provision for bad and doubtful debts			
	Percentage		Percentage of		Carrying	Percentage		Percentage of		Carrying	
	Amount	(%)	Amount	provision (%)	amounts	Amount	(%)	Amount	provision (%)	amounts	
Bad debt provision made on individual basis											
Of which:											
Bank acceptance notes portfolio	36,949,252.60	28.34	-	-	36,949,252.60	22,231,659.30	5.58	-	-	22,231,659.30	
Commercial acceptance notes portfolio	93,446,459.72	71.66	2,005,760.78	2.15	91,440,698.94	376,305,047.42	94.42	7,590,502.77	2.06	368,714,544.65	
Total	130,395,712.32	/	2,005,760.78	/	128,389,951.54	398,536,706.72	/	7,590,502.77	/	390,946,203.95	

3. Provision for bad debts

Category	At 31 December 2023 and at 1 January 2024		Change during the period Provision	30 June 2024	RMB
Commercial acceptance notes	7,590,502.77	(5,584,741.99)		2,005,760.78	
Total	7,590,502.77	(5,584,741.99)		2,005,760.78	

Notes to Financial Statements

For the half-year ended 30 June 2024

(7) ACCOUNTS RECEIVABLE

1. An ageing analysis based on the invoice date is as follows:

Ageing	RMB	
	30 June 2024	31 December 2023
Within 1 year	1,118,901,620.26	775,315,910.07
1 to 2 years	299,443,785.02	159,934,313.88
2 to 3 years	23,264,186.53	12,708,380.25
3 to 4 years	1,057,899.65	1,850,998.95
4 to 5 years	1,335,426.36	707,935.67
Over 5 years	3,138,378.58	2,915,437.53
Total	1,447,141,296.40	953,432,976.35

2. Disclosure under the methods of provision for bad debts by category

Category	30 June 2024					31 December 2023					RMB
	Book balance		Provision for bad and doubtful debts			Book balance		Provision for bad and doubtful debts			Carrying amounts
	Percentage		Percentage of		Percentage		Percentage of				
	Amount	(%)	Amount	provision (%)	Amount	(%)	Amount	provision (%)			
Bad debt allowance is provided by portfolio of credit risk characteristics	1,447,141,296.40	100.00	44,424,861.21	3.07	1,402,716,435.19	953,432,976.35	100.00	23,813,666.81	2.50	929,619,309.54	
Highly Reliable Product Sales Portfolio	1,233,658,845.55	85.25	32,099,316.26	2.60	1,201,559,529.29	765,073,292.23	80.25	17,308,068.45	2.26	747,765,223.78	
Industrial Sales Portfolio	168,953,205.22	11.67	11,084,929.18	6.56	157,868,276.04	144,571,248.29	15.16	5,191,945.28	3.59	139,379,303.01	
Testing Services Portfolio	44,529,245.63	3.08	1,240,615.77	2.79	43,288,629.86	43,788,435.83	4.59	1,313,653.08	3.00	42,474,782.75	
Total	1,447,141,296.40	/	44,424,861.21	/	1,402,716,435.19	953,432,976.35	/	23,813,666.81	/	929,619,309.54	

Notes to Financial Statements

For the half-year ended 30 June 2024

(7) ACCOUNTS RECEIVABLE (Continued)

3. Provision for bad debts

Category	At		Change during the period		RMB 30 June 2024
	31 December 2023 and at 1 January 2024	Provision	Recovery or reversal	Write-off or cancellation	
Bad debt provision	23,813,666.81	20,611,194.40	–	–	44,424,861.21
Total	23,813,666.81	20,611,194.40	–	–	44,424,861.21

4. Five largest accounts receivable by debtors at the end of the period

Entity name	Book balance	Percentage of balance of accounts receivable (%)	Provision for bad debts	RMB
First	156,006,421.90	10.78	3,529,916.19	
Second	154,818,840.00	10.70	–	
Third	92,468,560.00	6.39	3,784,430.00	
Forth	73,193,010.00	5.06	1,003,014.00	
Fifth	64,888,900.00	4.48	4,319,742.00	
Total	541,375,731.90	37.41	12,637,102.19	

(8) RECEIVABLES FINANCING

Item	30 June 2024	31 December 2023	RMB
Bank acceptance notes	175,062,697.29	156,656,371.19	
Total	175,062,697.29	156,656,371.19	

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

Item	30 June 2024	
	Termination of confirmation	Non-termination confirmation
Bank acceptance notes	40,157,201.96	–

Notes to Financial Statements

For the half-year ended 30 June 2024

(9) PREPAYMENTS

1. Prepayments by ageing

Ageing	30 June 2024		31 December 2023		RMB
	Amount	Percentage (%)	Amount	Percentage (%)	
Within 1 year	88,872,137.96	72.00	102,405,656.15	92.52	
1 to 2 years	34,427,389.21	27.89	8,276,385.19	7.48	
2 to 3 years	139,865.82	0.11	–	–	
Total	123,439,392.99	100.00	110,682,041.34	100.00	

2. Five largest prepayments by debtor at the end of the period

Entity name	Book balance	Percentage of balance of prepayments (%)	RMB
First	49,618,622.53	40.20	
Second	27,391,074.50	22.19	
Third	12,661,843.47	10.26	
Forth	8,783,057.00	7.12	
Fifth	4,452,000.00	3.61	
Total	102,906,597.50	83.37	

(10) OTHER RECEIVABLES

Item	30 June 2024	31 December 2023	RMB
Other receivables	5,521,083.48	23,871,720.59	
Total	5,521,083.48	23,871,720.59	

Notes to Financial Statements

For the half-year ended 30 June 2024

(10) OTHER RECEIVABLES (Continued)

Other receivables

1. By ageing

Ageing	30 June 2024	31 December 2023
Within 1 year	3,196,577.97	7,330,670.95
1 to 2 years	86,324.84	606,447.88
2 to 3 years	192,625.50	14,063,186.62
Over 3 years	2,045,555.17	1,871,415.14
Total	5,521,083.48	23,871,720.59

2. By nature

Nature	30 June 2024	31 December 2023
Deposit guarantee	4,138,875.16	17,913,309.84
Payment on behalf	521,197.00	233,429.83
Reserve fund	69,000.00	54,000.00
Others	792,011.32	5,670,980.92
Total	5,521,083.48	23,871,720.59

3. Five largest other receivables by debtor at the end of the period

Entity name	Nature of the receivable	30 June 2024	Ageing	Percentage of total other receivables at the end of the period (%)
First	Payments on behalf	1,343,698.02	Within 1 year	24.34
Second	Security deposits	737,117.50	2-3 years, over 3 years	13.35
Third	Receivable – equipments	455,515.99	Within 1 year	8.25
Forth	Security deposits	350,518.62	Within 1 year, over 3 years	6.35
Fifth	Security deposits	243,725.39	over 3 years	4.41
Total		3,130,575.52		56.70

Notes to Financial Statements

For the half-year ended 30 June 2024

(11) INVENTORIES

1. Inventories by category

Item	30 June 2024			31 December 2023			RMB
	Book balance	Provision for impairment of inventory/contract performance cost	Carrying amounts	Book balance	Provision for impairment of inventory/contract performance cost	Carrying amounts	
Raw materials	1,227,325,261.78	33,935,281.99	1,193,389,979.79	1,241,540,354.30	32,442,666.58	1,209,097,687.72	
Work-in-progress	1,067,277,507.90	91,632,111.66	975,645,396.24	1,164,562,548.46	124,086,341.03	1,040,476,207.43	
Finished goods	1,199,301,957.09	145,980,338.38	1,053,321,618.71	1,050,375,438.76	130,145,619.45	920,229,819.31	
Contract performance costs	9,386,014.28	-	9,386,014.28	7,566,922.12	-	7,566,922.12	
Total	3,503,290,741.05	271,547,732.03	3,231,743,009.02	3,464,045,263.64	286,674,627.06	3,177,370,636.58	

As at 30 June 2024, the Group did not have inventories used for pledge or guarantee purposes (31 December 2023: Nil).

2. Provision for impairment of inventory and contract performance cost

Item	At 31 December 2023 and at 1 January 2024		Increase during the period		Decrease during the period	30 June 2024	RMB
	At 31 December 2023	at 1 January 2024	Provision	Others	Write-back or write-off		
Raw materials	32,442,666.58	1,492,615.41	-	-	-	33,935,281.99	
Work-in-progress	124,086,341.03	(25,123,339.25)	-	7,330,890.12	-	91,632,111.66	
Finished goods	130,145,619.45	26,398,717.33	1,811.46	10,565,809.86	-	145,980,338.38	
Total	286,674,627.06	2,767,993.49	-	17,896,699.98	-	271,547,732.03	

Notes to Financial Statements

For the half-year ended 30 June 2024

(11) INVENTORIES *(Continued)*

2. Provision for impairment of inventory and contract performance cost *(Continued)*

The circumstances leading to provision and write-back

	Basis for determining net realizable value	Reasons for provision or write-back
Raw materials	The estimated selling price of the products minus the estimated costs to be incurred to complete, the estimated selling expenses and related taxes	Provision for decline in value of inventories when the cost of certain raw materials is higher than net realisable value
Work-in-progress	The estimated selling price of the products minus the estimated costs to be incurred to complete, the estimated selling expenses and related taxes	Reversal of provision for decline in value of inventories made in previous period due to price recovery of certain products
Finished goods	The estimated selling price of the finished goods minus the estimated selling expenses and related taxes	Provision of impairment of inventories due to the costs exceed net realizable value

(12) OTHER CURRENT ASSETS

Item	RMB	
	30 June 2024	31 December 2023
Amortized expenses	1,364,629.35	877,628.59
Input VAT to be deducted	59,311,381.35	90,408,645.29
Prepaid corporate income tax	31,500,913.71	19,352,576.08
Others	4,208,853.28	3,947,290.75
Total	96,385,777.69	114,586,140.71

Notes to Financial Statements

For the half-year ended 30 June 2024

(13) LONG-TERM EQUITY INVESTMENTS

Investee	At 31 December 2023 and at 1 January 2024	Increase or decrease during the period Investment		30 June 2024	Closing balance of provision for impairment
		profit or loss recognized with the equity method	Others		
Associates					
Shanghai Xihongqiao Navigation Technology Co., Ltd	3,407,879.21	(265,623.99)	–	3,142,255.22	–
Shanghai Fukong Hualong Microsystem Technology Co., Ltd.	37,433,857.31	(1,196,149.73)	–	36,237,707.58	24,933,174.46
Shanghai Fudan Sci-Tech. Park Venture Investment Co., Ltd	16,640,340.34	(322,181.39)	–	16,318,158.95	–
Shanghai Haojun Venture Capital Partnership (Limited Partnership)	9,374,154.95	(156,926.11)	–	9,217,228.84	–
Spear Innovations Oy Ltd.	596,630.47	(82,837.15)	(890.05)	512,903.27	–
Total	67,452,862.28	(2,023,718.37)	(890.05)	65,428,253.86	24,933,174.46

(14) INVESTMENTS IN OTHER EQUITY INSTRUMENTS

Investee	At 31 December 2023 and at 1 January 2024	Increase during the period Others	30 June 2024	RMB	
				Accumulated profit in other comprehensive income	Accumulated loss in other comprehensive income
Shanghai Fudan Communication Co., Ltd.	24,919,218.92	–	24,919,218.92	12,551,863.83	–
Shenglianke (Shanghai) Technology Co.	9,342,300.16	58,192.28	9,400,492.44	5,859,165.31	–
ScaleFlux, Inc	1,203,515.19	7,470.59	1,210,985.78	–	2,330,364.22
MuMec, Inc	–	–	–	–	326,243.37
Total	35,465,034.27	65,662.87	35,530,697.14	18,411,029.14	2,656,607.59

Notes to Financial Statements

For the half-year ended 30 June 2024

(15) FIXED ASSETS

Item	30 June 2024	31 December 2023
Fixed assets	1,095,385,871.93	1,115,454,318.00
Total	1,095,385,871.93	1,115,454,318.00

Fixed assets status

Item	Buildings and structures	Machinery and equipment	Motor vehicles	Electronics and other equipment	Total
Original book value					
31 December 2023	549,408,796.71	1,140,792,915.29	8,867,401.90	196,498,184.89	1,895,567,298.79
Increase during the period	–	26,755,727.52	–	46,231,586.58	72,987,314.10
Additions	–	2,832,160.27	–	45,424,048.14	48,256,208.41
Exchange realignment	–	–	–	846.63	846.63
Transfer from construction in progress	–	23,923,567.25	–	806,691.81	24,730,259.06
Decrease during the period	–	1,433,207.14	499,505.12	6,200.00	1,938,912.26
Disposal or written off	–	1,433,207.14	499,505.12	6,200.00	1,938,912.26
30 June 2024	549,408,796.71	1,166,115,435.67	8,367,896.78	242,723,571.47	1,966,615,700.63
Accumulated depreciation					
31 December 2023	55,822,048.67	672,753,260.59	6,609,404.84	44,928,266.69	780,112,980.79
Increase during the period	6,753,400.38	68,530,712.36	342,111.03	17,398,805.69	93,025,029.46
Provision	6,753,400.38	68,530,712.36	342,111.03	17,398,083.49	93,024,307.26
Exchange realignment	–	–	–	722.20	722.20
Decrease during the period	–	1,427,761.69	474,529.86	5,890.00	1,908,181.55
Disposal or written off	–	1,427,761.69	474,529.86	5,890.00	1,908,181.55
30 June 2024	62,575,449.05	739,856,211.26	6,476,986.01	62,321,182.38	871,229,828.70
Carrying amounts					
30 June 2024	486,833,347.66	426,259,224.41	1,890,910.77	180,402,389.09	1,095,385,871.93
31 December 2023	493,586,748.04	468,039,654.70	2,257,997.06	151,569,918.20	1,115,454,318.00

Notes to Financial Statements

For the half-year ended 30 June 2024

(16) CONSTRUCTION IN PROGRESS

Item	RMB	
	30 June 2024	31 December 2023
Construction in progress	545,818,044.95	480,656,568.13
Total	545,818,044.95	480,656,568.13

Construction in progress status

Item	RMB					
	30 June 2024			31 December 2023		
	Book balance	Provision for impairment	Carrying amounts	Book balance	Provision for impairment	Carrying amounts
Decorations	71,579,832.81	-	71,579,832.81	50,305,392.30	-	50,305,392.30
Buildings and leasehold improvement	318,191,859.32	-	318,191,859.32	318,191,859.32	-	318,191,859.32
Equipment to be commissioned	156,046,352.82	-	156,046,352.82	112,159,316.51	-	112,159,316.51
Total	545,818,044.95	-	545,818,044.95	480,656,568.13	-	480,656,568.13

Changes in the current period of important projects under construction

Item	RMB				
	At 31 December 2023 and at 1 January 2024	Increase during the period	Transferred to fixed assets during the period	Decrease during the period	30 June 2024
	IC Technology R&D and Industrial Application Base Project	352,480,011.50	46,762,206.98	51,405,393.51	894,099.01
Total	352,480,011.50	46,762,206.98	51,405,393.51	894,099.01	346,942,725.96

Note: The project investment is 78% of the budget and the sources of funding are self-financing and fund raised.

