

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



上海復旦微電子集團股份有限公司

Shanghai Fudan Microelectronics Group Company Limited*

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 1385)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

The turnover of the Group for the year ended 31 December 2017 was approximately RMB1,398,230,000 (2016: RMB1,187,490,000), increased by approximately 17.7% as compared to the previous year.

The Group recorded a net profit attributable to owners of the parent for the year ended 31 December 2017 of approximately RMB212,122,000 (2016: RMB212,258,000) and the basic earnings per share was RMB33.88 cents (2016: RMB34.38 cents), representing a decrease of approximately 1.5% over last year.

The Board does not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

AUDITED RESULTS

The board of directors (the “Board”) of Shanghai Fudan Microelectronics Group Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2017, along with the comparative audited figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	3	1,398,230	1,187,490
Cost of sales		<u>(706,174)</u>	<u>(556,198)</u>
Gross profit		692,056	631,292
Other income and gains	3	144,433	162,985
Selling and distribution expenses		(77,098)	(68,428)
Administration expenses		(98,057)	(87,300)
Other expenses		<u>(415,807)</u>	<u>(378,692)</u>
PROFIT BEFORE TAX	4	245,527	259,857
Tax expense	5	<u>(17,458)</u>	<u>(19,767)</u>
PROFIT FOR THE YEAR		<u>228,069</u>	<u>240,090</u>
Profit attributable to:			
Owners of the parent	6	212,122	212,258
Non-controlling interests		<u>15,947</u>	<u>27,832</u>
		<u>228,069</u>	<u>240,090</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
- For profit for the year	6	<u>RMB33.88cents</u>	<u>RMB34.38cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
PROFIT FOR THE YEAR	<u>228,069</u>	<u>240,090</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of a foreign operation	<u>(1,049)</u>	<u>756</u>
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	<u>(1,049)</u>	<u>756</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	<u>(1,049)</u>	<u>756</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>227,020</u>	<u>240,846</u>
Total comprehensive income attributable to:		
Owners of the parent	<u>211,073</u>	<u>213,014</u>
Non-controlling interests	<u>15,947</u>	<u>27,832</u>
	<u>227,020</u>	<u>240,846</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		367,034	308,702
Intangible assets		160,655	139,547
Available-for-sale investments		3,267	-
Deferred tax assets		30,049	42,972
Total non-current assets		561,005	491,221
CURRENT ASSETS			
Inventories		367,106	280,612
Trade and bills receivables	7	566,434	466,616
Prepayments, deposits and other receivables		38,196	24,195
Tax recoverable		28,506	-
Cash and bank balances		646,109	540,224
Total current assets		1,646,351	1,311,647
CURRENT LIABILITIES			
Trade and bills payables	8	131,149	113,922
Accruals, other payables and deferred income		292,376	286,665
Tax payable		522	15,771
Total current liabilities		424,047	416,358
NET CURRENT ASSETS		1,222,304	895,289
TOTAL ASSETS LESS CURRENT LIABILITIES		1,783,309	1,386,510
NON-CURRENT LIABILITIES			
Deferred income		12,033	12,078
Net assets		1,771,276	1,374,432
EQUITY			
Equity attributable to owners of the parent			
Issued capital		65,933	61,733
Reserves	9	1,551,109	1,160,033
Non-controlling interests		1,617,042	1,221,766
Total equity		1,771,276	1,374,432

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

1.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year’s financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKAS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

1.2 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective, in these financial statements.

2. OPERATING SEGMENT INFORMATION

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

- the design, development and sale of IC products segment (“design, development and sale of IC products”); and
- the provision of testing services for IC products segment (“testing services for IC products”).

Year ended 31 December 2017	Design, development and sale of IC products RMB'000	Testing services for IC products RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	1,321,651	76,579	1,398,230
Intersegment sales	-	46,132	46,132
	<u>1,321,651</u>	<u>122,711</u>	<u>1,444,362</u>
<i><u>Reconciliation:</u></i>			
Elimination of intersegment sales			<u>(46,132)</u>
Revenue			<u><u>1,398,230</u></u>
Segment results	185,896	33,525	219,421
<i><u>Reconciliation:</u></i>			
Elimination of intersegment results			(9,355)
Interest income			9,087
Unallocated other income and gains			<u>26,374</u>
Profit before tax			<u><u>245,527</u></u>
Segment assets	1,829,411	351,899	2,181,310
<i><u>Reconciliation:</u></i>			
Elimination of intersegment receivables			(4,003)
Corporate and other unallocated assets			<u>30,049</u>
Total assets			<u><u>2,207,356</u></u>
Segment liabilities	364,615	75,468	440,083
<i><u>Reconciliation:</u></i>			
Eliminating of intersegment payables			<u>(4,003)</u>
Total liabilities			<u><u>436,080</u></u>
Other segment information			
Impairment loss recognised in the statement of profit or loss	6,677	86	6,763
Impairment loss reversed in the statement of profit or loss	(17)	-	(17)
Depreciation	22,268	40,689	62,957
Amortisation of intangible assets	34,323	-	34,323
Capital expenditure*	<u>142,783</u>	<u>71,965</u>	<u>214,748</u>

