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上海復旦微電子集團股份有限公司
Shanghai Fudan Microelectronics Group Company Limited*
(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 1385)

**RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

FINANCIAL HIGHLIGHTS

The turnover of the Group for the year ended 31 December 2020 was approximately RMB1,665,087,000 (2019: RMB1,454,772,000), increased by approximately RMB210,315,000 as compared to the previous year, a rise of approximately 14.5%. The gross margin significantly increased from 35.5% of last year to 44.9%.

The Group recorded a net profit attributable to owners of the parent for the year ended 31 December 2020 of approximately RMB132,997,000 (2019: loss of RMB161,936,000) and the basic earnings per share was RMB19 cents (2019: loss per share of RMB23 cents).

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: 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 2020, along with the comparative audited figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	3	1,665,087	1,454,772
Cost of sales		<u>(916,985)</u>	<u>(937,993)</u>
Gross profit		748,102	516,779
Other income and gains	3	150,401	161,882
Selling and distribution expenses		(117,866)	(85,198)
Administration expenses		(101,807)	(148,772)
Impairment losses on financial assets		(906)	(5,075)
Other expenses		(505,718)	(582,022)
Finance costs		(1,956)	(2,599)
Share of profits and losses of: Associates		<u>618</u>	<u>(1,023)</u>
PROFIT/(LOSS) BEFORE TAX	4	170,868	(146,028)
Income tax expense	5	<u>(9,764)</u>	<u>(2,933)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>161,104</u>	<u>(148,961)</u>
Profit/(loss) attributable to:			
Owners of the parent	6	132,997	(161,936)
Non-controlling interests		<u>28,107</u>	<u>12,975</u>
		<u>161,104</u>	<u>(148,961)</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
- For profit/(loss) for the year	6	<u>RMB19cents</u>	<u>RMB(23)cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
PROFIT/(LOSS) FOR THE YEAR	<u>161,104</u>	<u>(148,961)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of a foreign operation	<u>(1,456)</u>	<u>543</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(1,456)</u>	<u>543</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	219	2,525
Income tax effect	<u>(1,145)</u>	<u>(379)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>(926)</u>	<u>2,146</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	<u>(2,382)</u>	<u>2,689</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>158,722</u>	<u>(146,272)</u>
Total comprehensive income/(loss) attributable to:		
Owners of the parent	130,615	(159,247)
Non-controlling interests	<u>28,107</u>	<u>12,975</u>
	<u>158,722</u>	<u>(146,272)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		428,318	423,120
Right-of-use assets		47,676	41,590
Prepayments for equipment		6,284	3,076
Other intangible assets		219,618	176,520
Investments in associates		70,296	55,943
Equity investments designated at fair value through other comprehensive income		30,864	31,119
Financial assets at fair value through profit and loss		-	1,395
Deferred tax assets		9,052	7,679
Total non-current assets		812,108	740,442
CURRENT ASSETS			
Inventories		610,598	588,078
Trade and bills receivables	7	736,194	643,942
Prepayments, other receivables and other assets		78,541	20,500
Tax recoverable		-	-
Cash and bank balances		440,700	465,410
Total current assets		1,866,033	1,717,930
CURRENT LIABILITIES			
Trade payables	8	159,596	136,531
Other payables, accruals and deferred income		302,716	289,066
Lease liabilities		10,000	10,702
Tax payable		5,357	657
Total current liabilities		477,669	436,956
NET CURRENT ASSETS		1,388,364	1,280,974
TOTAL ASSETS LESS CURRENT LIABILITIES		2,200,472	2,021,416
NON-CURRENT LIABILITIES			
Lease liabilities		40,682	32,860
Deferred income		44,087	47,763
Deferred tax liabilities		3,652	2,507
Total non-current liabilities		88,421	83,130
Net assets		2,112,051	1,938,286

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital		69,450	69,450
Other reserves	9	1,860,804	1,715,146
		1,930,254	1,784,596
Non-controlling interests		181,797	153,690
Total equity		2,112,051	1,938,286

Notes to Financial Statements

For the year ended 31 December 2020

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, 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 requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial instruments and equity investments which have been measured at fair value. 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 Conceptual Framework for Financial Reporting 2018 and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The amendments did not have any significant impact on the Group's financial statements.