Notes to Financial Statements

For the half-year ended 30 June 2024

(17) RIGHT-OF-USE ASSETS

Item	RMB Buildings and structures
Original book value	
31 December 2023	86,973,499.29
Increase during the period	915,178.36
Exchange realignment	11,625.16
Lease	903,553.20
30 June 2024	87,888,677.65
Accumulated depreciation	
31 December 2023	53,114,080.86
Increase during the period	7,907,009.79
Provision	7,907,009.79
30 June 2024	61,021,090.65
Carrying amounts	
30 June 2024	26,867,587.00
31 December 2023	33,859,418.43

Notes to Financial Statements

For the half-year ended 30 June 2024

(18) INTANGIBLE ASSETS

Item	Software use right	Patent technologies	RMB Total
Original book value			
31 December 2023	133,952,451.67	630,656,079.01	764,608,530.68
Increase during the period	11,547,628.83	98,996,594.88	110,544,223.71
Additions	11,547,628.83	–	11,547,628.83
In-house research and development	–	98,863,002.88	98,863,002.88
Business combinations	–	133,592.00	133,592.00
Decrease during the period	47,600,033.34	–	47,600,033.34
Disposal	47,600,033.34	–	47,600,033.34
30 June 2024	97,900,047.16	729,652,673.89	827,552,721.05
Accumulated amortisation			
31 December 2023	76,776,358.81	436,687,730.78	513,464,089.59
Increase during the period	17,474,888.18	27,101,232.70	44,576,120.88
Provision	17,474,888.18	27,101,232.70	44,576,120.88
Decrease during the period	47,600,033.33	–	47,600,033.33
Disposal	47,600,033.33	–	47,600,033.33
30 June 2024	46,651,213.66	463,788,963.48	510,440,177.14
Provision for impairment			
31 December 2023	–	107,867,562.29	107,867,562.29
Increase during the period	–	177,375.60	177,375.60
Provision	–	177,375.60	177,375.60
30 June 2024	–	108,044,937.89	108,044,937.89
Carrying amounts			
30 June 2024	51,248,833.50	157,818,772.52	209,067,606.02
31 December 2023	57,176,092.86	86,100,785.94	143,276,878.80

At the end of the period, the intangible assets formed through in-house research and development of the Group accounted for 75.49% of the carrying amount of intangible assets.

Notes to Financial Statements

For the half-year ended 30 June 2024

(19) LONG-TERM PREPAID EXPENSES

Item	RMB			
	At 31 December 2023 and at 1 January 2024	Increase during the period	Amortised during the period	30 June 2024
Leasehold improvements of offices and factories	64,086,240.91	1,788,691.25	8,360,166.10	57,514,766.06
Total	64,086,240.91	1,788,691.25	8,360,166.10	57,514,766.06

(20) DEFERRED INCOME TAX ASSETS/DEFERRED INCOME TAX LIABILITIES

1. Deferred income tax assets before offsetting

Item	30 June 2024		31 December 2023	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	564,717.64	84,707.65	2,028,497.57	304,274.63
Deductible losses	20,541,404.66	3,081,210.70	–	–
Government grants	28,616,139.97	4,292,421.00	32,399,312.61	4,859,896.89
Accrued expenses	880,000.00	132,000.00	1,485,550.00	222,832.50
Lease liabilities	17,410,167.87	2,611,525.18	21,935,504.10	3,290,325.62
Share-based payment	13,148,000.00	1,972,200.00	12,964,600.00	1,944,690.00
Total	81,160,430.14	12,174,064.53	70,813,464.28	10,622,019.64

Notes to Financial Statements

For the half-year ended 30 June 2024

(20) DEFERRED INCOME TAX ASSETS/DEFERRED INCOME TAX LIABILITIES (Continued)

2. Deferred income tax liabilities before offsetting

Item	30 June 2024		31 December 2023	
	Taxable	Deferred	Taxable	Deferred
	temporary differences	income tax Liabilities	temporary differences	income tax Liabilities
Fair value change of other equity instrument investments	24,919,218.92	3,868,253.69	24,919,218.92	3,868,253.69
Depreciation of fixed assets	21,151,468.02	3,172,720.20	23,968,662.99	3,595,299.45
Difference of depreciation of fixed assets	15,490.18	2,555.88	15,380.55	2,537.79
Right-of-use assets	14,312,448.87	2,146,867.33	18,418,629.75	2,762,794.46
Unrealised profit of intra-group transaction	–	–	898,224.73	134,733.71
Total	60,398,625.99	9,190,397.10	68,220,116.94	10,363,619.10

3. Deferred income tax assets or liabilities presented at net amount after offsetting:

Item	30 June 2024		31 December 2023	
	Offset amount of deferred income tax assets and Liabilities	Remaining deferred income tax assets or liabilities after offset	Offset amount of deferred income tax assets and Liabilities	Remaining deferred income tax assets or liabilities after offset
	Deferred income tax assets	(5,319,587.53)	6,854,477.00	(6,492,827.62)
Deferred income tax liabilities	(5,319,587.53)	3,870,809.57	(6,492,827.62)	3,870,791.48

Notes to Financial Statements

For the half-year ended 30 June 2024

(20) DEFERRED INCOME TAX ASSETS/DEFERRED INCOME TAX LIABILITIES *(Continued)*

4. Details of unrecognised deferred income tax assets

Item	RMB	
	30 June 2024	31 December 2023
Deductible temporary differences	853,468,406.28	851,560,703.54
Deductible losses	35,060,885.85	23,806,921.41
Total	888,529,292.13	875,367,624.95

5. Deductible losses that are not recognized for deferred income tax assets will expire in the following years

Year	RMB	
	30 June 2024	31 December 2023
2024	2,593,017.71	208,183.96
2025	3,022,915.63	27,753.07
2026	2,185,126.52	873,924.24
2027	10,586,927.70	11,515,124.37
2028	16,672,898.29	11,181,935.77
Total	35,060,885.85	23,806,921.41

(21) OTHER NON-CURRENT ASSETS

Item	30 June 2024			31 December 2023		
	Book balance	Provision for impairment	Carrying amounts	Book balance	Provision for impairment	Carrying amounts
Prepayment of production capacity deposit	63,495,010.40	–	63,495,010.40	72,246,260.00	–	72,246,260.00
Prepaid equipment	22,836,877.87	–	22,836,877.87	23,900,356.69	–	23,900,356.69
Rental deposit	2,364,680.38	–	2,364,680.38	2,364,680.38	–	2,364,680.38
Total	88,696,568.65		88,696,568.65	98,511,297.07		98,511,297.07

Notes to Financial Statements

For the half-year ended 30 June 2024

(22) SHORT-TERM BORROWINGS

Item	30 June 2024	31 December 2023
Unsecured borrowings	904,872,039.08	850,898,390.54
Bill discounting	–	42,961,700.00
Total	904,872,039.08	893,860,090.54

As at 30 June 2024, annual interest rate for the above unsecured borrowings is ranged from 2.4% to 2.7% (31 December 2023: 2.5% to 3.1%). At 30 June 2024, according to the borrowings agreements, the above short-term borrowings were repayable within one year, and the Group had no short-term borrowings due but outstanding (31 December 2023: Nil).

(23) ACCOUNTS PAYABLE

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

Ageing	30 June 2024	31 December 2023
Within 1 year	255,159,727.35	209,303,850.23
1 to 2 years	8,007,971.96	17,542,109.49
Over 2 years	13,210,417.48	8,910,928.06
Total	276,378,116.79	235,756,887.78

Accounts payable are non-interest-bearing and are generally settled on terms of within 3 months. As at 30 June 2024, the Group had no significant accounts payable aged over 1 year (31 December 2023: Nil).

(24) CONTRACT LIABILITIES

Item	30 June 2024	31 December 2023
Contract payment in advance	90,455,355.71	57,567,549.49
Total	90,455,355.71	57,567,549.49

Notes to Financial Statements

For the half-year ended 30 June 2024

(25) EMPLOYEE BENEFITS PAYABLES

1. Employee benefits payable

Item	RMB			
	At 31 December 2023 and at 1 January 2024	Increase during the period	Decrease during the period	30 June 2024
Short-term employee benefits	244,089,798.57	498,883,357.87	592,128,092.24	150,845,064.20
Post-employment – Defined contribution plan	7,028,458.22	45,655,630.21	46,061,841.71	6,622,246.72
Total	251,118,256.79	544,538,988.08	638,189,933.95	157,467,310.92

2. Short-term employee benefits

Item	RMB			
	At 31 December 2023 and at 1 January 2024	Increase during the period	Decrease during the period	30 June 2024
Salary, bonus, allowances and subsidies	201,295,410.92	450,668,166.07	543,291,268.98	108,672,308.01
Employee welfare	–	1,296,458.71	1,296,458.71	–
Social insurance	3,928,526.70	27,334,334.93	27,944,566.79	3,318,294.84
Including:				
Medical insurance	3,551,707.66	25,638,924.88	26,241,572.98	2,949,059.56
Work injury insurance	267,358.93	1,647,683.61	1,652,897.72	262,144.82
Maternity insurance	109,460.11	47,726.44	50,096.09	107,090.46
Housing funds	2,837,537.22	19,375,121.23	19,297,250.82	2,915,407.63
Labour union funds and employee education funds	36,028,323.73	209,276.94	298,546.94	35,939,053.73
Total	244,089,798.57	498,883,357.87	592,128,092.24	150,845,064.20

3. Defined contribution plan

Item	RMB			
	31 December 2023 and 1 January 2024	Increase during the period	Decrease during the period	30 June 2024
Basic pensions	6,735,024.48	44,235,828.18	44,629,561.88	6,341,290.78
Unemployment insurance	293,433.74	1,419,802.03	1,432,279.83	280,955.94
Total	7,028,458.22	45,655,630.21	46,061,841.71	6,622,246.72

Notes to Financial Statements

For the half-year ended 30 June 2024

(26) TAXES PAYABLES

Item	30 June 2024	31 December 2023
VAT	1,155,548.62	1,165,400.78
CIT	175,434.66	359,435.08
Individual income tax	15,167,685.40	10,503,955.56
City maintenance and construction tax	200,170.78	69,234.74
Stamp duties	576,557.42	692,106.37
Property tax	1,139,619.61	1,139,619.61
Land-use tax	7,082.95	7,082.95
Total	18,422,099.44	13,936,835.09

(27) OTHER PAYABLES

Item	30 June 2024	31 December 2023
Dividend payable for ordinary shares	28,583,784.04	–
Other payables	170,044,899.86	182,230,721.48
Total	198,628,683.90	182,230,721.48

Other payables – others by nature of payment

Item	30 June 2024	31 December 2023
Payable equipment expenses	136,245,367.27	161,654,429.45
Collection and payment of behalf	3,410,632.37	7,192,378.24
Others	30,388,900.22	13,383,913.79
Total	170,044,899.86	182,230,721.48

(28) NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

Item	30 June 2024	31 December 2023
Current portion of long-term borrowings	249,240,000.00	55,240,000.00
Current portion of lease liabilities	14,657,928.87	17,100,225.85
Total	263,897,928.87	72,340,225.85

Notes to Financial Statements

For the half-year ended 30 June 2024

(29) OTHER CURRENT LIABILITIES

Item	30 June 2024	31 December 2023
Accrued expenses	33,989,905.72	10,176,481.41
Government grants	62,915,325.00	126,306,648.74
Output tax to be transferred	11,176,274.38	6,934,299.81
Endorsed bills receivable	9,051,460.00	29,093,136.24
Total	117,132,965.10	172,510,566.20

(30) LONG-TERM BORROWINGS

Item	30 June 2024	31 December 2023
Unsecured borrowings	605,755,477.70	585,303,719.49
Less: Long-term borrowings due within one year	249,240,000.00	55,240,000.00
Total	356,515,477.70	530,063,719.49

As at 30 June 2024, annual interest rate for the above unsecured borrowings is ranged from 2.50% to 2.88% (31 December 2023: 2.70% to 3.45%).