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Year ended 31 December 2016	Design, development and sale of IC products RMB'000	Testing services for IC products RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	1,104,382	83,108	1,187,490
Intersegment sales	-	41,943	41,943
	<u>1,104,382</u>	<u>125,051</u>	<u>1,229,433</u>
<u><i>Reconciliation:</i></u>			
Elimination of intersegment sales			<u>(41,943)</u>
Revenue			<u><u>1,187,490</u></u>
Segment results	177,676	69,806	247,482
<u><i>Reconciliation:</i></u>			
Elimination of intersegment results			(10,038)
Interest income			9,169
Unallocated other income and gains			<u>13,244</u>
Profit before tax			<u><u>259,857</u></u>
Segment assets	1,401,681	366,083	1,767,764
<u><i>Reconciliation:</i></u>			
Elimination of intersegment receivables			(7,868)
Corporate and other unallocated assets			<u>42,972</u>
Total assets			<u><u>1,802,868</u></u>
Segment liabilities	335,031	101,273	436,304
<u><i>Reconciliation:</i></u>			
Eliminating of intersegment payables			<u>(7,868)</u>
Total liabilities			<u><u>428,436</u></u>
Other segment information			
Impairment loss recognised in the statement of profit or loss	52,500	288	52,788
Impairment loss reversed in the statement of profit or loss	(7,322)	(166)	(7,488)
Depreciation	24,250	43,805	68,055
Amortisation of intangible assets	44,417	-	44,417
Capital expenditure*	<u>97,590</u>	<u>20,270</u>	<u>117,860</u>

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Geographical information

(a) Revenue from external customers

	2017 RMB'000	2016 RMB'000
Mainland China	1,325,679	1,136,058
Asia Pacific (excluding Mainland China)	54,056	38,163
Others	18,495	13,269
	<u>1,398,230</u>	<u>1,187,490</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2017 RMB'000	2016 RMB'000
Mainland China	527,650	448,240
United States of America	27	-
Asia Pacific (excluding Mainland China)	12	9
	<u>527,689</u>	<u>448,249</u>

The non-current assets information above is based on the locations of the assets and excludes available-for-sale investments and deferred tax assets

Information about a major customer

In 2017, no single customer contributed to 10% or more of the Group's revenue.

In 2016, Revenue of approximately RMB164,651,000 was derived from sales by the design, development and sale of IC products segment to a single customer, which contributed to 10% or more of the Group's revenue.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	2017 RMB'000	2016 RMB'000
Revenue		
Sale of goods	1,321,651	1,104,382
Rendering of services	<u>76,579</u>	<u>83,108</u>
	<u>1,398,230</u>	<u>1,187,490</u>
Other income and gains		
Bank interest income	9,087	9,169
Government grants received for research activities	67,995	93,966
Other government grants	26,374	13,244
Others	<u>40,977</u>	<u>46,606</u>
	<u>144,433</u>	<u>162,985</u>

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2017 RMB'000	2016 RMB'000
Cost of inventories sold	665,600	519,095
Cost of services provided	40,574	37,103
Depreciation	62,957	68,055
Research and development costs:		
Deferred development costs amortised*	34,323	44,417
Current year expenditure	373,663	345,284
Less: Government grants received for research activities**	(67,995)	(93,966)
	<u>339,991</u>	<u>295,735</u>
Minimum lease payments under operation leases:		
Land and buildings	13,929	12,454
Auditors' remuneration	1,613	1,576
Employee benefit expense (excluding Directors' and chief executive's remuneration):		
Wages and salaries	292,229	225,885
Pension scheme contributions	32,615	25,787
	<u>324,844</u>	<u>251,672</u>
Less: Amounts capitalised as development costs	<u>(58,546)</u>	<u>(55,601)</u>
	<u>266,298</u>	<u>196,071</u>
Foreign exchange differences, net	3,969	477
Impairment of intangible assets	1,064	36,126
Impairment/(reversal) of trade and bills receivables	991	(3,621)
Provision for inventories to net realisable value	4,691	12,795
Write off/loss on disposal of items of property, plant and equipment and intangible assets	35,549	13,553
Bank interest income	(9,087)	(9,169)
Other government grants	<u>(26,374)</u>	<u>(13,244)</u>

* The amortisation of deferred development costs for the year is included in "Other expenses" on the face of the consolidated statement of profit or loss.

** Various government grants have been received for setting up research activities in Shanghai, Mainland China, to support domestic technology development. Conditions or contingencies relating to these grants are fulfilled and they are not deducted from the related costs which they are intended to compensate, but recorded in other income. Government grants received for which related expenditure has not yet been incurred or to which there were unfulfilled conditions are included in "Accruals, other payables and deferred income" in the consolidated statement of financial position.

5. TAX

Under the PRC Corporate Income Tax Law (the “CIT Law”), the Company is subject to income tax at a base rate of 25%. The Company is eligible to a preferential income tax rate of 15% as a High New Technology Enterprise (“HNT Enterprise”). For the year ended 31 December 2016, income tax provision on assessable income of the Company was made at the rate of 15%. Pursuant to the notice of the State Council on “Issuing Several Policies on Further Encouraging the Development of the Software and Integrated Circuit Industries” (Guo Fa (2011) No. 4) and “Notice Concerning Several Policies on Enterprise Income Tax of Software and Integrated Circuit Industries” (Cai Shui (2016) No. 49) issued by the Ministry of Finance of the PRC, the Company was subsequently qualified as “key integrated circuit designer falling within the State’s planned arrangement” for its 2016 annual tax filing. Accordingly, the Company enjoyed a preferential tax rate of 10% and received a tax refund which represented the difference between the paid amount according to the original 15% corporate income tax rate and the aforesaid preferential tax rate of 10%. For the year ended 31 December 2017, income tax on assessable income of the Company has been provided at the rate of 10% as a key integrated circuit designer falling within the State’s planned arrangement.