Notes to Financial Statements

For the year ended 31 December 2020

1.2 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform - Phase 2</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{3,4}
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ²
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i> ²
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

These amendments are not expected to have any significant impact on the Group's 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").

Notes to Financial Statements

For the year ended 31 December 2020

2. OPERATING SEGMENT INFORMATION(continued)

Year ended 31 December 2020	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	1,497,455	167,632	1,665,087
Intersegment sales	-	23,936	23,936
	1,497,455	191,568	1,689,023
<u>Reconciliation:</u>			
Elimination of intersegment sales	-	-	(23,936)
Revenue	-	-	1,665,087
Segment results	87,386	59,952	147,338
<u>Reconciliation:</u>			
Elimination of intersegment results	-	-	1,733
Interest income	-	-	5,911
Unallocated other income and gains	-	-	15,960
Finance costs (other than interest on lease liabilities)	-	-	(74)
Profit before tax	-	-	170,868
Segment assets	2,242,293	482,457	2,724,750
<u>Reconciliation:</u>			
Elimination of intersegment receivables	-	-	(55,661)
Corporate and other unallocated assets	-	-	9,052
Total assets	-	-	2,678,141
Segment liabilities	493,805	124,295	618,100
<u>Reconciliation:</u>			
Eliminating of intersegment payables	-	-	(55,661)
Corporate and other unallocated liabilities	-	-	3,651
Total liabilities	-	-	566,090
Other segment information			
Share of profits and losses of associates	(618)	-	(618)
Impairment loss recognised in the statement of profit or loss, net	(6,785)	256	(6,529)
Depreciation of property, plant and equipment and right-of-use assets	50,522	64,015	114,537
Amortisation of other intangible assets	63,984	-	63,984
Investments in associates	70,296	-	70,296
Capital expenditure*	170,167	53,622	223,789

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

Notes to Financial Statements

For the year ended 31 December 2020

2. OPERATING SEGMENT INFORMATION(continued)

Year ended 31 December 2019	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	1,336,140	118,632	1,454,772
Intersegment sales	-	27,222	27,222
	<u>1,336,140</u>	<u>145,854</u>	<u>1,481,994</u>
<u>Reconciliation:</u>			
Elimination of intersegment sales	-	-	<u>(27,222)</u>
Revenue	-	-	<u>1,454,772</u>
Segment results	(198,529)	38,167	(160,362)
<u>Reconciliation:</u>			
Elimination of intersegment results	-	-	(14,197)
Interest income	-	-	8,042
Unallocated other income and gains	-	-	20,805
Finance costs (other than interest on lease liabilities)	-	-	<u>(316)</u>
Loss before tax	-	-	<u>(146,028)</u>
Segment assets	2,038,319	416,045	2,454,364
<u>Reconciliation:</u>			
Eliminating of intersegment receivables	-	-	(3,671)
Corporate and other unallocated assets	-	-	<u>7,679</u>
Total assets	-	-	<u>2,458,372</u>
Segment liabilities	409,042	112,208	521,250
<u>Reconciliation:</u>			
Eliminating of intersegment payables	-	-	(3,671)
Corporate and other unallocated liabilities	-	-	<u>2,507</u>
Total liabilities	-	-	<u>520,086</u>
Other segment information			
Share of profits and losses of associates	1,023	-	1,023
Gain on disposal of a subsidiary	(24,845)	-	(24,845)
Impairment loss recognised in the statement of profit or loss, net	51,237	224	51,461
Depreciation of property, plant and equipment and right-of-use assets	43,708	49,541	93,249
Amortisation of other intangible assets	56,558	-	56,558
Investments in associates	55,943	-	55,943
Capital expenditure*	<u>113,673</u>	<u>74,310</u>	<u>187,983</u>