(31) LEASE LIABILITIES

Item	30 June 2024	31 December 2023
Lease liabilities	29,885,542.00	38,810,943.87
Less: Lease liabilities due within one year	(14,657,928.87)	(17,100,225.85)
Total	15,227,613.13	21,710,718.02

Notes to Financial Statements

For the half-year ended 30 June 2024

(32) DEFERRED INCOME

Deferred income status

Item				RMB
	At 31 December 2023 and at 1 January 2024	Increase during the period	Decrease during the period	30 June 2024
Government grants related to assets	12,715,403.57	13,838,007.81	4,259,975.08	22,293,436.31
Government grants related to revenue	1,967,311.47	1,380,472.52	3,347,783.99	–
Total	14,682,715.04	15,218,480.33	7,607,759.07	22,293,436.31

(33) PAID-IN CAPITAL (OR SHARE CAPITAL)

Item				RMB
	At 31 December 2023 and at 1 January 2024	change in the period		30 June 2024
Share capital	81,906,040.00	–		81,906,040.00

(34) CAPITAL RESERVE

Item				RMB
	At 31 December 2023 and at 1 January 2024	Increase during the period		30 June 2024
Capital premium (share capital premium)	1,457,421,588.18	–		1,457,421,588.18
Other capital reserve	325,304,869.31	29,996,625.82		355,301,495.13
Total	1,782,726,457.49	29,996,625.82		1,812,723,083.31

During the Reporting Period, the Company implements an employee incentive plan and recognises expenses and other capital surplus amounting to RMB29,996,625.82.

Notes to Financial Statements

For the half-year ended 30 June 2024

(35) OTHER COMPREHENSIVE INCOME

RMB

Item	At 31 December 2023 and at 1 January 2024	Amount before income tax in the period	Amount for the period Prior period included in other comprehensive income which transferred to profit or loss for the current period	Attributable to the parent company, after tax	30 June 2024
Changes in the fair value of other equity instrument investments	15,688,758.68	–	–	–	15,688,758.68
Differences on translation of foreign currency financial statements	434,968.95	206,889.38	–	206,889.38	641,858.33
Total other comprehensive income	16,123,727.63	206,889.38	–	206,889.38	16,330,617.01

(36) SURPLUS RESERVE

RMB

Item	30 June 2024	31 December 2023
Statutory surplus reserve	40,953,020.00	40,953,020.00
Total	40,953,020.00	40,953,020.00

According to the Company Law and the Articles of Association of the Company, the Company appropriates 10% of the net profit to the statutory surplus reserve. If the accumulated amount of statutory surplus reserve is more than 50% of the company's registered capital, it can no longer be withdrawn.

The Company can withdraw the discretionary surplus reserve after the withdrawn of statutory surplus reserve. Upon approval, the discretionary surplus reserve can be used to make up for losses in previous years or to increase share capital.

(37) UNDISTRIBUTED PROFIT

RMB

Item	Half-year ended 30 June 2024	Year ended 31 December 2023
Closing balance of undistributed profits for the prior period before adjustment	3,381,266,932.48	2,772,141,379.40
Opening balance of undistributed profits after adjustment	3,381,266,932.48	2,772,141,379.40
Add: net profits attributable to owners of the Parent Company for the period	348,091,959.43	719,494,375.58
Less: transfer statutory surplus reserve	–	120,195.00
Less: dividend payable for ordinary shares	81,906,040.00	–
Less: distributions to owners	–	110,248,627.50
Closing balance of undistributed profits	3,647,452,851.91	3,381,266,932.48

Notes to Financial Statements

For the half-year ended 30 June 2024

(38) REVENUE AND COST OF SALES

1. Revenue and Cost of sales

Item	Half-year ended 30 June				RMB
	2024		2023		
	Income	Cost	Income	Cost	
Principal businesses	1,792,572,236.62	780,043,676.09	1,788,552,626.26	585,994,549.00	
Other businesses	1,523,074.64	575,710.84	7,676,656.20	4,912,694.07	
Total	1,794,095,311.26	780,619,386.93	1,796,229,282.46	590,907,243.07	

2. Revenue

Contract classification	Design and sales of integrated circuits		Integrated Circuit Testing Service	RMB
				Total
Types of products				
Security and identification chips	370,171,508.35		–	370,171,508.35
Non-volatile memory	598,762,763.97		–	598,762,763.97
Smart meter chips	212,013,788.71		–	212,013,788.71
FPGA and other products	553,072,827.54		–	553,072,827.54
Integrated circuit testing service		–	58,410,334.84	58,410,334.84
Lease income	1,045,988.00		618,099.85	1,664,087.85
Sort by place of business				
PRC	1,630,559,962.76		54,928,367.85	1,685,488,330.61
Others	104,506,913.81		4,100,066.84	108,606,980.65
Sort by distribution channels				
Direct sale	975,439,723.21		59,028,434.69	1,034,468,157.90
Distributor	759,627,153.36		–	759,627,153.36
Sort by time of products transfer				
At a certain point of time	1,735,066,876.57		59,028,434.69	1,794,095,311.26
Total	1,735,066,876.57		59,028,434.69	1,794,095,311.26

Notes to Financial Statements

For the half-year ended 30 June 2024

(38) REVENUE AND COST OF SALES (Continued)

3. Cost of sales

Contract classification	Design and sales of integrated circuits	Integrated Circuit Testing Service	RMB
			Total
Types of products			
Security and identification chips	253,742,819.36	–	253,742,819.36
Non-volatile memory	207,828,960.67	–	207,828,960.67
Smart meter chips	139,873,791.67	–	139,873,791.67
FPGA and other products	137,570,574.46	–	137,570,574.46
Integrated circuit testing service	–	41,496,427.33	41,496,427.33
Lease income	–	106,813.44	106,813.44
Sort by place of business			
PRC	656,811,589.52	38,713,513.66	695,525,103.18
Others	82,204,556.64	2,889,727.11	85,094,283.75
Sort by distribution channels			
Direct sale	278,641,807.76	41,603,240.77	320,245,048.53
Distributor	460,374,338.40	–	460,374,338.40
Sort by time of products transfer			
At a certain point of time	739,016,146.16	41,603,240.77	780,619,386.93
Total	739,016,146.16	41,603,240.77	780,619,386.93

The information related to the performance obligations of the Group is as follows:

Sale of IC products

Fulfill performance obligations when delivering products to customers. Usually, the payment obligation is performed after the customer received the products, and the Group gives different credit arrangements to different customers.

Testing services

The customer usually pays the price according to contract after the service is completed and the customer received the tested product.

Notes to Financial Statements

For the half-year ended 30 June 2024

(39) BUSINESS TAXES AND SURCHARGES

Item	RMB	
	Half-year ended 30 June	
	2024	2023
City maintenance and construction tax	951,512.30	540,071.52
Education surcharge	12,250.70	–
Local education surcharge	8,167.14	–
Property tax	2,335,794.52	2,140,728.80
Land use tax	15,018.80	15,018.80
Vehicle and vessel use tax	3,460.00	2,030.00
Stamp duty	1,299,790.32	1,689,026.46
Total	4,625,993.78	4,386,875.58

(40) SELLING EXPENSES

Item	RMB	
	Half-year ended 30 June	
	2024	2023
Employee remuneration	84,667,736.61	80,961,466.97
Share-based payment expenses	6,653,081.74	13,472,674.56
Property rental expenses	632,178.58	354,100.83
Consulting service fee	2,738,482.53	4,808,042.40
Office expenses	3,669,012.61	5,078,728.21
Sample expenses	3,827,039.62	2,326,495.36
Transportation and travel expenses	4,261,827.49	3,891,200.35
Business promotion expenses	1,659,304.37	333,915.77
Entertainment expenses	4,240,389.92	4,535,666.89
Transportation costs	1,698,484.93	1,655,002.60
Depreciation and amortization	4,184,527.55	3,283,544.94
Others	2,124,234.31	1,533,820.55
Total	120,356,300.26	122,234,659.43

Notes to Financial Statements

For the half-year ended 30 June 2024

(41) ADMINISTRATIVE EXPENSES

Item	RMB	
	Half-year ended 30 June	
	2024	2023
Employee remuneration	39,395,084.75	41,155,171.99
Repairs and maintenance	3,084,443.13	3,418,098.36
Depreciation and amortization	8,207,854.91	6,460,758.70
Consulting service fee	4,502,598.16	3,970,726.49
Office expenses	9,010,963.65	10,128,672.37
Share-based payment expenses	1,137,236.10	743,173.14
Travelling expenses	1,346,311.26	1,230,850.74
Entertainment expenses	1,497,028.03	1,201,925.88
Others	2,757,224.50	5,716,557.10
Total	70,938,744.49	74,025,934.77

(42) RESEARCH AND DEVELOPMENT EXPENSES

Item	RMB	
	Half-year ended 30 June	
	2024	2023
Employee remuneration	332,827,727.24	292,940,146.74
Share-based payment expenses	23,759,110.67	44,830,446.30
Material and processing expenses	88,909,739.24	112,425,466.91
Depreciation and amortization	69,912,304.80	56,685,693.72
Technical services expenses	14,146,023.47	14,050,501.22
Office expenses	1,066,582.21	1,054,831.65
Travel expenses	1,207,724.86	1,119,834.04
Others	8,469,974.41	4,496,722.43
Total	540,299,186.90	527,603,643.01

Notes to Financial Statements

For the half-year ended 30 June 2024

(43) FINANCIAL EXPENSES

Item	RMB	
	Half-year ended 30 June 2024	2023
Interest expense	21,134,184.71	6,301,911.31
Less: interest income	(8,149,763.40)	(8,533,982.05)
Exchange gains and losses	5,126,192.42	(7,058,839.53)
Bank charges	142,773.05	127,242.98
Interest on lease liabilities	325,501.64	1,300,624.77
Total	18,578,888.41	(7,863,042.52)

(44) OTHER INCOME

Item	RMB	
	Half-year ended 30 June 2024	2023
Government grants (Note)	52,127,602.60	43,436,241.13
Refund of commission for paying individual income tax	2,490,459.64	1,463,399.86
Input tax credits	49,049,680.45	2,183,232.72
Total	103,667,742.69	47,082,873.71

Note: Details of government grants included in other gains are set out in note (60) of the financial statements.

(45) INVESTMENT (LOSS)/INCOME

Item	RMB	
	Half-year ended 30 June 2024	2023
Loss on long-term equity investments under the equity method	(2,023,462.08)	(2,084,910.79)
Investment loss on disposal of investments in other equity instruments	–	(323,786.49)
Investment income from held-for-trading financial assets during the period of holding	1,071,767.12	3,701,000.00
Total	(951,694.96)	1,292,302.72

Notes to Financial Statements

For the half-year ended 30 June 2024

(46) GAINS/(LOSSES) FROM CHANGES IN FAIR VALUE

Item	RMB	
	Half-year ended 30 June 2024	2023
Financial assets held for trading	209,361.11	(1,651,438.35)
Total	209,361.11	(1,651,438.35)

(47) CREDIT IMPAIRMENT LOSSES

Item	RMB	
	Half-year ended 30 June 2024	2023
Impairment loss on bad debts of notes receivable	5,584,741.99	(1,283,362.41)
Impairment loss on bad debts of accounts receivable	(20,611,194.40)	(12,155,468.76)
Total	(15,026,452.41)	(13,438,831.17)

(48) ASSET IMPAIRMENT LOSSES

Item	RMB	
	Half-year ended 30 June 2024	2023
Impairment loss on inventory and contract performance cost	(2,767,993.49)	(43,394,874.45)
Impairment loss on intangible assets	(177,375.60)	(8,653,659.15)
Total	(2,945,369.09)	(52,048,533.60)

Notes to Financial Statements

For the half-year ended 30 June 2024

(49) GAINS ON DISPOSAL OF ASSETS

Item	RMB	
	Half-year ended 30 June 2024	2023
Gains on disposal of fixed assets	925,633.09	369,250.51
Total	925,633.09	369,250.51

(50) NON-OPERATING INCOME

Item	RMB		Amount included in current non- recurring profit or loss
	Half-year ended 30 June 2024	2023	
Others	51,200.92	0.41	51,200.92
Total	51,200.92	0.41	51,200.92

(51) NON-OPERATING EXPENSES

Item	RMB		Amount included in current non- recurring profit or loss
	Half-year ended 30 June 2024	2023	
Donations	500,000.00	–	500,000.00
Total	500,000.00	–	500,000.00

Notes to Financial Statements

For the half-year ended 30 June 2024

(52) INCOME TAX EXPENSES

1. Table of income tax expenses

Item	RMB	
	Half-year ended 30 June 2024	2023
Current income tax expense	7,148,282.39	2,917,346.22
Deferred income tax expense	(2,725,284.98)	(375,159.99)
Total	4,422,997.41	2,542,186.23

2. Reconciliation of accounting profits and income tax

Item	RMB
	Half-year ended 30 June 2024
Total profits	344,107,231.84
Income tax expense calculated at statutory/applicable tax rate	34,410,723.19
Impact of different tax rates applied to subsidiaries	(1,531,681.14)
Impact of non-deductible costs, expenses and losses	818,711.11
Effect of deductible temporary differences or deductible losses that have not recognized for deferred income tax assets during the period	11,615,322.35
Deduction of research & development expenses	(48,038,360.49)
Others	7,148,282.39
Income tax expense	4,422,997.41

Notes to Financial Statements

For the half-year ended 30 June 2024

(53) ITEMS IN THE CASH FLOW STATEMENT

1. Cash received relating to other operating activities

Item	RMB	
	Half-year ended 30 June 2024	2023
Grants received	18,963,048.39	54,155,357.08
Interest income	7,357,304.48	5,712,780.44
Deposit refund	14,197,650.08	–
Others	2,517,025.75	2,180,988.09
Total	43,035,028.70	62,049,125.61

2. Cash paid relating to other operating activities

Item	RMB	
	Half-year ended 30 June 2024	2023
Cash out	117,166,965.93	149,854,635.01
Total	117,166,965.93	149,854,635.01

3. Cash received relating to other investing activities

Item	RMB	
	Half-year ended 30 June 2024	2023
Time deposits interest	792,458.92	2,821,201.61
Total	792,458.92	2,821,201.61

(54) CASH PAID RELATING TO OTHER FINANCING ACTIVITIES

Item	RMB	
	Half-year ended 30 June 2024	2023
Rent and interest paid	11,934,541.23	9,084,223.33
Payment of convertible bond issuance costs	1,461,562.53	–
Total	13,396,103.76	9,084,223.33