Under the CIT Law, the Company’s subsidiaries, Sino IC Technology Co., Ltd. (“Sino IC”) and Shanghai Fukong Hualong Micro-system Technology Co., Ltd. (“Fukong Hualong”) are subject to income tax at a base rate of 25%. Sino IC and Fukong Hualong are entitled to a preferential income tax rate of 15% as an HNT Enterprise. For the financial year ended 31 December 2017, income tax on assessable income of Sino IC and Fukong Hualong have been provided at the rate of 15% (2016: 15%).

Under the CIT Law, two of the Company’s subsidiaries, Shenzhen Fudan Microelectronics Company Limited and Beijing Fudan Microelectronics Technology Company Limited, are subject to income taxes at a base rate of 25%. For the year ended 31 December 2017, income taxes on assessable income of these subsidiaries have been provided at the rate of 25% (2016: 25%).

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The Company’s subsidiary incorporated and operating in the United States is subject to federal corporation income tax at a rate of 21% during the year (2016: 34%), as well as state tax at a rate of 8.84% (2016: 8.84%).

	2017 RMB'000	2016 RMB'000
Current – Hong Kong		
Charge for the year	219	-
Over provision in prior years	-	(7)
Current – United States		
Charge for the year	5	-
Current – Mainland China		
Charge for the year	8,696	26,425
Overprovision in prior years	(4,385)	(1,943)
Deferred	12,923	(4,708)
Total tax charge for the year	<u>17,458</u>	<u>19,767</u>

6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 626,075,000 (2016: 617,330,000) in issue during the year.

The calculation of basic earnings per share is based on:

	2017 RMB'000	2016 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>212,122</u>	<u>212,258</u>
	Number of shares '000	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>626,075</u>	<u>617,330</u>

The Group had no potentially dilutive ordinary shares in issue during the two years ended 31 December 2017 and 2016. The diluted earnings per share amount is the same as the basic earnings per share amount.

7. TRADE AND BILLS RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade and bills receivables	580,863	480,265
Impairment	<u>(14,429)</u>	<u>(13,649)</u>
	<u>566,434</u>	<u>466,616</u>

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally between 30 and 90 days. The Group's sales are made to several major customers and there is concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables and closely monitors the collection to minimise credit risk. Overdue balances are reviewed regularly by the senior management. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2017 RMB'000	2016 RMB'000
Within 3 months	359,758	379,442
3 to 6 months	133,428	74,466
6 to 12 months	61,198	10,448
Over 12 months	12,050	2,260
	<u>566,434</u>	<u>466,616</u>

8. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 RMB'000	2016 RMB'000
Within 3 months	130,465	112,699
3 to 6 months	195	604
6 to 12 months	37	-
Over 12 months	452	619
	<u>131,149</u>	<u>113,922</u>

The trade and bills payables are non-interest-bearing and are normally settled on 90-day terms.

9. RESERVES

	Share premium RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2016	168,486	44,717	(2,808)	7,821	721,881	940,097
Profit for the year	-	-	-	-	212,258	212,258
Exchange differences related to foreign operations	-	-	756	-	-	756
Total comprehensive income for the year	-	-	756	-	212,258	213,014
Capital contribution from non-controlling interests	-	-	-	6,922	-	6,922
Transfer	-	3,051	-	-	(3,051)	-
At 31 December 2016	168,486	47,768	(2,052)	14,743	931,088	1,160,033
Profit for the year	-	-	-	-	212,122	212,122
Exchange differences related to foreign operations	-	-	(1,049)	-	-	(1,049)
Total comprehensive income for the year	-	-	(1,049)	-	212,122	211,073
Issue of shares	184,595	-	-	-	-	184,595
Share issue expenses	(4,592)	-	-	-	-	(4,592)
Transfer	-	1,704	-	-	(1,704)	-
At 31 December 2017	348,489	49,472	(3,101)	14,743	1,141,506	1,551,109

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the year, the principal activities of the Group remained design, development and sales of specific application integrated circuit product and provision of testing services. The Group's products are applied in all fields mainly including city one-cards, financial IC cards, social security and citizen cards, smart meters, electronics payment, memory chips and Internet of Things and maintain a leading position in the industry. The Group's overall revenue recorded an increase by approximately 17.7% compared to the previous year due to the continued increase in the sales of security and identification IC chips which represented a higher sales proportion and the considerate increase in revenue from the ideal sales of non-volatile memory chips. However, the fierce completion forced us to lower the price of certain security and identification IC chips to as to maintain the market share, resulting in a decrease in the overall gross margin from 53.2% of the last year to 49.5%.

The Group's business performance by product category during the year is as follows:

Security and Identification IC Chips

In the year ended 31 December 2017, sales of security and identification chips only recorded a growth of around 13% with gross margin decreased by 13% compared to last year. The business of public transit cards, resident cards, social security cards, citizen cards and electronic payments etc. was not affected by competition due to early occupation of market and high technical threshold. Of these products, the smart card chips saw a decrease in sales due to the demand saturation in the market. However, the Company maintained continued sales and ideal gross margin for this product. With the technical maturity of domestic chips and under the influence of national policies, the demand for financial IC card chips increased rapidly, which, however, also caused exceptionally fierce competition. Despite of the substantial rise in sales due to the increase bid winning rate, the gross margin dropped due to the adjustment to price strategy by the Group in order to maintain the market share.