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

Notes to Financial Statements

For the year ended 31 December 2020

2. OPERATING SEGMENT INFORMATION*(continued)***Geographical information**

(a) Revenue from external customers

	2020 RMB'000	2019 RMB'000
Mainland China	1,485,786	1,356,188
Asia Pacific (excluding Mainland China)	168,899	84,499
Others	10,402	14,085
	<u>1,665,087</u>	<u>1,454,772</u>

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

(b) Non-current assets

	2020 RMB'000	2019 RMB'000
Mainland China	776,249	699,724
Asia Pacific (excluding Mainland China)	20,270	506
Others	6,538	19
	<u>803,057</u>	<u>700,249</u>

The non-current assets information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about a major customer

In 2020 and 2019, no single customer contributed to 10% or more of the Group's revenue.

Notes to Financial Statements

For the year ended 31 December 2020

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:

		2020 RMB'000	2019 RMB'000
<i>Revenue from contracts with customers</i>		1,661,470	1,450,635
<i>Revenue from other sources</i>			
Other lease payments, including fixed payments		<u>3,617</u>	<u>4,137</u>
		<u>1,665,087</u>	<u>1,454,772</u>
	Notes	2020 RMB'000	2019 RMB'000
Other income and gains			
Bank interest income	4	5,911	8,042
Government grants received for research activities	4	107,683	89,811
Other government grants	4	15,960	20,805
Gain on disposal of a subsidiary	4	-	24,845
Others		<u>20,847</u>	<u>18,379</u>
		<u>150,401</u>	<u>161,882</u>

Notes to Financial Statements

For the year ended 31 December 2020

4. PROFIT/(LOSS) BEFORE TAX

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

	2020 RMB'000	2019 RMB'000
Cost of inventories sold	836,162	847,072
Cost of services provided	76,087	54,367
Write-down of inventories to net realisable value	4,736	36,554
Depreciation of property, plant and equipment	100,551	82,654
Depreciation of right-of-use assets	13,986	10,595
Amortization of licenses*	16,259	-
Research and development costs:		
Deferred development amortized	47,725	51,863
Current year expenditure	428,387	513,935
Less: Government grants received for research activities**	(107,683)	(89,811)
	<u>368,429</u>	<u>475,987</u>
Minimum lease payments under operation leases:		
Lease payments not included in the measurement of lease liabilities	1,334	1,334
Auditors' remuneration	1,679	1,627
Employee benefit expense (excluding Directors' and chief executive's remuneration):		
Wages and salaries	455,128	380,992
Pension scheme contributions	4,030	40,979
Less: Amounts capitalised as development costs	(62,252)	(36,601)
	<u>396,906</u>	<u>385,370</u>
Foreign exchange differences, net	7,264	2,522
Impairment of intangible assets	1,954	9,832
Impairment of financial and contract assets, net:		
Impairment of trade receivables, net	906	5,075
Loss on disposal of items of property, plant and equipment and intangible assets	8,419	11,614
Gain on disposal of a subsidiary	-	(24,845)
Bank interest income	(5,911)	(8,042)
Other government grants	(15,960)	(20,805)
Government grants received for research activities**	<u>(107,683)</u>	<u>(89,811)</u>

* The amortization of licenses for the year is included in "Cost of sales" of RMB3,315,000 and "Other expenses" of RMB12,944,000, respectively.

** Various government grants have been received to support the Group's research activities for domestic technology development in Mainland China. Conditions or contingencies relating to these grants are fulfilled which are recognised as other income while the related expenditure for which these grants compensate are recorded as research and development expenditure in other expenses. Government grants received for which related expenditure has not yet been incurred or to which there were unfulfilled conditions are deferred and included in "Other payables, accrual, and deferred income" in the consolidated statement of financial position.