Notes to Financial Statements

For the half-year ended 30 June 2024

(55) SUPPLEMENTARY INFORMATION OF THE CASH FLOW STATEMENT

1. Supplementary information of the cash flow statement

Supplementary information	RMB	
	Half-year ended 30 June 2024	2023
Net profit adjusted to cash flows of operating activities:		
Net profit	339,684,234.43	463,997,407.12
Add: Provision for impairment of assets	2,945,369.09	52,048,533.60
Provision for credit impairment	15,026,452.41	13,438,831.17
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	93,024,307.26	61,350,185.33
Amortization of right-of-use assets	7,907,009.79	8,135,819.37
Depreciation of investment property	–	1,620,862.34
Amortization of intangible assets	44,576,120.88	35,971,578.75
Amortization of long-term prepaid expenses	8,360,166.10	8,428,825.59
Losses from disposal of fixed assets, intangible assets and other long-term assets	(925,633.09)	(369,250.51)
(Gains)/Losses on changes in fair value	(209,361.11)	1,651,438.35
Finance expenses	25,793,419.84	(6,267,949.75)
Investment income	951,694.96	(1,292,302.72)
Increase in deferred income tax assets	(2,725,284.98)	(375,159.99)
Increase in deferred income tax liabilities	18.09	80.40
Decrease in inventories	(39,245,477.41)	(1,404,290,256.46)
Decrease in operating receivables	(410,365,274.86)	(469,847,155.17)
Increase in operating payables	10,781,993.94	85,965,348.35
Others	31,549,428.51	59,393,977.32
Net cash flows generated from operating activities	127,129,183.85	(1,090,439,186.91)
Net changes in cash and cash equivalents:		
Closing balance of cash	782,322,362.59	735,798,694.21
Less: Opening balance of cash	992,924,996.96	1,120,286,945.68
Net decrease in cash and cash equivalents	(210,602,634.37)	(384,488,251.47)

Notes to Financial Statements

For the half-year ended 30 June 2024

(55) SUPPLEMENTARY INFORMATION OF THE CASH FLOW STATEMENT

(Continued)

2. Composition of cash and cash equivalents

Item	RMB	
	30 June 2024	31 December 2023
Cash	782,322,362.59	992,924,996.96
Including: Cash on hand	13,249.66	20,211.41
Other cash readily available for payment	782,309,112.93	992,904,785.55
Closing balance of cash and cash equivalents	782,322,362.59	992,924,996.96
Include: Restricted cash and cash equivalents used by the parent company or intra-group subsidiaries	–	300,000.00

Note: As at the end of June 2024, closing balance of cash and cash equivalents in the cash flow statement is RMB782,322,362.59, and the closing balance of cash at bank and on hand on the balance sheet is RMB813,008,807.03, with a difference of RMB30,686,444.44, which is due to the fact that the RMB30,686,444.44 of fixed deposits and interest that do not meet the definition of cash and cash equivalents were deducted from “balance of cash and cash equivalents at the end of the period” in cash flow statement.

(56) MONETARY ASSETS IN FOREIGN CURRENCY

Item	Balance of foreign		Dollar
	currency as at 30 June 2024	Conversion rate	Balance converted to RMB as at 30 June 2024
Cash			
Including: USD	5,841,592.41	7.12680	41,631,860.79
HKD	9,502,446.08	0.91268	8,672,692.49
Won₩	3,167,680.00	0.0051886	16,435.84
SGD	28,770.82	5.27900	151,881.16
NTD	642,880.00	0.22543	144,925.68
Accounts receivable			
Including: USD	681,251.32	7.12680	4,855,141.91

Notes to Financial Statements

For the half-year ended 30 June 2024

(57) LEASES

1. As a lessee

Item	RMB Half-year ended 30 June 2024
Interest expense of lease liabilities	325,501.64
Short-term lease expenses with simplified treatment recognized in profit or loss	655,834.33
Lease expenses of low-value assets (other than short-term leases) with simplified treatment recognized in profit or loss	299,507.19
Total cash outflow related to leases	12,889,882.75

The leased assets leased to the Group include buildings used in the operations, which are usually leased for a period of 3 to 5 years. The lease contracts usually stipulate that the Group cannot sublease the leased assets, and some of the lease contracts require the Group to maintain a certain level of financial indicators. A few of the lease contracts contain article for renewal options.

2. As a Lessor

Item	RMB Half-year ended 30 June 2024
Rental income	1,664,087.85
Total	1,664,087.85

Notes to Financial Statements

For the half-year ended 30 June 2024

(58) DEVELOPMENT COSTS

1. The classification by nature is as follows

Item	Half-year ended 30 June	
	2024	2023
Staff costs	382,051,366.63	325,809,880.61
Material and processing costs	116,281,578.55	159,966,472.43
Expense for incentive plan	22,187,293.98	44,830,446.30
Depreciation and amortisation	45,193,668.09	35,874,058.59
Professional service fee	19,966,171.79	14,458,079.99
Office and administrative expenses	3,747,453.41	2,919,843.46
Travelling expenses	1,300,819.89	1,269,900.55
Others	6,958,909.76	3,015,120.08
Total	597,687,262.10	588,143,802.01
Include: Expensed R&D expenditures	491,145,162.98	488,207,670.20
Capitalised R&D expenditures	106,542,099.12	99,936,131.81

2. The development expenditures of R&D projects eligible for capitalization are as follows:

Item	At 31 December 2023 and at 1 January 2024	Increase during the period In-house development expenses	Decrease during the period		30 June 2024
			Recognized as intangible assets	Included in profit or loss	
Security and identification					
IC chips	110,785,001.83	18,026,474.36	28,114,754.81	–	100,696,721.38
Non-volatile memory	39,151,674.92	9,751,184.30	–	–	48,902,859.22
Smart Meter chips	26,000,419.89	3,536,669.80	–	20,874,568.33	8,662,521.36
FPGA and other products	280,171,483.44	75,227,770.66	70,748,248.07	–	284,651,006.03
Total	456,108,580.08	106,542,099.12	98,863,002.88	20,874,568.33	442,913,107.99

Notes to Financial Statements

For the half-year ended 30 June 2024

(59) INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(a) Composition of the Group

Name of subsidiaries	Operating place	Registered and paid capital	Registered place	Business nature	Shareholding percentage (%)		
					Direct	Indirect	Manner
Sino IC Technology Co., Ltd. ("Sino IC") (note 1)	Shanghai	RMB226,800,000	Shanghai	IC products test	42.75	-	Establish
Shanghai Fudan Microelectronics (Hong Kong) Ltd.	Hong Kong	HK\$30,400,000	Hong Kong	Investment and trading of IC products	100.00	-	Establish
Fudan Microelectronics (USA) Inc	United States	US\$5,000,000	United States	Trading of IC products	100.00	-	Establish
Shenzhen Fudan Microelectronics Co., Ltd.	Shenzhen	RMB5,000,000	Shenzhen	Trading of IC products	100.00	-	Establish
Beijing Fudan Microelectronics Technology Co., Ltd.	Beijing	RMB10,000,000	Beijing	Trading of IC products	100.00	-	Establish
Shanghai Fuwei Xunjie Digital Technology Co., Ltd. ("Fuwei Xunjie") (note 2)	Shanghai	RMB50,000,000	Shanghai	Technology services and technology development	40.85	-	Establish

Note 1: The Company originally held 50.29% shares of Sino IC. On 28 October 2022, additional shares of Sino IC were issued to the public and the Company's shares of Sino IC was reduced to 42.75%. Management believes that the Company still has control over Sino IC because the Company is the largest single shareholder of Sino IC and the other shares are widely held by numerous other shareholders.

Note 2: The Company has entered into a concert party agreement with another shareholder of Fuwei Xunjie (holding 15% shares of Fuwei Xunjie), which stipulates that in exercising the voting rights of Fuwei Xunjie shareholders' meeting and board of directors' motions, the other party guarantees to be consistent with the Company in exercising the voting rights, and through the agreement arrangement is able to exercise control over Fuwei Xunjie's financial and operating decisions and include Fuwei Xunjie in the scope of consolidation.

(b) Significant non-wholly-owned subsidiaries

Name of subsidiaries	Percentage of minority shareholding (%)	Profits or loss attributable to the minority shareholders	Dividends declared to distribute to the minority shareholders	RMB
				Balance of minority interests as at 30 June 2024
Sino IC Technology Co., Ltd.	57.25%	(1,616,968.63)	9,011,283.81	609,919,481.09

Notes to Financial Statements

For the half-year ended 30 June 2024

(59) INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(c) Main financial information of significant non-wholly-owned subsidiaries

Sino IC Technology Co., Ltd.

Item	RMB0'000	
	30 June 2024	31 December 2023
Current assets	32,239.31	40,752.77
Non-current assets	98,621.19	91,210.41
Total assets	130,860.49	131,963.18
Current liabilities	19,233.30	18,081.59
Non-current liabilities	1,897.25	2,313.42
Total liabilities	21,130.55	20,395.01

Item	RMB0'000	
	Half-year ended 30 June 2024	2023
Revenue	12,977.48	15,229.20
Net profit	(282.44)	4,456.90
Total comprehensive income	(282.44)	4,456.90
Cash flow from operating activities	6,437.61	8,632.14

2. Interests in joint ventures or associates

(a) Significant joint ventures or associates

Name of joint venture or associated company	Place of principal operation	Place of registration	Nature of business	Shareholding percentage (%)		Accounting treatment method on investment in joint venture or associates
				Direct	Indirect	
				RMB		
Associates						
Shanghai Fukong Hualong Microsystem Technology Co., Ltd.	Shanghai	Shanghai	IC design	21.25	-	Equity method
Shanghai Fudan Sci-Tech Park Venture Investment Co., Ltd	Shanghai	Shanghai	Equity investment	20.00	-	Equity method
Shanghai Haojun Venture Capital Partnership (Limited Partnership)	Shanghai	Shanghai	Equity investment	23.58	-	Equity method

Notes to Financial Statements

For the half-year ended 30 June 2024

(59) INTERESTS IN OTHER ENTITIES *(Continued)*

2. Interests in joint ventures or associates *(Continued)*

(b) Major financial information of significant associates

	30 June 2024/Half-year ended 30 June 2024		31 December 2023/Half-year ended 30 June 2023	
	Shanghai Fukong Hualong Microsystem Technology Co., Ltd.	Shanghai Haojun Venture Capital Partnership (Limited Partnership)	Shanghai Fukong Hualong Microsystem Technology Co., Ltd.	Shanghai Haojun Venture Capital Partnership (Limited Partnership)
				RMB
Current assets	55,956,521.16	10,681,655.42	67,599,480.07	11,393,984.54
Non-current assets	4,033,338.68	32,000,000.00	10,580,413.00	32,000,000.00
Total assets	59,989,859.84	42,681,655.42	78,179,893.07	43,393,984.54
Current liabilities	7,471,435.53	795,000.00	14,987,037.68	795,000.00
Non-current liabilities	960,000.00	–	6,325,980.97	–
Total liabilities	8,431,435.53	795,000.00	21,313,018.65	795,000.00
Equity attributable to shareholders of the parent company	51,558,424.31	41,886,655.42	56,866,874.42	42,598,984.54
Share of net assets calculated according to shareholding ratio	10,956,165.17	9,227,630.19	12,084,210.81	10,044,840.55
Adjustment:	348,367.95	(10,401.35)	416,472.04	(670,685.60)
– Others	348,367.95	(10,401.35)	416,472.04	(670,685.60)
Book value of equity investment in associates	11,304,533.12	9,217,228.84	12,500,682.85	9,374,154.95
Revenue	2,535,561.24	–	1,983,982.16	–
Net profit	(5,628,939.90)	(712,329.12)	(7,520,488.17)	(59,991.76)
Total comprehensive income	(5,628,939.90)	(712,329.12)	(7,520,488.17)	(59,991.76)

Notes to Financial Statements

For the half-year ended 30 June 2024

(59) INTERESTS IN OTHER ENTITIES *(Continued)*

2. Interests in joint ventures or associates *(Continued)*

(b) Major financial information of significant associates (Continued)

	30 June 2024/ Half-year ended 30 June 2024	RMB 31 December 2023/ Half-year ended 30 June 2023
	Shanghai Fudan Sci-Tech Park Venture Investment Co., Ltd	
Current assets	23,164,939.81	25,528,706.38
Non-current assets	55,535,041.88	55,548,374.92
Total assets	78,699,981.69	81,077,081.30
Current liabilities	5,268,606.29	6,195,744.66
Total liabilities	5,268,606.29	6,195,744.66
Equity attributable to shareholders of the parent company	73,431,375.40	74,881,336.64
Share of net assets calculated according to shareholding ratio	14,686,275.08	14,976,267.33
Adjustment	1,631,883.87	1,664,073.01
– Others	1,631,883.87	1,664,073.01
Book value of equity investment in associates	16,318,158.95	16,640,340.34
Revenue	1,050,000.00	600,000.00
Net profit	(1,449,961.24)	(2,355,650.75)
Total comprehensive income	(1,449,961.24)	(2,355,650.75)

Notes to Financial Statements

For the half-year ended 30 June 2024

(60) GOVERNMENT GRANTS

Liabilities in relation to government subsidies were as follows:

Item	At 31 December 2023 and at 1 January 2024	Increase during the period	Charge to other income during the period	RMB	
				30 June 2024	Related to assets/income
Deferred income	12,715,403.57	13,838,007.81	4,259,975.08	22,293,436.31	Related to assets
Deferred income	1,967,311.47	1,380,472.52	3,347,783.99	–	Related to income
Total	14,682,715.04	15,218,480.33	7,607,759.07	22,293,436.31	/

Government grants recognized in profit or loss are as follows

Item	RMB	
	Half-year ended 30 June 2024	2023
Related to income	48,438,301.02	40,170,617.11
Related to assets	3,689,301.58	3,265,624.02
Total	52,127,602.60	43,436,241.13

Notes to Financial Statements

For the half-year ended 30 June 2024

(61) RISKS RELATED TO FINANCIAL INSTRUMENTS

The Group is exposed to risks from various financial instruments in its daily activities, mainly including credit risk, liquidity risk and market risk. The Group's risk management policy in this regard is summarized as follows:

1. Credit risk

The Group only has trade with recognized third party with good credit standing. Based on the Group's policies, customers who conduct credit transaction will be subject to credit review. In addition, the Group will continuously monitor balance of accounts receivable to ensure that the Group will not be exposed to significant risk of bad debts.