Other products such as contactless RF card chip and contactless chips have benefited from the quality and price superior to competitors, thus, having satisfactory increases in sales.

Smart Meter ASIC Chips

The sales of the smart meter ASIC chips plummeted by approximately 30% as compared to last year. As old products have been launched for many years and are gradually replaced by new products, and the sale of products is affected by the decrease in tender and purchase by the State Grid Corporation, the Group acquired an ideal market share for the new generation of products after being put into the market as they can satisfy functional demands. The overall gross margin of this product had a slight increase due to the better profit generated from the new products.

Non-volatile Memory Chips

The products of this category mainly comprises the EEPROM series and the NOR flash memory products, which are widely applied in the field of consumer electronics and computer peripheral equipment market. The Group's EEPROM and NOR flash memory products currently cover different memory storages together with remarkably high reliability. As the sales amount and profit of this product depend on the size of storage of products and market prosperity, the sales amount and gross margin are exposed to great fluctuations. The sales soared by approximately 78% in the year and the gross margin dropped a bit due to severe market competition. The proportion of this product in the overall sales of the Group gradually increased and made great contributions to the results for the year.

Specific Analog Circuits

Specific Analog Circuits mainly consist of leakage protection chips, motor vehicle specific chips, communication chips and lighting chips; they are widely applied in leakage protection devices, home appliances, telecommunication equipment and lighting control system, etc. The sales amount of the product decreased by approximately 29.7% and the gross margin decreased by approximately 10.5% in the year. This product was affected by the lag of leakage protection device due to delayed real estate development and switch of new and old products. This type of products contributes only a small portion in the total sales and it does not have a material impact on the Group's performance.

Other Chips

The sales of specific proprietary products increased significantly by approximately 92% in the year due to increase in market demand. As a result of high requirements on process and technology and the substantial research and development expenses incurred during the developing stage, the gross margin of these products is higher than other products and has a good contribution to the overall gross margin of the Group.

IC Testing Services

During the year, the IC testing services provided to external customers decreased by approximately 8%. The gross margin slightly decreased by approximately 1% due to the downward regulation of charge as a result of increase in market participants. For the business segment, the Company increased testing equipment in recent years in order to expand the capacity of testing services and started to lease testing equipment to acquire rental in the year. IC testing service also backed the Group. In the year, the revenue from provision of testing service to the Group increased by approximately 10%.

FINANCE REVIEW

For the year ended 31 December 2017, the Group recorded a total revenue of approximately RMB1,398,230,000 (2016: RMB1,187,490,000), representing an increase of 17.7% as compared to last year; gross margin decreased from 53.2% of last year to 49.5%. Compared with the last year, other income and gains decreased by approximately 11.4%, and selling and distribution expenses, administrative expenses and other expenses went up by 12.7%, 12.3% and 9.8%, respectively. This year's profit was approximately RMB228,069,000 (2016: RMB240,090,000), representing a decrease of approximately 5.0% over the last year. The audited net profit attributable to owners of the parent was approximately RMB212,122,000 (2016: RMB212,258,000), which was close to that of the last year. Due to the placement of 42,000,000 H shares and slight decrease in profit, the basic earnings per share was approximately RMB33.88 cents (2016: RMB34.38 cents), representing a decrease of approximately 1.5% year-on-year. The Board does not recommend the payment of final dividend in respect of the year ended 31 December 2017 (2016: nil).

For the year ended 31 December 2017, the Group recorded an overall sales growth due to the ideal sales of IC chips, which was sufficient to offset the effects caused by the decrease in the income from IC testing services income. During the year, the sales still concentrated in the domestic market of China and the overseas sales only accounted for a small proportion. The price adjustment to certain products due to market competition gave rise to a decrease in comprehensive gross margin from approximately 53.2% of the last year to approximately 49.5%. Other income and gains substantially decreased by approximately RMB18,552,000 compared with last year. Although the other government grants in the year increased by approximately RMB13,130,000 over the last year, as the government grants received for research activities that fulfilled the conditions of recognition were far more in last year, there was a decrease in current year of approximately RMB25,971,000.

The sales and distribution expenses increased by approximately RMB8,670,000 as compared to the last year because the Group had to increase sales personnel to meet the demands for marketing and maintain market share so as to cope with the fierce competition in the market of certain products. Administrative expenses increased by approximately RMB10,757,000 over last year due to increase in employee expense as a result of the increase in staff members and up-regulation of industry level. Other expenses during the year increased by approximately RMB37,115,000 as compared to last year; as a result of continuous updating of market's demand for products in recent years. In the meantime, due to the increase in investment in research and development project for research of new products, the research and development costs incurred during the year increased significantly, while the impairment on intangible assets decreased over the year.

In respect of taxation, the Group's tax expense for the year decreased by approximately RMB2,309,000 over the last year mainly attributable to the decrease in profit before tax and provision for income tax for the year at the preferential tax rate of 10% for assessable profit of key IC design enterprises in the national plan (2016: provision at the preferential tax rate of 15% for high-tech enterprises).