Notes to Financial Statements

For the year ended 31 December 2020

5. TAX

The Company and all its subsidiaries that operate in Mainland China are subject to the statutory corporate income tax rate of 25% under the PRC Corporate Income Tax Law (the “CIT Law”), except that the Company and its subsidiary, Sino-IC, are eligible to a preferential income tax rate of 15% as a High and New Technology Enterprise (“HNT Enterprise”). For the year ended 31 December 2020, income tax on assessable income of the Company and Sino IC have been provided at the rate of 15% (2019: 15%).

The Hong Kong subsidiary of the Group is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2019/2020. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The Company’s subsidiary incorporated and operating in the United States of America was subject to federal corporation income tax at a rate of 21% during the year (2019: 21%), as well as state tax at a rate of 8.84% (2019: 8.84%).

	2020 RMB'000	2019 RMB'000
Current – Hong Kong		
Charge for the year	-	-
Current – United States		
Charge for the year	5	6
Current – Mainland China		
Charge for the year	11,133	4,357
Deferred	<u>(1,374)</u>	<u>(1,430)</u>
Total tax charge for the year	<u>9,764</u>	<u>2,933</u>

Notes to Financial Statements

For the year ended 31 December 2020

6. EARNINGS/(LOSS) 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 694,502,000 (2019: 694,502,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the two years ended 31 December 2020 and 2019.

The calculation of basic earnings/(loss) per share is based on:

	2020 RMB'000	2019 RMB'000
Earnings/(loss)		
Earnings/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	<u>132,997</u>	<u>(161,936)</u>
	<u>Number of shares '000</u>	<u>2019</u>
	2020	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/loss per share calculation	<u>694,502</u>	<u>694,502</u>

The Group had no potentially dilutive ordinary shares in issue during the two years ended 31 December 2020 and 2019.

7. TRADE AND BILLS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	541,313	468,502
Bills receivables	219,488	199,141
Impairment	<u>(24,607)</u>	<u>(23,701)</u>
	<u>736,194</u>	<u>643,942</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 a 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 senior management. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

Notes to Financial Statements

For the year ended 31 December 2020

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:

	2020 RMB'000	2019 RMB'000
Within 3 months	449,842	343,818
3 to 6 months	127,970	145,856
6 to 12 months	62,252	67,687
Over 12 months	96,130	86,581
	<u>736,194</u>	<u>643,942</u>

8. TRADE PAYABLES

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

	2020 RMB'000	2019 RMB'000
Within 3 months	147,558	120,993
3 to 6 months	5,283	5,451
6 to 12 months	128	10,057
Over 12 months	6,627	30
	<u>159,596</u>	<u>136,531</u>

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

Notes to Financial Statements
For the year ended 31 December 2020

9. RESERVES

	Share premium RMB'000	Statutory surplus reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Other Reserves RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2020	547,076	52,966	12,789	(1,070)	14,743	1,088,642	1,715,146
Profit for the year	-	-	-	-	-	132,997	132,997
Other comprehensive income for the year							
Change in fair value of equity investment at fair value through other comprehensive income, net of tax	-	-	(926)	-	-	-	(926)
Exchange differences on translation of foreign operations	-	-	-	(1,456)	-	-	(1,456)
Total comprehensive income/(loss) for the year	-	-	(926)	(1,456)	-	132,997	130,615
Equity-settled share-based expenses	1,309	-	-	-	-	-	1,309
Capital contribution from holders of other equity instruments	-	-	-	-	13,734	-	13,734
At 31 December 2020	<u>548,385</u>	<u>52,966</u>	<u>11,863</u>	<u>(2,526)</u>	<u>28,477</u>	<u>1,221,639</u>	<u>1,860,804</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year under review, the principal activities of the Group had no change, remained design, development and sales of specific application of integrated circuit and provision of testing services for integrated circuit products. The Group has more than 20 years of business development, creating a series of diversified products including security and identification IC chips, smart meters ASIC chips, non-volatile memory chips, smart electrical appliances, other specified chips and various application solutions. The products are applied in a wide variety of fields such as sectors in business and society, and mainly include intelligent transportation, financial IC cards, social security and citizen cards, smart meters, wearable devices, electronic payment, memory chips and Internet of Things and maintain a leading position in the domestic integrated circuit industry.