Since counterparties of cash and bank balances, bank acceptance notes receivables and structured deposits are banks with good reputation and high credit ratings, credit risk arising from these financial instruments is insignificant.

Other financial assets of the Group include commercial acceptance notes receivables, accounts receivable and other receivables, etc. Credit risk from such financial assets is from default of counterparties, and its maximum risk exposure is equivalent to the carrying amount of such instruments.

The Group's maximum credit risk exposure at each balance sheet date is the total amount charged to customers less the amount of impairment allowances.

Since the Group only trades with recognized third parties with good credit standing, no guarantee is required. Credit risk concentration is managed based on customer/counterparty, geographical region and industry sector. As at 30 June 2024, the Group is exposed to certain credit risk concentration, as 37.41% (31 December 2023: 32.54%) of accounts receivable are from top five customers. The Group does not hold any security or other credit increment over the balances of accounts receivable.

Criteria for judging significant increases in credit risk

The Group will evaluate whether credit risk in connection with financial instruments is increased significantly from initial recognition on each balance sheet date. The Group's main criteria for determining a significant increase in credit risk are the number of days past due exceeding 30 days, or a significant change in one or more of the following indicators: Significant adverse changes in the debtor's business environment, internal and external credit ratings, and actual or expected operating results.

Notes to Financial Statements

For the half-year ended 30 June 2024

(61) RISKS RELATED TO FINANCIAL INSTRUMENTS *(Continued)*

1. Credit risk *(Continued)*

Definition of credit-impaired assets

The Group's primary criterion for determining that a credit impairment has occurred is that the number of days past due exceeds 90 days, however, in certain circumstances the Group also considers a credit impairment to have occurred if internal or external information indicates that the contractual amount may not be recoverable in full before considering any credit enhancements held.

Credit impairment of financial assets may be a joint result of multiple events, rather than a single identifiable event.

Credit risk exposure

Refer to Note (6), (7), (8) and (10) for the information on Group's credit risk exposure from notes receivable, accounts receivable, receivable financing and other receivables.

2. Liquidity risk

The Group's objective is to maintain a balance between continuity and flexibility of financing by utilising a variety of financing instruments. The Group finances its operations with funds generated from operations and borrowings.

The tables below summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Item	30 June 2024			RMB
	Within 1 year	1-3 years	Over 3 years	Total
Short-term borrowings	904,872,039.08	–	–	904,872,039.08
Accounts payable	255,159,727.35	21,175,949.44	42,440.00	276,378,116.79
Others payables	198,628,683.90	–	–	198,628,683.90
Non-current liabilities due				
within one year	263,897,928.87	–	–	263,897,928.87
Long-term borrowings	–	356,515,477.70	–	356,515,477.70
Lease liabilities	–	15,227,613.13	–	15,227,613.13
Total	1,622,558,379.20	392,919,040.27	42,440.00	2,015,519,859.47

Notes to Financial Statements

For the half-year ended 30 June 2024

(61) RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

2. Liquidity risk (Continued)

Item	31 December 2023			RMB
	Within 1 year	1-3 years	Over 3 years	Total
Short-term borrowings	905,126,699.01	–	–	905,126,699.01
Accounts payable	235,756,887.78	–	–	235,756,887.78
Others payables	182,230,721.48	–	–	182,230,721.48
Non-current liabilities due				
within one year	75,466,449.13	–	–	75,466,449.13
Long-term borrowings	–	554,182,172.09	–	554,182,172.09
Lease liabilities	–	20,126,287.67	2,561,735.37	22,688,023.04
Total	1,398,580,757.40	574,308,459.76	2,561,735.37	1,975,450,952.53

3. Market risk

- (1) Interest rate risk refers to the risk that the fair value or future cash flow of financial instruments will fluctuate due to changes in market interest rates. Interest-bearing financial instruments with fixed interest rates expose the Group to fair value interest rate risk, and interest-bearing financial instruments with floating interest rates expose the Group to cash flow interest rate risk. The Group determines the ratio of fixed interest rate and floating interest rate financial instruments according to the market environment, and maintains an appropriate financial instrument portfolio through regular review and monitoring.
- (2) Foreign exchange risk refers to the risk that the fair value or future cash flow of financial instruments will fluctuate due to changes in foreign exchange rates. The risk of exchange rate changes faced by the Group is mainly related to the Group's foreign currency monetary assets and liabilities. The Group operates in China and its main activities are denominated in RMB. Therefore, the market risk of foreign exchange changes undertaken by the Group is not significant.

For the details of the Group's foreign currency monetary assets and liabilities, please refer to the description in Note (56) to the financial statements.

Notes to Financial Statements

For the half-year ended 30 June 2024

(62) DISCLOSURE OF FAIR VALUE

1. Fair value of assets and liabilities measured at fair value at the end of the period

RMB

Item	Fair value as at 30 June 2024			Total
	Fair value measured at level 1	Fair value measured at level 2	Fair value measured at level 3	
Investment measured at continuous fair value	–	140,423,111.11	–	140,423,111.11
Debt instruments	–	140,423,111.11	–	140,423,111.11
Others equity instrument	–	–	35,530,697.14	35,530,697.14
Receivables financing	–	–	–	–
Financial assets designed at fair value through other comprehensive income				
Receivables financing	–	175,062,697.29	–	175,062,697.29
Total assets measured at continuous fair value	–	315,485,808.40	35,530,697.14	351,016,505.54

2. Qualitative and quantitative data on the valuation techniques used and important parameters for continuous and non-continuous second-level fair value measurement items

Investments in debt instruments and financing receivables are determined at fair value using the discounted future cash flow method, using market yields on other financial instruments with similar contractual terms, credit risk and remaining maturities as the discount rate. The risk of non-performance against investments in debt instruments and financing of receivables is assessed as insignificant at 30 June 2024.

Notes to Financial Statements

For the half-year ended 30 June 2024

(62) DISCLOSURE OF FAIR VALUE *(Continued)*

3. Qualitative and quantitative data on the valuation techniques used and important parameters for continuous and non-continuous third-level fair value measurement items

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the Finance Director. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the Finance Director.

The fair values of non-listed equity instrument investments are estimated using discounted valuation model, latest financing price and a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. Discounted valuation model requires the Group to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the shares; Market-based valuation model requires the Group to determine comparable listed companies based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to sales multiple, for each comparable company identified for market-based valuation model. They are adjusted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The Group believes that the fair values and changes thereof estimated by valuation technique are reasonable and also the most appropriate values at the balance sheet date.

RMB

Item	Fair value at		Unobservable inputs
	30 June 2024	Valuation techniques	
Non-listed equity instrument investments	35,530,697.14	Discounted valuation model	Perpetual growth rate, discount rate, liquidity discount, minority interest discount
		Market multiplier model	Average price-to-sales ratio of comparable companies and revenue of investee
		Recent Financing Price model	Recent Financing Price of investee

Notes to Financial Statements

For the half-year ended 30 June 2024

(63) RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Information on other related parties

Name of other related party	Relationship between the other related party with the Company
Fudan University	Shareholders who indirectly hold more than 5% of the Company's shares
Shanghai Fudan Communication Company Limited	Company in which related natural persons serve as directors
Shanghai Poyang Equity Investment Management Co., Ltd.	Subsidiary of associated companies
Ningbo Xinjian Semiconductor Co., Ltd.	Company in which related natural persons serve as directors

2. Information on related party transactions

(a) Related party transactions on purchase or sales of goods and provision or acceptance of services

Purchase of goods/services

Related party	Content of related party transactions	RMB	
		Half-year ended 30 June 2024	2023
Fudan University	Purchase of services (note)	116,504.85	194,174.76
Shanghai Fudan Communication Company Limited	Purchase of services	–	471,698.11
Ningbo Xinjian Semiconductor Co., Ltd.	Purchase of services	1,082,668.24	–

Sales of goods/services

Related party	Content of related party transactions	RMB	
		Half-year ended 30 June 2024	2023
Fudan University	Sales of services (note)	33,018.87	61,320.75
Shanghai Fudan Communication Company Limited	Sales of goods (note)	155,919,739.07	114,889,504.57
Spear Innovations Oy Ltd	Sales of goods	3,972.53	1,175,126.28

Notes to Financial Statements

For the half-year ended 30 June 2024

(63) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

2. Information on related party transactions (Continued)

(a) Related party transactions on purchase or sales of goods and provision or acceptance of services (Continued)

Sales of goods/services (Continued)

Note:

The independent non-executive directors of the Company have reviewed the connected transactions set out above and have confirmed that these connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

(b) Compensation of key management personnel

Item	RMB'0,000	
	Half-year ended 30 June	
	2024	2023
Compensation of key management personnel	1,249.84	1,436.80

(c) Amount due from or to related parties

Receivable items

Item	Related party	30 June 2024		31 December 2023	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Notes receivable	Shanghai Fudan Communication Co., Ltd.	60,270,732.56	-	51,966,569.40	-

Payable items

Item	Related party	RMB	
		30 June 2024	31 December 2023
Accounts payable	Ningbo Xinjian Semiconductor Co., Ltd.	348,166.32	-
Contract liabilities	Fudan University	23,400.00	20,707.96
Contract liabilities	Shanghai Fudan Communication Co., Ltd.	26,035,215.80	14,515,916.28
Contract liabilities	Spear Innovations Oy Ltd	1,282.82	5,241.35
Other payables	Fudan University	194,174.76	194,174.76
Other payables	Shanghai Fudan Communication Co., Ltd.	471,698.11	471,698.11

Amount due to related parties are interest free, unsecured and with no fixed maturity date.

Notes to Financial Statements

For the half-year ended 30 June 2024

(64) GENERAL INFORMATION OF SHARE-BASED PAYMENT

1. The various equity instruments outstanding for the Company at the end of the period are as follows:

Category of Grantees	RMB	
	Other equity instruments issued at the end of the period	Remaining duration of the contract
	Exercise price	
Salesman	RMB17.80/share	3 years
Management personnel	RMB17.80/share	3 years
R&D personnel	RMB17.80/share	3 years

2. Equity settled share-based payments

	RMB
Method of determining the fair value equity instruments as at the grant date	Black-Scholes option pricing model
Important parameters of fair value of equity instruments on grant date	Dividend Ratio, historical volatility, Risk-free interest rate, expected expiry date of share options, weighted average share price
Basis for determining the quantity of exercisable equity instruments	Best estimation based on achievements of prescribed performance condition and assessment of the grantee's performance during the vesting period
Reasons for significant differences between this period's estimates and last period's estimates	Nil
Accumulated amounts recorded in the capital reserves for the equity-settled share-based payments	308,021,536.86

Notes to Financial Statements

For the half-year ended 30 June 2024

(64) GENERAL INFORMATION OF SHARE-BASED PAYMENT *(Continued)*

3. Expense relating to Share-based payment incurred during the period are as follows:

Item	RMB Expense relating to equity-settled sharebased payments
Production personnel	77,814.08
Salesman	6,668,594.11
Management personnel	1,094,951.73
R&D personnel	22,155,265.90
Total	29,996,625.82

(65) MATERIAL COMMITMENTS

	RMB 30 June 2024
Contracted, but not provided for:	
Payment for building of a subsidiary, Sino IC	111,878,949.00
Equipment and software	41,132,635.85
Total capital commitments	153,011,584.85

(66) PROFIT DISTRIBUTION

	RMB
Profit or dividend to be distributed	81,906,040.00
Approved profit or dividend to be distributed	81,906,040.00

The 2023 profit distribution plan was reviewed and approved at the 2023 annual general meeting on 28 May 2024, and a cash dividend of RMB81,906,040.00 (i.e., RMB0.1 for every 1 share) was distributed to ordinary shares.

Notes to Financial Statements

For the half-year ended 30 June 2024

(67) SEGMENT INFORMATION

1. Determining basis and accounting policies of reporting segments

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

- (1) The design and sale of IC segment (“Design segment”) manufactures products including Security and Identification Chips, Non-Volatile Memory, Smart Meter Chips, FPGA and Other Products;
- (2) The IC testing services segment (“Testing segment”) provides testing services for IC chips and products.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss before tax. The segment profit/loss before tax is measured consistently with the Group’s profit/loss of 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.