The Group's non-current assets increased by approximately RMB69,784,000 over last year because of the increases in acquisition of plant and equipment and decoration and auxiliary office equipment as we moved in the offices previously purchased. In addition, the deferred development costs of intangible assets amounted to approximately RMB92,908,000 in the year, representing an increase of RMB21,108,000 as compared to the last year after deducting the write-off, impairment and amortisation. In the year, the Group invested approximately RMB3,276,000 in a newly-established enterprise in the industry, with a view to expanding the Group's product fields and enhancing technological level through cooperation. Deferred tax assets decreased by approximately RMB12,923,000 due to temporary differences related to the deduction of assets impairment, depreciation and amortisation, governmental grants and decrease in applicable tax rate.

Current assets increased substantially by approximately RMB334,704,000 than last year, where inventories has greatly increased by approximately RMB86,494,000 in order to cope with increasing seasonal sales at the end of the year. Trade and bills receivables increased by approximately RMB99,818,000 as compared with last year, mainly attributable to the increasing sales in the fourth quarter of the year and that most of them were still within the normal credit period. As the prepaid tax exceeded the actual tax amount due to difference in tax rates and the accelerated deduction for research and development activities, the refundable tax amounted to approximately RMB28,506,000. In the year, the Company conducted placement of new shares and raised net proceeds of approximately RMB184,203,000, certain of which has been used as daily working capital. The balance of the Group's cash and bank deposits increased by approximately RMB105,885,000.

Current liabilities increased by approximately RMB7,689,000 over the last year mainly due to the increase in trade and other payables as a result of an increase in sales. Besides, as the tax prepaid by the Company was more than the actual tax payable, the tax payable only represented the tax payable by subsidiaries, giving rise to a decrease in approximately RMB15,249,000 as compared to the last year.

Equity of non-controlling interests slightly increased by RMB1,568,000 because Sino IC Technology Co., Ltd., a subsidiary held as to 50.3% by the Group, distributed dividend in the year, resulting in a decrease in the equity of non-controlling interests by approximately RMB12,526,000; and also due to the de-registration of Shanghai Doublepoint Information Technology Co., Ltd. ("Doublepoint"), a subsidiary held as to approximately 61.9% by the Group.

MATERIAL INVESTMENTS AND ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

In the year, the Company invested USD3,000,000 in Fudan Microelectronics (USA) Inc., an indirectly wholly-owned subsidiary of the Company, to increase its capital.

Doublepoint has de-registered in the year through legal procedures as the projects developed by it failed to meet expectations.

Other than above mentioned, the Group had no material investment and there was no acquisition and disposal of subsidiaries during the year.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group will focus on its core business development and has no material investment plan at present apart from orderly increase in research and development projects.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2017, net assets of the Group amounted to approximately RMB1,771,276,000 (2016: RMB1,374,432,000), an increase of approximately 28.9% over the year; of which current assets amounted to approximately RMB1,646,351,000 (2016: RMB1,311,647,000), a rise of approximately 25.5% year-on-year, and including cash and bank deposits of approximately RMB646,109,000 (2016: RMB540,224,000), an increase of approximately 19.6% over last year.

As the Group keeps profiting for the past years, profit and internal cash generated have been used to meet the operations and business development needs. In addition, the proceeds from placement of new H shares in the years further consolidated the Group's financial resources.

The net cash flows from operating activities for the year was approximately RMB158,809,000 (2016: RMB249,660,000), mainly due to increase in profit and accounts payable, which offset the increase in inventory and accounts receivable. The net cash flows used in investing activities was approximately RMB305,415,000 (2016: RMB105,249,000), an increase of approximately RMB200,166,000 over the previous year, mainly due to the increase in deferred development costs of intangible assets, addition of machinery and equipment, and purchase of office decoration and equipment for new offices. Besides, deposits with maturity over 3 months also increased by approximately RMB82,049,000. Due to the placement of new shares, the net cash inflow from financing activities amounted to approximately RMB171,491,000. The cash and short-term deposits decreased by approximately RMB8,438,000 over the last year due to remittance arrangements giving consideration to traditional long vacation at the end of the year. The cash and cash equivalents as at the settlement date increased by RMB23,836,000 to approximately RMB310,193,000 (2016: RMB286,357,000).

As at 31 December 2017, the Group has not pledged any of its assets to any third parties (2016: nil).

CAPITAL STRUCTURE

The Company published an announcement on 29 September 2017 in relation to placing of new H shares with a nominal value of RMB0.10 per share under general mandate and subsequently completed placing of an aggregate of 42,000,000 new shares. The Company's issued H shares increased from 242,330,000 shares to 284,330,000 shares. In addition, there were 375,000,000 issued domestic shares. Therefore, the total issued shares were 659,330,000 shares and the share capital increased from RMB61,733,000 to RMB65,933,000.

In 2017, Sino IC increased its share capital from RMB126,000,000 to RMB189,000,000 shares by distribution of bonus shares with RMB63,000,000 out of the retained earnings.

In the year, the Company made a capital increase in cash amounting to HK\$23,400,000 to Shanghai Fudan Microelectronics (Hong Kong) Limited (“Fudan Hong Kong”) to increase its issued share capital from HK\$7,000,000 to HK\$30,400,000. Subsequently, Fudan Hong Kong made a capital increase in cash amounting to USD3,000,000 to Fudan Microelectronics (USA) Inc. to increase its issued share capital from USD100 to USD3,000,100.

Except the above disclosures, there was no other change in the capital structure of the Group in the year.