The Group's overall revenue for this year recorded an increase by approximately 14.5% compared to the previous year, of which in addition to a reduction in the sales of the security and identification IC chips that accounted for a relative high proportion in sales of the Group, the sales of smart meters ASIC chips also recorded a drop. However the negative impacts brought by the reductions of sales of these two categories of products could be offset as the remaining categories of products recorded different levels of growth. The launching of new products to the market led to an increase across the gross margin of products in categories while the overall gross profit of the Group had a significant growth of approximately 9.6%, mainly due to non-volatile memory chips which had a relatively high gross margin as well as the income of the programmable gate array chips products which accounted for a relative high proportion in the principle business of the Group had a substantial increase. The change in product structure resulted in the rapid surge of gross profit in principle business.

The Group's business performance by each category of products and testing services for IC products during the year was as follows:

Security and Identification IC Chips

For the year ended 31 December 2020, sales of security and identification chips decreased by approximately 13.4% with gross margin increased by approximately 12.2% compared to last year. The sales of security and identification chips during the year registered a negative growth for the first time, mainly thanks to the impacts posed by corona virus epidemic, leading underemployment of downstream customers of certain products and a decline in demand for terminals, of which the products such as smart card chips and the contactless logical encrypted chips were much affected. The market share of third generation of social security card and intelligent door locks out of a category of products recorded a growth which mitigated the decline in sales of collections. The launching of new products, wireless radio-frequency identification chip and smart card chip to the market during the year helped in increasing the gross margin of category of products.

Non-volatile Memory Chips

Non-volatile Memory Chips products mainly comprises EEPROM, NOR flash and SLC NAND flash. Being affected by the epidemic, there was a global tension in supply to overseas, while the demand for products during the year remained to increase resulted in a substantial growth in sales during the year by approximately 72% comparing to last year. As the sales of non-volatile memory chips products which accounted for a relative high proportion in the overall turnover had a significant growth, it created a good contribution to the growth of income of the Group. Owing to the keen competition in the domestic market and addition of cost, there was a difficulty to maintain the price of products over long-term. Though certain new products had been launched during the year, the gross margin had just slightly increased.

Smart Meter ASIC Chips

As State Grid Corporation of China decreased more than 30% of the annual smart meter tender volume in 2020, the sales of smart meter chip products during the year dropped approximately by 3% as compared to the previous year. The sales of new products such as smart hydrothermal meter chip and fire safety and safeguard chip remained stable which not only maintained the market share but also offset the drop in sales of Smart Meter ASIC Chips. Driven by the new products that had a relatively high gross profit, the gross margin slightly increased comparing to last year.

Smart Electrical Appliances

Main products of smart electrical appliances consist of Type AC of electricity leakage protection specified circuit, and the remaining include Type A of electricity leakage protection chips, Type B electricity leakage protection chips and module, GFCI/ALCI professional control chips and specific chips for detecting malfunction of electric arc and its module. The sales of this category of products recorded a rise by approximately 9.3% during the year, however its sales accounted for an extremely small proportion of the total sales of the Group, making a slight contribution to the Group's business performance. Products of Type A of electricity leakage protection chips out of the category of products were applicable to the emerging markets such as the industry of low-voltage electrical appliances and charging stations, which registered a satisfying sales record due to increase in demand. The gross margin of the category of products had a growth by approximately 2.3% comparing to last year owing to the launching of new products.