2. Financial information of the reporting segments

Item	Design Segment	Testing Segment	RMB	
			Eliminations among segments	Total
Revenue	1,735,066,876.57	129,774,826.48	70,746,391.79	1,794,095,311.26
Cost of sales	765,832,034.21	91,464,490.46	76,677,137.74	780,619,386.93
Total assets	7,389,390,413.43	1,308,604,948.97	32,161,290.92	8,665,834,071.48
Total liabilities	2,246,017,631.75	211,305,495.69	32,161,290.92	2,425,161,836.52

Notes to Financial Statements

For the half-year ended 30 June 2024

(68) NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Accounts receivable

(a) An ageing analysis based on the invoice date is as follows:

Ageing	RMB	
	30 June 2024	31 December 2023
Within 1 year	1,103,822,196.48	760,088,192.68
Over 1 year	327,449,676.14	177,243,397.21
Total	1,431,271,872.62	937,331,589.89

(b) Disclosure under the methods of provision for bad debts by category

Type	30 June 2024						31 December 2023			
	Book balance		Bad debt provision		Carrying amounts	Book balance		Bad debt provision		Carrying amounts
	Percentage		Percentage			Percentage		Percentage		
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)		
Provision of bad debts by categories	1,431,271,872.62	100.00	42,404,245.44	2.96	1,388,867,627.19	937,331,589.89	100.00	21,720,013.73	2.32	915,611,576.16
Which:										
Highly Reliable Product Sales										
Portfolio	1,233,658,845.54	86.19	32,099,316.26	2.60	1,201,559,529.28	765,073,292.23	81.62	17,308,068.45	2.26	747,765,223.78
Industrial Sales Portfolio	197,613,027.08	13.81	10,304,929.18	5.21	187,308,097.90	141,385,985.11	15.08	4,411,945.28	3.12	136,974,039.83
Related party portfolio in the scope of consolidation	-	-	-	-	-	30,872,312.55	3.30	-	-	30,872,312.55
Total	1,431,271,872.62		42,404,245.44		1,388,867,627.19	937,331,589.89		21,720,013.73		915,611,576.16

Notes to Financial Statements

For the half-year ended 30 June 2024

(68) NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

1. Accounts receivable (Continued)

(b) Disclosure under the methods of provision for bad debts by category (Continued)

Bad debt provision by combinations:

Combinations basis: credit risk

Item	30 June 2024		
	Accounts receivable	Bad debt provision	Provision ratio (%)
Highly Reliable Product			
Sales Portfolio	1,233,658,845.54	32,099,316.26	2.60
Industrial Sales Portfolio	197,613,027.08	10,304,929.18	5.21
Total	1,431,271,872.62	42,404,245.44	2.96

(c) Bad debt provision

Category	31 December 2023	Provision	Change for the Period			30 June 2024
			Recovered or reversed	Write-off or cancellation	Other changes	
Bad debt provision	21,720,013.73	20,684,231.71	–	–	–	42,404,245.44
Total	21,720,013.73	20,684,231.71	–	–	–	42,404,245.44

(d) Five largest accounts receivable by debtors at the end of the period

Name of entity	Book balance	Percentage to accounts receivables balance (%)	Bad debt provision
First	156,006,421.90	11.23	3,529,916.19
Second	154,818,840.00	11.15	–
Third	92,468,560.00	6.66	3,784,430.00
Forth	73,193,010.00	5.27	1,003,014.00
Fifth	64,888,900.00	4.67	4,319,742.00
Sub-total	541,375,731.90	38.98	12,637,102.19

Notes to Financial Statements

For the half-year ended 30 June 2024

(68) NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

2. Other receivables

Item	30 June 2024	31 December 2023
Other receivables	3,843,327.08	7,796,801.03
Total	3,843,327.08	7,796,801.03

(a) Disclosure by ageing

Ageing	30 June 2024	31 December 2023
Within 1 year	1,827,442.00	5,780,915.95
1-2 years	58,944.44	58,944.44
2-3 years	192,625.50	192,625.50
Over 3 years	1,764,315.14	1,764,315.14
Total	3,843,327.08	7,796,801.03

(b) Classified by the nature

Nature	30 June 2024	31 December 2023
Security deposit	2,326,956.82	2,420,346.82
Receipt or payment on behalf	521,197.00	233,429.83
Reserve funds	69,000.00	54,000.00
Others	926,173.26	5,089,024.38
Total	3,843,327.08	7,796,801.03

Notes to Financial Statements

For the half-year ended 30 June 2024

(68) NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

3. Long-term equity investments

Item	30 June 2024			31 December 2023		
	Book balance	Provision for impairment	Carrying amounts	Book balance	Provision for impairment	Carrying amounts
Investments in subsidiaries	100,836,307.13	10,000,000.00	90,836,307.13	100,836,307.13	10,000,000.00	90,836,307.13
Investments in associates and joint ventures	64,915,350.59	24,933,174.46	39,982,176.13	66,856,231.81	24,933,174.46	41,923,057.35
Total	165,751,657.72	34,933,174.46	130,818,483.26	167,692,538.94	34,933,174.46	132,759,364.48

(a) Investments in subsidiaries

Investee	RMB		
	31 December 2023	30 June 2024	Balance of provision for impairment as at 30 June 2024
Sino IC Technology Co., Ltd.	25,146,906.64	25,146,906.64	–
Shanghai Fudan Microelectronics (Hong Kong) Ltd.	40,262,700.49	40,262,700.49	–
Shenzhen Fudan Microelectronics Company Ltd.	5,000,000.00	5,000,000.00	–
Beijing Fudan Microelectronics Technology Co., Ltd.	10,000,000.00	10,000,000.00	10,000,000.00
Shanghai Fuwei Xunjie Digital Technology Co., Ltd.	20,426,700.00	20,426,700.00	–
Total	100,836,307.13	100,836,307.13	10,000,000.00

Notes to Financial Statements

For the half-year ended 30 June 2024

(68) NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

3. Long-term equity investments *(Continued)*

(b) Investment in associates and joint ventures

Investee	At 31 December 2023	Increase or decrease during the period Investment profit or loss recognized with the equity method	RMB	
			30 June 2024	Balance of provision for impairment at the end of the Reporting Period
Associates				
Shanghai West Hongqiao Navigation Technology Co., Ltd.	3,407,879.21	(265,623.99)	3,142,255.22	–
Shanghai Fukong Hualong Microsystem Technology Co., Ltd.	37,433,857.31	(1,196,149.73)	36,237,707.58	24,933,174.46
Shanghai Fudan Sci-Tech Park Venture Investment Co., Ltd	16,640,340.34	(322,181.39)	16,318,158.95	–
Shanghai Haojun Venture Capital Partnership (Limited Partnership)	9,374,154.95	(156,926.11)	9,217,228.84	–
Total	66,856,231.81	(1,940,881.22)	64,915,350.59	24,933,174.46

4. Revenue and Cost of sales

(a) Revenue and Cost of sales

Item	RMB			
	Half-year ended 30 June			
	2024		2023	
	Revenue	Cost	Revenue	Cost
Main business	1,716,192,545.34	765,344,847.00	1,676,915,243.23	559,454,630.94
Others business	2,890,790.26	1,141,748.58	8,308,522.76	4,912,694.07
Total	1,719,083,335.60	766,486,595.58	1,685,223,765.99	564,367,325.01

Notes to Financial Statements

For the half-year ended 30 June 2024

(68) NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

4. Revenue and Cost of sales *(Continued)*

(b) Revenue and cost of sales generated from contracts

Contract classification	Revenue	RMB
		Cost of sales
Types of products		
Security and Identification IC Chips	368,187,682.71	263,052,871.60
Non-volatile Memory	596,230,507.33	215,564,873.36
Smart meter chip	211,777,222.34	144,840,002.00
FPGA and other products	541,841,935.22	143,028,848.62
Lease income	1,045,988.00	–
Place of business		
PRC	1,614,432,524.73	681,428,727.10
Others	104,650,810.87	85,057,868.48
Sort by distribution channels		
Direct sale	951,071,728.20	296,597,838.46
Distributor	768,011,607.40	469,888,757.12
Sort by time of products transfer		
At a certain point of time	1,719,083,335.60	766,486,595.58
Total	1,719,083,335.60	766,486,595.58

The information related to the performance obligations of the Group is as follows:

Sale of IC products

Fulfill performance obligations when delivering products to customers. Usually, the payment obligation is performed after the customer received the products, and the Group gives different credit arrangements to different customers.

(c) Investment income

Item	RMB	
	Half-year ended 30 June 2024	2023
Investment income from controlled subsidiaries	6,729,916.18	–
Loss on long-term equity investments accounted with the equity method	(1,940,881.22)	(2,127,370.52)
Investment income on financial assets held for trading	564,958.90	2,859,153.43
Total	5,353,993.86	731,782.91

Notes to Financial Statements

For the half-year ended 30 June 2024

(69) SUPPLEMENTARY INFORMATION

(a) Statement of non-recurring profit or loss for the period

Item	RMB Amount
Gains or losses on disposal of non-current assets, including the write-off of the provision for impairment of assets	925,633.09
Government grants charged to profit or loss for the current period (except for except for those which are closely related to the normal operation of a company, comply with the provisions of state policies, are enjoyed under specific standards, and have a continuing impact on the profits and losses of the Company)	47,063,519.46
Except for the effective hedging activities related to the Company's ordinary operation, gains and losses on fair value changes arising from financial assets and financial liabilities held by non-financial corporations and gains and losses arising from the disposal of financial assets and financial liabilities	1,281,128.23
Non-operating income and expense other than the above-mentioned	(448,799.08)
Less: Affected amount of income tax	2,242,947.13
Affected amount of minority interest (net of tax)	7,306,777.91
Total	39,271,756.66

(b) Net return rate of assets and earnings per share

Profit for the Reporting Period	Weighted average net return rate of assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	6.34	0.42	0.42
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	5.63	0.38	0.38

Other Information

EVENT AFTER THE REPORTING DATE

There is no significant subsequent event after the reporting date.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group has no contingency that need to be disclosed (2023: Nil).

CHANGES IN DIRECTOR

Mr. Wu Ping resigned as non-executive Director of the Company with effect from 18 April 2024.

After the Reporting Period, Ms. Zhang Qianling and Mr. Sun Zheng resigned as non-executive Directors of the Company with effect from 19 August 2024.

Mr. Zhuang Qifei, Ms. Zhang Rui, Mr. Song Jiale and Ms. Yan Na were appointed as non-executive Directors with effect from 19 August 2024. Mr. Shen Lei was appointed as executive Director with effect from 19 August 2024.

Biographical details and information of Mr. Zhuang Qifei, Ms. Zhang Rui, Mr. Song Jiale and Ms. Yan Na and Mr. Shen Lei are set out below:

Mr. Zhuang Qifei (莊啟飛先生)

Mr. Zhuang Qifei, aged 52, born in 1972, Chinese nationality, with no permanent residency outside China. He has postgraduate qualifications and holds a master degree in economics of Fudan University and EMBA of Tsinghua University. He once served as a treasury manager of investment banking department of Shanghai Wanguo Securities Co., Ltd. (上海萬國證券公司), assistant to the general manager of investment banking headquarter of Southern Securities Co., Ltd. (南方證券有限公司), deputy general manager of investment banking headquarter of Tiantong Securities Co., Ltd. (天同證券有限責任公司), deputy general manager of Shanghai headquarter and investment banking headquarter of Huatai Securities Co., Ltd. (華泰證券股份有限公司), general manager of securities investment headquarter of Central China Securities Co., Ltd. (中原證券股份有限公司), general manager of Shanghai Richen Asset Management Co., Ltd. (上海融昌資產管理有限公司), president of Shanghai Chengtou Holding Investment Co., Ltd. (上海城投控股投資有限公司) as well as investment controller, vice president of Shanghai Chengtou Holding Co., Ltd. (上海城投控股股份有限公司), director of Western Securities Co., Ltd. (西部證券股份有限公司), deputy general manager of Tianjin Jinlian Investment Holdings Limited (天津津聯投資控股有限公司) and Tsinlien Group Company Limited in Hong Kong (香港津聯集團有限公司), the chairman of Tianjin TEDA International Holding (Group) Co., Ltd. (天津市泰達國際控股(集團)有限公司) and Bohai Property Insurance Co., Ltd. (渤海財產保險股份有限公司). During the period from August 2019 to March 2023, Mr. Zhuang Qifei served as a director in Tianjin Development Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 882). During the period from September 2023 to June 2024, Mr. Zhuang Qifei also served as a director in Shanghai Bailian Group Company Limited* (上海百聯集團股份有限公司), a company listed on the main board of Shanghai Stock Exchange (stock code: 600827). He is currently the chief investment and finance officer of Bailian Group Co., Ltd.* (百聯集團有限公司), the chairman of supervision committee of Shanghai Securities Company Limited, and the chairman of Shanghai Commerce and Invest (Group) Corporation* (上海市商業投資(集團)有限公司) and Bailian Financial Services Co., Ltd. (百聯金融服務有限公司). Upon enquiry of the CSRC's Securities and Futures Market Untrustworthy Record Inquiry Platform (證券期貨市場失信記錄查詢平台), Mr. Zhuang Qifei has not been subject to any punishment imposed by the CSRC and other relevant authorities or any penalty from stock exchanges.

Other Information

The Company entered into a service contract with Mr. Zhuang Qifei for a term of office from 19 August 2024 to the end of the term of the Ninth Session of the Board of the Company (i.e. 2 June 2025), and his services may be terminated by either party giving not less than three months' notice. Mr. Zhuang Qifei does not receive any remuneration by serving as a director.

Ms. Zhang Rui (張睿女士)

Ms. Zhang Rui, aged 47, born in 1977, Chinese nationality, with no permanent residency outside China. She holds a master degree in Management from Xi'an Jiaotong University and an EMBA from China Europe International Business School. She served as the project manager and business director of the investment banking department of Minfa Securities Co., Ltd. (開發證券有限責任公司) from 2000 to June 2005, the general manager of the investment banking department (division II), director of corporate business and general manager of investment banking headquarters of Nanjing Securities Co., Ltd. (南京證券股份有限公司) from June 2005 to May 2020, and the secretary of the party committee and chairlady of the board of directors of Fuanda Fund Management Co., Ltd. (富安達基金管理有限公司) from May 2020 to August 2023. She has served as the general manager of Shanghai Commercial Invest (Group) Corporation* (上海市商業投資(集團)有限公司) since August 2023. Besides, since April 2024, Ms. Zhang Rui has been a director of Shanghai First Pharmaceutical Co., Ltd.* (上海第一醫藥股份有限公司), a company listed on the mainboard of Shanghai Stock Exchange (stock code: 600833). Upon enquiry of the CSRC's Securities and Futures Market Untrustworthy Record Inquiry Platform (證券期貨市場失信記錄查詢平台), Ms. Zhang Rui has not been subject to any punishment imposed by the CSRC and other relevant authorities or any penalty from stock exchanges.

The Company entered into a service contract with Ms. Zhang Rui for a term of office from 19 August 2024 to the end of the term of the Ninth Session of the Board of the Company (i.e. 2 June 2025), and her services may be terminated by either party giving not less than three months' notice. Ms. Zhang Rui does not receive any remuneration by serving as a director.