GEARING RATIO

As at 31 December 2017, the Group’s current liabilities amounted to approximately RMB424,047,000 (2016: RMB416,358,000), an increase of approximately 1.8% year-on-year. Non-current liabilities amounted to approximately RMB12,033,000 (2016: RMB12,078,000), similar to that of the previous year. Net asset value per share was approximately RMB2.69 (2016: RMB2.23), a growth of approximately 20.6% over last year. The Group’s ratio of current liabilities over current assets was approximately 25.8% (2016: 31.7%), indicating that the Group’s short-term debt paying ability was ideal and the asset realisation capacity was further enhanced, and the gearing ratio was approximately 24.6% (2016: 31.2%) on the basis of total liabilities over net assets, indicating that the Group’s capital was mainly from shareholders and the credit risk in relation to provision of financing to the Group decreased.

As at 31 December 2017, the Company and the Group had no bank or other borrowings (2016: nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors believe that developing and implementing rigorous risk management practices can efficiently and effectively reduce operational risks. The Board has delegated the responsibilities to relevant departments and will monitor, review and improve the practices from time to time.

The Directors believe that the Group is not exposed to risks associated with business regulations in view that there is no specific legislative control over the design, development and sales of integrated circuit where Group focuses its business on at present, and national policies are all advantageous to the development of the industry. In addition, the Group’s business maintained a stable and healthy growth over the years. With the Group’s existing customers and suppliers are all long-term partners, and business of the industry is still in the growth phase driven by national policies and huge market demands in most of its products, the Directors believe there will be no uncertainties.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise cash and short term time deposits. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade and bills receivables, deposits and other receivables, trade and bills payables and accruals and other payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group’s policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group’s financial instruments are foreign currency risk, credit risk and liquidity risk.

Interest and Foreign Exchange Risk

The Directors believe that the Group is not exposed to any material interest rate risk in view that the Group does not have any debt obligations that are subject to fluctuations in market interest rates.

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. Approximately 7% (2016: 6%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst almost 62% (2016: 61%) of costs are denominated in the units' functional currency. The Group keeps monetary items in foreign currencies at a certain level in order to meet the needs of purchases that are denominated in foreign currencies. It is the Group's policy not to enter into forward contracts until a firm commitment is in place. During the reporting period, the fluctuations in foreign exchange had no material influence on the Group's operations and cash flows.

Credit Risk

The Group trades only with recognised and creditworthy third parties and, therefore, no collaterals are required. At the end of the reporting period, the Group has certain concentrations of credit risk as the Group's sales are made to several major customers. 28% (2016: 27%) of the Group's total trade and bills receivables were due from the Group's five largest customers. The Group seeks to maintain strict control over its outstanding receivables and closely monitors the collection of receivables to minimise credit risk.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, deposits and other receivables, arises from default of the counterparty, and the maximum exposure is limited to the carrying amount of these instruments.

Liquidity Risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of normal business credit terms obtained from various creditors.

CAPITAL COMMITMENTS

As at 31 December 2017, the Group had capital commitments contracted but not provided for in the amount of approximately RMB12,318,000 (2016: RMB7,637,000), which were related to the acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no contingent liabilities (2016: nil).

USE OF CAPITAL AND FUNDING

Proceeds from placing of new H shares

On 16 October 2017, the Company completed placing of an aggregate of 42,000,000 new H shares at the placing price of HK\$5.33 per placing share. The net proceeds (after deduction of the fees, commissions and expenses) from the placing amounted to approximately RMB184,203,000 and shall be used in the way as disclosed in the announcement of the Company dated 29 September 2017. The proceeds utilised as at 31 December 2017 are as follows:

	Net proceeds RMB'000	Utilised amount RMB'000	Unutilised amount RMB'000
Supplement the general working capital of the Company	184,203	40,887	143,316

The proceeds currently unutilised are deposited in the special account with a domestic bank in the PRC and will be used as general working capital in the future.

The Group has sufficient working capital and a stable financial position, which will be applied to the research and development of new products and the identification of cooperation opportunities.

EMPLOYEES

As at 31 December 2017, the Group has approximately 1,100 (2016: 1,040) employees. The increase in the number of employees was due to recruitments to meet increasing research and development projects, and this division engages more than half of the total employees. The remuneration of employees was determined in accordance with their performance, qualifications, experience and contribution to the Group with reference to the latest market trend in the industry.

As at 31 December 2017, the employee benefit expense (including directors' remuneration) as recorded in the consolidated statement of profit or loss and comprehensive income was approximately RMB273,561,000 (2016: RMB203,670,000). The significant increase in employee benefit expense was due to the rise in number of employees and increase of salaries as driven by the rapid development of the industry; in addition, due to the expansion of research and development projects, the employee benefit expense of RMB58,546,000 (2016: RMB55,601,000) was capitalized as development costs during the year.

PROSPECTS

Looking forward into 2018, driven by the national policy support, technological improvement and innovation, enhancement of share in the domestic chip market, investment by the investment foundations of national IC industry and other factors, the IC design industry of the PRC is expected to maintain high-speed growth. The Group has nearly twenty years of experience in fundamental research, technological development, professional talents cultivation, strategic cooperation with important enterprises in the industry, and research, development and industrialization of high-end IC chip and system terminal solutions, and has formed a certain industrial scale and certain advantages in market competition. The Directors are convinced that, riding on the high speed growth of the industry, the product sales of the Group may also maintain stable growth. However, the increasing entrants in the industry have caused cutthroat competition, posing certain challenges over maintenance of product price and market share. The Directors are optimistic and confident in the business growth in the coming year and expect that the results will see ideal growth.