Other Chips

Other chips include specified products and solutions. This category of products mainly included the programmable gate array chips which had been in a high market demand in recent years. Due to the great investment of the product industry, high standards of skills and techniques and the special nature of product cycle of products, causing lower competitiveness yet higher gross margin compared with other products. The turnover and gross margin of this category of products during the year increased approximately by 36.7% and 3.1% respectively which created a good contribution to the overall performance of the Group.

IC Testing Services

During the year, the total revenue of the IC products testing services which included the testing services provided within the Group recorded an annual growth by approximately 31.3% while the revenue from external customers recorded a satisfying growth by approximately 41.3%. In order to cope with the rapid development of IC industry in recent years, the subsidiary Sino IC Technology Co., Ltd. had invested further in equipment, established various high-end testing platforms and fostered the development and application of techniques in new product fields to deal with the ever growing number of testing services customers and demand. As the competition in industry were still keen, the charge for testing services could not be raised, resulting in a similar overall gross margin to that of last year.

FINANCE REVIEW

The turnover of the Group for the year ended 31 December 2020 was approximately RMB1,665,087,000 (2019: RMB1,454,772,000), increased by approximately RMB210,315,000 as compared to the previous year, a rise of approximately 14.5%. The gross margin significantly increased from 35.5% of last year to 44.9%.

Compared with last year, other income and gains decreased approximately by RMB11,481,000, with a drop of 7.1%; due to a reduction in bank deposit leading to a decrease by approximately RMB2,131,000 in bank interest income; government grants received for research activities increased by approximately RMB17,872,000 as the epidemic subsided which expedited the progress of activities and the settlement of projects were in a timely manner; other government grants recorded a reduction of approximately RMB4,485,000; during the year, the business performance of Shanghai Fukong Hualong Micro-system Technology Co., Ltd. in last year was no longer included in the consolidated financial statements of the Group which would be accounted under the equity method, was recorded as a gain on disposal of a subsidiary of RMB24,845,000; and other income recorded a growth of approximately RMB 2,468,000.

The selling and distribution expenses increased by approximately RMB32,668,000, with a rise of approximately 38.3%. The Group increased number of salesperson through internal position transfer and external recruitment to develop the market and enhance market share of the Company, meanwhile the rising standard in the industry led to a growth in salary.

The administrative expenses dropped by RMB46,965,000, around 31.6% as compared to last year; the reason were that the government reduced and waived parts of the social security expenses of employees due to the epidemic, and parts of the social security expenses by salary were classified in selling and distribution expense because of the position transfer.

The total of other operating expenses during the year amounted to approximately RMB505,718,000, substantially decreased approximately by RMB76,304,000 or around 13.1% as compared to last year which was RMB582,022,000. The reasons of the decrease of other operating expenses were; (i) certain research and development projects which had larger investment had already finished their major design while the research and development expenses significantly dropped by approximately RMB85,548,000; (ii) the amortization of deferred development costs decreased approximately RMB4,138,000 as the relevant cost reduced; (iii) the increase of amortization of licenses was about RMB12,944,000; (iv) the impairment on intangible assets decreased by approximately RMB7,878,000 due to the satisfying results of research and development; (v) certain customers made transactions in foreign currencies while RMB appreciated during the year resulted in an increase in exchange loss for approximately RMB4,742,000; and (vi) other expenditures increased by approximately RMB3,574,000.

Share of profits of associates during the year recorded approximately RMB618,000, mainly credited to the profit of Fukong Hualong and net of deduction of the share of losses of other associates.

In respect of taxation, as the total profit of the subsidiary, Sino IC significantly increased, the income tax expenses during the year increased substantially for approximately RMB6,831,000 as compared to last year. The total tax charge during the year amounted to approximately RMB9,764,000, of which included approximately RMB1,374,000 of deduction of deferred tax.