Mr. Song Jiale (宋加勒先生)

Mr. Song Jiale, aged 44, born in 1980, Chinese nationality, with no permanent residency outside China. He graduated from Shanghai International Studies University majoring in English language and literature. He served as the head of the Lebanese Affairs of the Ministry of Foreign Affairs from August 2003 to April 2007, an auditor at PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所) from May 2007 to July 2009, the investment manager of Maryland Business Center (Shanghai) Co., Ltd. (馬里蘭商務中心(上海)有限公司) from August 2009 to December 2010, the deputy general manager of Chengding Fund (誠鼎基金) and the general manager of Hangzhou Chengding (杭州誠鼎) from January 2011 to February 2018, the deputy general manager of Shanghai Junhe Licheng Investment Management Center (L.P.) (上海君和立成投資管理中心(有限合夥)) from March 2018 to July 2020, and the general manager of Shanghai Jiushi Private Equity Fund Management Co., Ltd. (上海久事私募基金管理有限公司) from August 2020 to August 2023. He has served as the deputy general manager of Shanghai Commercial Invest (Group) Corporation* (上海市商業投資(集團)有限公司) since September 2023. Upon enquiry of the CSRC's Securities and Futures Market Untrustworthy Record Inquiry Platform (證券期貨市場失信記錄查詢平台), Mr. Song Jiale has not been subject to any punishment imposed by the CSRC and other relevant authorities or any penalty from stock exchanges.

The Company entered into a service contract with Mr. Song Jiale for a term of office from 19 August 2024 to the end of the term of the Ninth Session of the Board of the Company (i.e. 2 June 2025), and his services may be terminated by either party giving not less than three months' notice. Mr. Song Jiale does not receive any remuneration by serving as a director.

Other Information

Note: Shanghai Fudan Fukong Technology Enterprise Holdings Co., Ltd.* (“Fudan Fukong”) held 109,620,000 A Shares of the Company which represent 13.38% equity interest of Shares issued of the Company. Bailian Group Co., Ltd.* (“Bailian Group”) is a state-owned enterprise wholly owned by the Shanghai Municipal Government and wholly owned Shanghai Commercial Invest (Group) Corporation* (“SCI”), and SCI held 70.2% of the equity interest of Fudan Fukong. Accordingly, each of SCI and Bailian Group is deemed to be interested in Fudan Fukong’s interest in the Company.

Ms. Yan Na (閔娜女士)

Ms. Yan Na, aged 45, born in 1979, Chinese nationality, with no permanent residency outside China. She holds a Bachelor’s degree in electronic and a PhD in microelectronics and solid electronics from Fudan University and is a professor and doctoral candidate instructor, an excellent academic leader in Shanghai, a chief scientist of the National Innovation Centre for Integrated Circuits (國家集成電路創新中心), and a senior member of the Chinese Institute of Electronics. Since 2007, she has been a lecturer at the Department of Microelectronics, and an associate professor, professor, and associate dean at the School of Microelectronics of Fudan University. From July 2011 to July 2012, she was a visiting scholar at the University of California, Los Angeles (UCLA). Upon enquiry of the CSRC’s Securities and Futures Market Untrustworthy Record Inquiry Platform (證券期貨市場失信記錄查詢平台), Ms. Yan Na has not been subject to any punishment imposed by the CSRC and other relevant authorities or any penalty from stock exchanges. Ms Yan Na does not hold any position with the Company and other members of the Group.

The Company entered into a service contract with Ms. Yan Na for a term commencing from 19 August 2024 to the end of the term of office of the Ninth Session of the Board of the Company (i.e. 2 June 2025), and her service may be terminated by either party giving the other not less than three months’ notice. Ms. Yan Na entitles to receive a director’s emolument of RMB200,000 (before tax) per annum. The emoluments of the non-executive Directors are determined by the remuneration and evaluation committee of the Company with reference to the time and effort devoted to the Company’s affairs, their responsibilities and expertise.

Mr. Shen Lei (沈磊先生)

Mr. Shen Lei, aged 58, born in 1966, Chinese nationality, with no permanent residency outside China. He graduated majoring in semiconductor physics and devices and he holds a master’s degree in microelectronics and solid electronics from Fudan University. He joined the State Key Laboratory of Dedicated Integrated Circuits and Systems, School of Information Science and Engineering and School of Microelectronics in Fudan University in 1995 to conduct research on integrated circuit design and process correlation, and served as an engineer, senior engineer, professorate senior engineer, master’s degree instructor and doctoral candidate instructor. He joined the Company in 2001 and is currently the Deputy General Manager of the Company, and is the core technical staff of the Company. Since September 2023, Mr. Shen Lei has been served as a director in Sino IC Technology Co., Ltd.* (上海華嶺集成電路技術股份有限公司), a subsidiary of the Company listed on Beijing Stock Exchange (stock code: 430139). Upon enquiry of the CSRC’s Securities and Futures Market Untrustworthy Record Inquiry Platform (證券期貨市場失信記錄查詢平台), Mr. Shen Lei has not been subject to any punishment imposed by the CSRC and other relevant authorities or any penalty from stock exchanges.

Other Information

The Company entered into a service contract with Mr. Shen Lei for a term commencing from 19 August 2024 to the end of the term of office of the Ninth session of the Board of the Company (i.e. 2 June 2025), which may be terminated by either party giving to the other not less than three months' notice. Mr. Shen Lei entitles to receive a director's emolument of RMB700,000 (before tax) per annum. The emoluments of the executive Director are determined by the remuneration and evaluation committee of the Company with reference to the time and effort devoted to the Company's affairs, their responsibilities and expertise. Mr. Shen Lei also entitles to receive a variable remuneration and discretionary bonus from the Group in his capacity as a senior management, which was determined with reference to his duties and responsibilities with the Company, the market value of the remuneration of his position, the variable target and the prevailing market conditions.

Note: Shanghai Fuxin Fangao IC Technology Co. Ltd.* (上海復芯凡高集成電路技術有限公司) ("Fuxin Fangao") holds 106,730,000 A Shares of the Company, representing 13.03% of the issued shares of the Company. Fuxin Fangao is a state-owned enterprise wholly owned by Shanghai Fudan Asset Management Co., Ltd.* (上海復旦資產經營有限公司) ("Fudan Asset"), which in turn is wholly owned by Fudan University.

CHANGE IN INFORMATION OF DIRECTORS DISCLOSED PURSUANT TO LISTING RULES 13.51B(1)

With effect from 1 March 2024:

1. Mr. Jiang Guoxing, an executive Director, has been appointed as the Chairman of the Strategy and Investment Committee of the Company;
2. Mr. Wang Pin, an independent non-executive Director, has been appointed as the member of the Nomination Committee and Remuneration and Evaluation Committee of the Company; and
3. Mr. Cai Minyong, an independent non-executive Director, has been appointed as the member of the Environmental, Social and Governance Committee of the Company.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the half-year ended 30 June 2024 (2023: nil).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no significant investment and material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2024 (2023: Nil).

PLEDGE OF ASSETS

As at 30 June 2024, the Group did not have any pledge of assets (2023: Nil).

Other Information

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) and bank borrowings. There was no change in the Group's capital management objectives, policies or procedures from January to June of 2024 and year 2023.

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 30 June 2024 is approximately 27.99% (2023: 29.12%).

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2024, net assets of the Group amounted to RMB6,240,672,234.96 (2023: RMB5,961,701,809.14), representing an increase of approximately 4.68% over last year; of which current assets amounted to RMB6,116,690,265.34 (2023: RMB5,937,283,670.86), representing an increase of approximately 3.02% over last year; of which cash at bank and on hand amounted to RMB813,008,807.03 (2023: RMB1,003,337,496.96), representing a decrease of approximately 18.97% over last year.

The Group kept profiting for the past years, and thus profit, placement of shares, bank borrowings and cash flows generated internally have been used to meet the operations and business development needs. 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 (2023: Nil).

As at 30 June 2024, the Group had bank borrowings amounted to RMB1,510,627,516.78, which are repayable in 2 years with interest rate 2.40% to 2.88% per annual (2023: RMB1,436,202,110.03).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, there was no other specific plan for material investments or capital assets as at 30 June 2024.

HUMAN RESOURCES

As at 30 June 2024, the Group had a total of 2,014 employees (31 December 2023: 2,045). The employee remunerations (included directors' emoluments) were RMB554,538,988.08 for the 6 months ended 30 June 2024 (2023: RMB493,296,549.41). The remuneration package of the employees is determined by various factors such as their working experience and job performance, the market condition, industry practice and applicable employment law. Year-end bonus based on job performance will be paid to employees as recognition of and reward for their contributions.

Other Information

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF DIRECTORS AND SUPERVISORS AND CHIEF EXECUTIVE

At 30 June 2024, the interests or short positions of the directors and supervisors and chief executives of the Company in the share capital and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of Listed Companies contained in the Listing Rules, were as follows:

Long positions in A shares of the Company:

	<u>Number of issued shares held, capacity and nature of interest</u>				Total	Percentage of the Company’s issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation			
Directors						
Mr. Jiang Guoxing	7,210,000	–	–	7,210,000	0.88	
Mr. Shi Lei	7,210,000	–	–	7,210,000	0.88	
Mr. Yu Jun	522,546	–	–	522,546	0.06	
	14,942,546	–	–	14,942,546		
Supervisor						
Ms. Zhang Yanfeng	–	–	220,500	220,500	0.03	

Save as disclosed above, as at 30 June 2024, none of the directors and supervisors and chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of Listed Companies contained in the Listing Rules.

Other Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse 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 to acquire such rights in any other body corporate.

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

At 30 June 2024, so far as any Directors are aware, the interests and short positions owned by the following parties in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Part XV of the SFO or were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Long positions in shares of the Company:

Name of shareholders	Note	Capacity and nature of interest	Number of Ordinary shares held	Class of shares	Percentage of shareholding on relevant class of shares	Percentage of the Company's issued share capital
Shanghai Fudan Fukong Technology Enterprise Holdings Limited ("Fudan Fukong")	(1)	Beneficially owned	109,620,000	A shares	20.50	13.38
Shanghai Commerce and Invest (Group) Corporation ("SCI")	(1)	Interest of corporation controlled	109,620,000	A shares	20.50	13.38
Bailian Group Company Limited ("Bailian Group")	(1)	Interest of corporation controlled	109,620,000	A shares	20.50	13.38
Shanghai Fudan Fangao IC Technology Co. Ltd. ("Fuxin Fangao")	(2)	Beneficially owned	106,730,000	A shares	19.96	13.03
Shanghai Fudan Asset Management Co., Ltd. ("Fudan Asset")	(2)	Interest of corporation controlled	106,730,000	A shares	19.96	13.03
Fudan University	(2)	Interest of corporation controlled	106,730,000	A shares	19.96	13.03
Shanghai Zhengben Corporate Management Consultant Partnership Enterprise (limited partnership) ("Shanghai Zhengben")	(3)	Beneficially owned	39,182,011	A shares	7.33	4.78
Shanghai Yikun Investment Consultant Partnership Enterprise ("Shanghai Yikun")	(3)	Interest of corporation controlled	42,814,525	A shares	8.01	5.23
Zhang Yong	(3)	Interest of corporation controlled	42,814,525	A shares	8.01	5.23
Tenbagger Capital Management Co., Ltd.		Investment manager	19,912,000	H shares	7.00	2.43

Other Information

Notes:

- (1) Bailian Group is a state-owned enterprise wholly owned by the Shanghai Municipal Government and wholly owned SCI, and SCI held 70.2% of the equity interest of Fudan Fukong. Accordingly, each of SCI and Bailian Group is deemed to be interested in Fudan Fukong's interest in the Company.
- (2) Fuxin Fangao is a state-owned enterprise wholly owned by Fudan Asset and Fudan Asset is wholly owned by Fudan University.
- (3) Zhang Yong held 95% of the equity interest in Shanghai Yikun, and Shanghai Yikun held 99.81% of the equity interest in Shanghai Zhengben. Accordingly, each of Shanghai Yikun and Zhang Yong is deemed to be interested in Shanghai Zhengben's interest in the Company. Shanghai Yikun and Zhang Yong further held the Company's interest through another controlled corporation.

Save as disclosed above, as at 30 June 2024, no person, other than the directors and supervisors of the Company, whose interests are set out in the section headed "Interests and short positions in shares and underlying shares and debentures of directors and supervisors and chief executives" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be disclosed to the Company under Part XV of the SFO or to be recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

2021 A SHARES RESTRICTED SHARE INCENTIVE SCHEME

The Company implemented the 2021 A Shares Restricted Share Incentive Scheme (the "Scheme") on 6 December 2021 (the "Grant Date") for the purpose of motivating and rewarding persons who contribute to the operations of the Group. Eligible persons include those persons, other than directors, chief executive and substantial shareholders of the Company, whom the Board of Directors considers to be in need of incentives. The Scheme is valid for a maximum period of 60 months from the date of grant of the A Shares restricted shares (the "Restricted Shares") to the date when all the Restricted Shares granted to the incentive recipients vest or lapse. As at 30 June 2024, the remaining life of the Scheme is 2.5 years.

The total number of underlying shares involved in this Scheme during the entire validity period is 10,000,000 shares, which does not exceed 20.00% of shares of the Company in aggregate at the time of submitting this scheme to the shareholders' meeting, which represent 1.22% of the issued shares at the date of this report. The cumulative number of shares of the Company granted to any one incentive recipient and the maximum entitlement of each incentive recipient under this Scheme during the entire validity period does not exceed 1.00% of the total number of shares of the Company.