DIVIDEND

The Board does not recommend the payment of final dividend in respect of the year.

CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The Register of Members of the Company will be closed from 9 May 2018 to 8 June 2018 (both dates inclusive) during which period no transfer of H shares will be registered. To be eligible to attend the annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged with Tricor Tengis Limited, the Company's Share Registrar in Hong Kong, at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on 8 May 2018.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

At 31 December 2017, the interests of the directors and supervisors of the Company in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the registers required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in domestic shares of the Company:-

	Number of issued shares held, capacity and nature of interest			Percentage of the Company's issued share capital	
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		Total
Directors					
Mr. Jiang Guoxing	7,210,000	-	-	7,210,000	1.09
Mr. Shi Lei	7,210,000	-	-	7,210,000	1.09
	14,420,000	-	-	14,420,000	

Long positions in shares and underlying shares of associated corporations:

	Name of associated corporation	Relationship with the Company	Shares/ equity derivatives	Numbers of shares/equity derivatives held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Supervisor						
Mr. Li Wei	Sino IC	The Company's subsidiary	Ordinary shares	189,000	Directly beneficially owned	0.10

Save as disclosed above, as at 31 December 2017, none of the directors, supervisors or chief executive of the Company had registered an interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a set of standards and code of conduct regarding Directors' securities transactions on terms no less exacting than those set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries to all Directors and confirmed that they had all complied with such standards and code of conduct throughout the year ended 31 December 2017.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2017, the following interests of 5% or more of the share capital of the Company were recorded in the register of interests required to be kept pursuant to Section 336 of the SFO:-

Long positions and short positions in shares of the Company:

Name	Notes	Capacity and nature of interest	Number of Ordinary shares held	Long Positions (L)/ Short Positions (S)	Class of shares	Percentage of shareholding on relevant class of shares	Percentage of the Company's issued share capital
Shanghai Fudan High Tech Company ("Fudan High Tech")	(1)	Directly beneficially owned	106,730,000	(L)	Domestic shares	28.46	16.19
Shanghai Fudan Asset Management Co., Ltd. ("Fudan Asset")	(1)	Interest of corporation controlled	106,730,000	(L)	Domestic shares	28.46	16.19
Fudan University	(1)	Interest of corporation controlled	106,730,000	(L)	Domestic shares	28.46	16.19
Shanghai Fudan Technology Enterprise Holdings Limited ("Fudan Technology")	(2)	Directly beneficially owned	109,620,000	(L)	Domestic shares	29.23	16.63
Shanghai Commerce and Invest (Group) Corporation ("SCT")	(2)	Interest of corporation controlled	109,620,000	(L)	Domestic shares	29.23	16.63
Bailian Group Company Limited ("Bailian Group")	(2)	Interest of corporation controlled	109,620,000	(L)	Domestic shares	29.23	16.63
Shanghai Zhengben Corporate Management Consultant Partnership Enterprise ("Shanghai Zhengben")	(3)	Directly beneficially owned	52,167,270	(L)	Domestic shares	13.91	7.91
Shanghai Yikun Investment Consultant Partnership Enterprise ("Shanghai Yikun")	(3)	Interest of corporation controlled	66,845,110	(L)	Domestic shares	17.83	10.14
Zhang Yong	(3)	Interest of corporation controlled	66,845,110	(L)	Domestic shares	17.83	10.14
Shanghai Zhenghua Corporate Management Consultant Partnership Enterprise ("Shanghai Zhenghua")	(4)	Directly beneficially owned	47,443,420	(L)	Domestic shares	12.65	7.20
Shanghai Shanyao Industrial Limited ("Shanghai Shanyao")	(4)	Interest of corporation controlled	47,443,420	(L)	Domestic shares	12.65	7.20

Zhou Yufeng	(4)	Interest of corporation controlled	47,443,420	(L)	Domestic shares	12.65	7.20
Shanghai Guonian Corporate Management Consultant Partnership Enterprise (“Shanghai Guonian”)	(5)	Directly beneficially owned	29,941,470	(L)	Domestic shares	7.98	4.54
Shanghai Danruo Investment Management Partnership Enterprise (“Shanghai Danruo”)	(5)	Interest of corporation controlled	29,941,470	(L)	Domestic shares	7.98	4.54
Dazi Country Dingcheng Capital Investment Limited (“Dingcheng Capital”)	(5)	Interest of corporation controlled	29,941,470	(L)	Domestic shares	7.98	4.54
Beijing Zhongrong Dingxin Investment Management Limited (“Zhongrong Dingxin”)	(5)	Interest of corporation controlled	29,941,470	(L)	Domestic shares	7.98	4.54
Zhongrong International Trust Limited (“Zhongrong International”)	(5)	Interest of corporation controlled	29,941,470	(L)	Domestic shares	7.98	4.54
Jingwei Textile Machinery Co., Ltd. (“Jingwei Textile”)	(5)	Interest of corporation controlled	29,941,470	(L)	Domestic shares	7.98	4.54
Beijing Huacheng Lihe Investment Limited (“Huacheng Lihe”)	(5)	Interest of corporation controlled	29,941,470	(L)	Domestic shares	7.98	4.54
Wang Shumin and Wang Jizhuo	(5)	Interest of corporation controlled	29,941,470	(L)	Domestic shares	7.98	4.54
Springs China Opportunities Master Fund (“Spring China”)	(6)	Directly beneficially owned	17,088,000	(L)	H shares	6.01	2.59
Springs China Limited	(6)	Interest of corporation controlled	17,088,000	(L)	H shares	6.01	2.59
Zhao Jun	(6)	Interest of corporation controlled	17,088,000	(L)	H shares	6.01	2.59
Haitong International Financial Solutions Limited (“Haitong International Financial”)	(7)	Directly beneficially owned	37,522,000 (37,522,000)	(L) (S)	H shares H shares	13.2 (13.2)	5.69 (5.69)
Haitong International Finance Company Limited (“Haitong International Finance”)	(7)	Interest of corporation controlled	37,522,000 (37,522,000)	(L) (S)	H shares H shares	13.2 (13.2)	5.69 (5.69)
Haitong International (BVI) Limited. (“Haitong International”)	(7)	Interest of corporation controlled	37,522,000 (37,522,000)	(L) (S)	H shares H shares	13.2 (13.2)	5.69 (5.69)