The business performance was changed from loss of RMB148,961,000 of last year to profit which was nearly RMB161,104,000. The audited earnings attributable to owners of the parent was approximately RMB132,997,000 (2019: loss of RMB161,936,000). The earnings per share was approximately RMB19 cents (2019: loss per share of RMB23 cents). The Board does not recommend the payment of final dividend in respect of the year ended 31 December 2020 (2019: nil).

The Group's non-current assets increased by approximately RMB71,666,000 over last year. The main reasons were during the year of (i) the net increase of office renovation and acquisition of equipment was approximately RMB5,198,000; (ii) the net increase of newly entered lease contract which credited to relating right of use of assets was approximately RMB6,086,000; (iii) the net increase of the capitalization of intangible assets due to internal research and development was nearly RMB43,098,000; (iv) Fukong Hualong injected its capital at premium led to a growth of approximately RMB14,353,000 in share of net assets of the associate.

Current assets increased substantially by approximately RMB148,103,000 than last year, of which the inventories increased by approximately RMB22,520,000 over the previous year because of the retained order payables. Due to the growth in sales, trade and bills receivables increased by approximately RMB92,252,000 as compared to last year; the prepayments increased by approximately RMB58,041,000 which were turned to be prepayments for loans as the tense production caused supplier to suspend delivery of goods. Cash and bank balances of the Group decreased approximately by RMB24,710,000.

Current liabilities increased by approximately RMB40,713,000 as compared to last year as a result of growth in turnover and the relevant increase in purchase of goods led to a growth of approximately RMB23,065,000 in trade payables; other payables increased by approximately RMB13,650,000; in addition, tax payables increased by approximately RMB4,700,000 due to the rise in revenue.

Non-current liabilities increased by approximately RMB5,291,000 over last year, mainly because the increase of the long-term lease liability in respect of right-of-use of assets was credited during the year, however parts of it were offset due to the reduction in deferred income as the projects were certified timely.

The non-controlling interests increased by approximately RMB28,107,000 as compared with last year, mainly because the profit of Sino IC Technology Co., Ltd. during the year was credited to non-controlling interests.

MATERIAL INVESTMENTS AND ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Fukong Hualong that the Company held a 38.25% equity interest has a fund raising plan to increase its issued capital during the year, and the registered capital increased from RMB40,000,000 to RMB72,000,000. As the Company did not take part in this capital-raising action, the equity interest in Fukong Hualong that the Company held after capital injection decreased by 21.25%, and remained to be accounted by equity method.

Save as the 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

- (i) According to the circular dated 18 April 2019 of the Company, concerning (of which included) the proposal of A share offering, and the circular dated 28 August 2020, concerning (of which included) proposal of amendment to the fund raising amount and investing in the projects with proceeds from initial public offering of A shares. If the Company had granted approval for the proposal of A share offering and then listed successfully, it will make use of totaling RMB660,000,000 according to the schedule to invest in research and development of programmable system-on-chip and capitalization of projects in coming two years and to be utilized as reserve fund for development and technology.
- (ii) Due to the rapid business development of the Group and a growing number of employees every year, the space in the current office was no longer sufficient. The Company is now seeking for a suitable office building and considering to acquire resources for internal use.

The Group still focuses 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 2020, net assets of the Group amounted to approximately RMB2,112,051,000 (2019: RMB1,938,286,000), a growth of approximately 9% over last year; of which current assets amounted to approximately RMB1,866,033,000 (2019: RMB1,717,930,000), a rise of approximately 8.6% over last year, of which included cash and bank deposits which were approximately RMB440,700,000 (2019: RMB465,410,000), a decline of nearly 5.3% over last year.

Except for the loss in 2019, the Group kept profiting for the past years, and profit, placement of shares and internal cash flows generated have been used to meet the operations and business development needs. The Company has engaged in the placement of shares in recent years in order to provide additional funds for the Group. The Group has adopted a cautious monetary policy which is sufficient to cope with daily operation and future development.