The grant price of the Restricted Shares under the first grant is RMB18.00 per Share, i.e., the incentive recipients who have satisfied the conditions of grant and conditions of vesting can subscribe for the Restricted Shares to be issued by the Company to them at the price of RMB18.00 per A Share. Grant price was adjusted to RMB17.8 per Share after distribution of cash dividend to shareholder in 2022 and 2023. The pricing method for the Restricted Shares grant price under the Scheme is self-pricing. The purpose of determining the grant price by independent pricing is to promote the development of the Company, protect the rights and interests of the Shareholders, and provide a mechanism and talent guarantee for the long-term and stable development of the Company. The Participants who have fulfilled the attribution conditions shall pay the funds for the subscription of the Restricted Shares into the account designated by the Company according to the Company's requirements. Participants who have not paid the funds within the period stipulated by the Company shall be deemed to have waived his/her right to subscribe for the Restricted Shares.

Other Information

The Company did not grant any Restricted Shares during the Reporting Period (2023: Nil), of which the Group recognized share option expenses of RMB29,996,625.82 in the Reporting Period (2023: RMB59,393,977.32). The remuneration and evaluation committee has reviewed the implementation of the 2021 A Shares Restricted Share Incentive Scheme.

Movements of restricted shares for the Reporting Period

Name or category of participants	Grant date	Number of restricted shares				As at 30 June 2024 (Share)	Vesting period	Vesting price
		As at 1 January 2024 (Share)	Granted (Share)	Vested (Share)	Lapsed (Share)			
Employee (total 570 employee)	6/12/2021 and 28/10/2022	4,914,100	-	-	-	4,914,100	8/12/2024 to 7/12/2026	RMB17.8
Total		4,914,100	-	-	-	4,914,100		

During the Reporting Period, no Restricted Shares was vested or cancelled or lapsed.

At the beginning and the end of the Reporting Period, the number of Restricted Shares that may be granted under the Scheme is zero. The number of shares that may be issued in respect of the Restricted Shares granted under the Scheme during the Reporting Period divided by the weighted average number of shares of the relevant class in issue for the period is 0.6%.

The Scheme is valid for five years from the date of grant of the restricted shares. The granted Restricted Shares of the First Grant will be exercised in four batches of 25%, 25%, 25% and 25% of the exercise ratio from the date of grant, after a 12-month exercise restriction period, provided that the exercise conditions are met, and the incentive recipients can exercise the Restricted Shares during the exercise period in accordance with the exercise price determined in the Scheme. The granted Restricted Shares of the Reservation Grant will be exercised in three batches of 30%, 30% and 40% of the exercise ratio from the date of grant, after a 12-month exercise restriction period, provided that the exercise conditions are met, and the incentive recipients can exercise the restricted shares during the exercise period in accordance with the exercise price determined in the Scheme.

As at 30 June 2024 and the date of this report, the Company had 4,914,100 Restricted Shares granted and outstanding for vesting under the Scheme, which represented approximately 0.6% of the Company's issued shares at that date. Based on the capital structure of the Company, if all the Restricted Shares issued and outstanding are exercised, 4,914,100 additional ordinary shares of the Company will be issued, increasing the share capital by RMB491,410 and the share premium by RMB86,979,570 of the Company (before deduction of issue expenses).

Other Information

Performance targets

The performance assessment requirements of the First Grant will be evaluated on an annual basis for the 4 financial years of 2021 to 2024 at the Group level, and the achievement of performance assessment target of the participants for each year. The performance assessment objectives of the First Grant according to the 2021 A Shares Restricted Share Incentive Scheme are set out below:

Performance assessment requirements at the Group level:

Tranche		Performance Assessment Target A, Company vesting factor 100%	Performance Assessment Target B, Company vesting factor 80%
Restricted Shares granted for the First Grant	First vesting	Meet any one of the following conditions: 1. The revenue increased by 40% or above over 2020; 2. Sales profit margin increased by 50% or above over 2020.	Meet any one of the following conditions: 1. The revenue increased no less than 32% over 2020; 2. Sales profit margin increased no less than 40% over 2020.
	Second vesting	Meet any one of the following conditions: 1. The revenue increased by 65% or above over 2020; 2. Sales profit margin increased by 65% or above over 2020.	Meet any one of the following conditions: 1. The revenue increased no less than 52% over 2020; 2. Sales profit margin increased no less than 52% over 2020.
	Third vesting	Meet any one of the following conditions: 1. The revenue increased by 90% or above over 2020; 2. Sales profit margin increased by 90% or above over 2020.	Meet any one of the following conditions: 1. The revenue increased no less than 72% over 2020; 2. Sales profit margin increased no less than 72% over 2020.
	Fourth vesting	Meet any one of the following conditions: 1. The revenue increased by 120% or above over 2020; 2. Sales profit margin increased by 120% or above over 2020.	Meet any one of the following conditions: 1. The revenue increased no less than 96% over 2020; 2. Sales profit margin increased no less than 96% over 2020.

The performance assessment requirements of the Reserved Grant will be evaluated on an annual basis for the 3 financial years of 2022 to 2024 at the Group level, and the achievement of performance assessment target of the participants for each year. The performance assessment objectives of the Reserve Grant according to the 2021 A Shares Restricted Share Incentive Scheme are set out below:

Other Information

Performance assessment requirements at the Group level:

Tranche		Performance Assessment Target A, Company vesting factor 100%	Performance Assessment Target B, Company vesting factor 80%
Restricted Shares granted for the Reserved Grant	First vesting	Meet any one of the following conditions: 1. The revenue increased by 65% or above over 2020; 2. Sales profit margin increased by 65% or above over 2020.	Meet any one of the following conditions: 1. The revenue increased no less than 52% over 2020; 2. Sales profit margin increased no less than 52% over 2020.
	Second vesting	Meet any one of the following conditions: 1. The revenue increased by 90% or above over 2020; 2. Sales profit margin increased by 90% or above over 2020.	Meet any one of the following conditions: 1. The revenue increased no less than 72% over 2020; 2. Sales profit margin increased no less than 72% over 2020.
	Third vesting	Meet any one of the following conditions: 1. The revenue increased by 120% or above over 2020; 2. Sales profit margin increased by 120% or above over 2020.	Meet any one of the following conditions: 1. The revenue increased no less than 96% over 2020; 2. Sales profit margin increased no less than 96% over 2020.

Note: As referred above, “revenue” means audited consolidated revenue of the Group; “sales profit margin” means audited revenue after deducting cost of sales of the Group.

Performance assessment requirements at the participant’s individual level:

The individual assessment of participants is carried out according to the internal performance assessment system of the Company. The individual evaluation results of the participants are divided into two levels: “pass” and “fail”. The corresponding vesting situations are as follows:

Assessment standards	Pass	Fail
Individual Vesting Coefficient	100%	0%

If the Group’s performance reaches performance assessment target, the number of restricted shares can be vested attributable to the participant in the current year = the number of shares can be vested of the individual for the year × the company vesting factor × the individual vesting coefficient.

If the restricted shares that the belong to the participant for the current period cannot be vested or cannot be fully vested due to assessment reasons, the restricted shares shall become invalid and shall not be deferred to the next year.

Other Information

USE OF PROCEEDS

For year 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, which the proposal was approved by the second extraordinary general meeting in 2021.

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. On 17 January 2023, the Board has approved:

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, which the proposal was approved by the 2022 annual general meeting.

Other Information

IV. On 28 August 2023, 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 RMB40 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 29 August 2023 to 28 August 2024. Within the aforesaid limit and period of use, the amounts can be used on a rolling basis.

V. On 22 March 2024, the Board has approved:

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, which the proposal was approved by the 2023 annual general meeting.

VI. Use of proceeds and balance of funds

As at 30 June 2024, all of the fund raised (except the surplus funds raised, income from cash management of fund raising and interest income) were fully utilized according to the intentions previously disclosed by the Company, the use of proceeds and balance of funds were:

RMB							
Net Proceeds received on 29/7/2021							680,282,781.80
From 29/7/2021 to 31/12/2021							
Proposed use of proceeds	Original allocation of the Proceeds	Utilisation of the Surplus Funds Raised for		Replacement of Self-raised Funds invested in advance	Used from 29/7/2021 to 31/12/2021	Received from 29/7/2021 to 31/12/2021	Unused Proceeds up to 31/12/2021
		Permanent Replenishment of Working Capital (approved by EGM on 5/11/2021)					
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
SOPC Chips R&D and Industrialization Project	300,000,000.00	-	(300,000,000.00)	-	-	-	-
Development and Technology Reserve Funds	300,000,000.00	-	(74,561,300.00)	(24,245,561.98)	-	201,193,138.02	-
Surplus Funds Raised	80,282,781.80	(24,000,000.00)	-	-	-	56,282,781.80	-
Permanent supplement of working capital	-	24,000,000.00	-	(24,000,000.00)	-	-	-
Income from cash management of fund raising	-	-	-	-	1,662,931.51	1,662,931.51	-
Interest income net of charges	-	-	-	-	1,474,565.70	1,474,565.70	-
Total	680,282,781.80	-	(374,561,300.00)	(48,245,561.98)	3,137,497.21	260,613,417.03	-

Other Information

From 1/1/2022 to 31/12/2022

Proposed use of proceeds	Unused Proceeds as at 1/1/2022 RMB	Used from 1/1/2022 to 31/12/2022 RMB	Received from 1/1/2022 to 31/12/2022 RMB	Unused Proceeds up to 31/12/2022 RMB
Development and Technology				
Reserve Funds	201,193,138.02	(105,503,449.60)	–	95,689,688.42
Surplus Funds Raised	56,282,781.80	–	–	56,282,781.80
Income from cash management of fund raising	1,662,931.51	–	4,889,007.84	6,551,939.35
Interest income net of charges	1,474,565.70	–	973,546.95	2,448,112.65
Total	260,613,417.03	(105,503,449.60)	5,862,554.79	160,972,522.22

From 1/1/2023 to 31/12/2023

Proposed use of Proceeds	Unused Proceeds as at 1/1/2023 RMB	Utilisation of the Surplus Funds Raised for Permanent Replenishment of Working Capital (approved by AGM on 2/6/2023)		Received from 1/1/2023 to 31/12/2023 RMB	Unused Proceeds up to 31/12/2023 RMB
		of Working Capital	Used from 1/1/2023 to 31/12/2023 RMB		
Development and Technology Reserve Funds	95,689,688.42	–	(95,689,688.42)	–	–
Surplus Funds Raised	56,282,781.80	(24,000,000.00)	–	–	32,282,781.80
Permanent supplement of working capital	–	24,000,000.00	(24,000,000.00)	–	–
Income from cash management of fund raising	6,551,939.35	–	–	1,518,345.61	8,070,284.96
Interest income net of charges	2,448,112.65	–	(691,600.00)	567,247.01	2,323,759.66
Total	160,972,522.22	–	(120,381,288.42)	2,085,592.62	42,676,826.42

From 1/1/2024 to 30/6/2024

Proposed use of Proceeds	Unused Proceeds as at 1/1/2024 RMB	Received from 1/1/2024 to 30/6/2024 RMB	Unused Proceeds up to 30/6/2024* RMB
Surplus Funds Raised	32,282,781.80	–	32,282,781.80
Income from cash management of fund raising	8,070,284.96	–	8,070,284.96
Interest income net of charges	2,323,759.66	77,798.30	2,401,557.96
Total	42,676,826.42	77,798.30	42,754,624.72

* The Company will keep the expected timetable to use the unutilized Surplus Funds Raised, income from cash management of fund raising and interest income balance before 31 December 2025 as supplement of working capital. The utilisation of Surplus Funds Raised is subject to the approval of the shareholders in general meeting.

Other Information

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the half-year ended 30 June 2024, none of the directors 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.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix C1 of the Listing Rules throughout the half-year ended 30 June 2024.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct on terms no less exacting than the model code of securities transactions by directors of listed issuers as set out in Appendix C3 of the Listing Rules. Having made specific enquiry to all directors, the directors have complied with such code of conduct and the required standard of dealings throughout the half-year ended 30 June 2024.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the half-year ended 30 June 2024, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

UPDATE ON THE ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS TO NON-SPECIFIC INVESTORS

On 19 July 2024, the Company received the "Approval on the Consent to the Registration of Shanghai Fudan Microelectronics Group Company Limited to issue Convertible Corporate Bonds to Non-Specific Investors" which issued by the China Securities Regulatory Commission, the content of which is giving approval to the registration of the Issuance of A Share Convertible Corporate Bonds by the Company to Non-Specific Investors with a total amount not exceeding RMB2 billion (RMB2 billion inclusive) and will be effective for 12 months from the date of consent to the registration.

As disclosed in the announcement of the Company dated 19 June 2024 and 21 July 2024, the special resolution in relation to the extension of the validity period of the resolution in respect of the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors and the special resolution in relation to the extension of Authorisations to the Board and its authorised persons to deal with the matters relating to the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors at their absolute discretion, both of which were proposed and not duly passed at the H Shareholders' Class Meeting held on 18 June 2024. Therefore, the Issuance of A Share Convertible Corporate Bonds to Non-Specific Investors is still subject to the approval of the Shareholders' General Meeting and the Shareholders' Class Meeting for the aforesaid renewal of the validity period.

Other Information

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the Listing Rules and Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. At the date of this report, the audit committee comprises three independent non-executive directors Mr. Cao Zhongyong, Mr. Cai Minyong and Mr. Wang Pin. The Group's unaudited financial statements for the half-year ended 30 June 2024 have been reviewed by the committee, who were of the opinion that such statements complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements had been approved by the seventeenth meeting of the ninth session of the Board on 28 August 2024 for publication.

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

Shanghai, the PRC, 28 August 2024

As at the date of this report, the Company's executive Directors are Mr. Jiang Guoxing, Mr. Shi Lei, Mr. Yu Jun and Mr. Shen Lei; non-executive Directors are Mr. Zhuang Qifei, Ms. Zhang Rui, Mr. Song Jiale and Ms. Yan Na, and independent non-executive Directors are Mr. Cao Zhongyong, Mr. Cai Minyong, Mr. Wang Pin and Ms. Zou Fuwen.

* *For identification purposes only*