Haitong International Securities Group Limited (“Haitong International Securities”)	(7)	Interest of corporation controlled	37,522,000 (37,522,000)	(L) (S)	H shares H shares	13.2 (13.2)	5.69 (5.69)
Haitong International Holdings Limited (“Haitong International Holdings”)	(7)	Interest of corporation controlled	37,522,000 (37,522,000)	(L) (S)	H shares H shares	13.2 (13.2)	5.69 (5.69)
Haitong Securities Co., Ltd. (“Haitong Securities”)	(7)	Interest of corporation controlled	37,522,000 (37,522,000)	(L) (S)	H shares H shares	13.2 (13.2)	5.69 (5.69)

Notes:

- (1) Fudan High Tech is a state-owned enterprise wholly owned by Fudan Asset and Fudan Asset is wholly owned by Fudan University.
- (2) 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 Technology. Accordingly, each of SCI and Bailian Group is deemed to be interested in Fudan Technology’s interest in the Company.
- (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.
- (4) Zhou Yufeng held 99% of the equity interest in Shanghai Shanyao, and Shanghai Shanyao held 99.79% of the equity interest in Shanghai Zhenghua. Accordingly, each of Shanghai Shanyao and Zhou Yufeng is deemed to be interested in Shanghai Zhenghua’s interest in the Company.
- (5) Jingwei Textile holds 37.47% of the equity interest in Zhongrong International, Zhongrong International holds the entire equity interest in Zhongrong Dingxin, Zhongrong Dingxin holds the entire equity interest in Dingcheng Capital, Dingcheng Capital holds 0.01% of the equity interest in Shanghai Danruo and is the general partner thereof. Wang Shumin and Wang Jizhuo together wholly and beneficially owns Huacheng Lihe which holds the remaining 99.99% of the equity interest in Shanghai Danruo. Shanghai Danruo and Dingcheng holds 72.69% and 0.33% of the equity interest in Shanghai Guonian, respectively. Accordingly, each of Shanghai Danruo, Dingcheng Capital, Zhongrong Dingxin, Zhongrong International, Jingwei Textile Huacheng Lihe, Wang Shumin and Wang Jizhuo is deemed to be interested in Shanghai Guonian’s interest in the Company.
- (6) Spring China is beneficially owned by Spring China Limited, which is beneficially owned by Zhao Jun. Accordingly, each of Spring China Limited and Zhao Jun is deemed to be interested in Spring China’s interest in the Company.
- (7) Haitong Securities holds the entire equity interest in Haitong International Holdings, Haitong International Holdings holds 61.74% of the equity interest in Haitong International Securities, Haitong International Securities holds the entire equity interest in Haitong International, Haitong International holds the entire equity interest in Haitong International Finance, Haitong International Finance holds the entire equity interest in Haitong International Financial. Accordingly, each of Haitong International Finance, Haitong International, Haitong International Securities, Haitong International Holdings and Haitong Securities is deemed to be interested in Haitong International Financial’s interest in the Company.

Save as disclosed above, as at 31 December 2017, no person, other than the directors and supervisors of the Company, whose interests are set out in the section “Directors’ and Supervisors’ Interests in Shares and Underlying Shares and Debentures” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this announcement, 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.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year, save and except the code provision A.6.7 of the CG Code.

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process, internal control and risk management system of the Group. The audit committee comprises three independent non-executive directors, Mr. Cheung Wing Keung, Mr. Guo Li and Mr. Lin Fujiang. The Group's financial statements for the year ended 31 December 2017 have been reviewed by the committee, who were of the opinion that these statements complied with the applicable accounting standards, the requirements as set out by the Stock Exchange and the relevant legal provisions, and that adequate disclosures had been made.

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

Shanghai, the PRC, 28 March 2018

As at the date of this announcement, the Company's executive directors are Mr. Jiang Guoxing, Mr. Shi Lei, Mr. Yu Jun and Ms. Cheng Junxia; non-executive directors are Ms. Zhang Qianling, Mr. Ma Zhicheng, Mr. Yao Fuli and Ms. Zhang Huajing and independent non-executive directors are Mr. Cheung Wing Keung, Mr. Guo Li, Mr. Chen Baoying and Mr. Lin Fujiang.

** For identification purpose only*