The net cash inflow from operating activities for the year was approximately RMB239,748,000 (2019: net cash outflow of RMB12,772,000). Cash inflow was substantial mainly because of the increase in both revenue from products and trade payables, and the improvement of operating results during the year. The net cash outflows generated from investing activities was approximately RMB215,216,000 (2019: RMB3,843,000), having a significant increase over last year; the reasons were that the deposits with maturity over 3 months were decreased by approximately RMB36,024,000 during the year (2019: RMB195,618,000); The sale of equity in Fukong Hualong last year was approximately RMB9,837,000; conversely, the intangible assets during the year increased approximately by RMB117,436,000 (2019: RMB74,833,000) and the outflow was RMB20,000,000 due to the investment in an associate. The net cash outflows from financing activities amounted to approximately RMB11,286,000 (2019: RMB20,616,000), was reduced as compared to the previous year; its reasons were that the principal of lease payments dropped and Sino IC did not distribute dividend during the year (2019: RMB9,394,000). The cash and bank deposit during the end of the reporting period amounted to approximately RMB440,700,000 (2019: RMB465,410,000), of which the total cash and cash equivalents was about RMB279,369,000 (2019: RMB268,055,000), having a growth of roughly RMB11,314,000, while the deposits with maturity over 3 months were approximately RMB161,331,000 (2019: RMB197,355,000) which was decreased for about RMB36,024,000.

As at 31 December 2020, the Group has not pledged any of its assets to any third parties (2019: nil).

CAPITAL STRUCTURE

There was no other change in the capital structure of the Group in the year.

GEARING RATIO

As at 31 December 2020, the Group's current liabilities amounted to approximately RMB477,669,000 (2019: RMB436,956,000), an increase of approximately 9.3% over last year. Non-current liabilities amounted to approximately RMB88,421,000 (2019: RMB83,130,000), a growth of nearly 6.4% over the previous year. Net asset value per share was approximately RMB3.04 (2019: RMB2.79), a growth of approximately 9% over last year. The Group's ratio of current liabilities over current assets was approximately 25.6% (2019: 25.4%), indicating that the Group's short-term debt paying ability was ideal and the asset realisation capacity still remained at a healthy level, and the gearing ratio was approximately 26.8% on the basis of total liabilities over net assets, which was the same as last year, indicating that the Group's capital was mainly from shareholders and the credit risk in relation to provision of financing to the Group remained relatively low.

As at 31 December 2020, other than the amount of RMB50,682,000 (2019: RMB43,562,000) of the lease liabilities which was accounted for in other borrowings in accordance with new accounting standards, the Company and the Group had no bank or other borrowings (2019: 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.

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

Interest 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.

Foreign Exchange Risk

The Group faced transactional foreign exchange risks. Such risks arise from the functional currency of the operating units and also its generated transactions of sales and purchases. Approximately 9% (2019: 7%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst almost 34% (2019: 34%) 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 Group was exposed to no material difficulties or no material influence was arisen on the Group's operations and cash flows due to the fluctuations in foreign exchange.

Credit Risk

As the Group trades only with certain recognised and creditworthy third parties and, therefore, no collaterals are required. The Group manages the concentrations of credit risk by customers. At the end of the reporting period, the Group had situations of certain concentrations of credit risk as the Group's sales were made to several major customers, while among IC product design and research and development and sales segment of the Group, 18% (2019: 4%) 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.

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 lease liabilities.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had capital commitments contracted but not provided for in the amount of approximately RMB13,714,000 (2019: RMB29,360,000), which were related to the acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no contingent liabilities (2019: nil).

EMPLOYEES

As at 31 December 2020, the Group has approximately 1,453 (2019: 1,350) employees. Due to the continual investment in research and development projects, the number of employees of this division engaged more than a half of the total employees and had the highest growth in members. 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 2020, the employee benefit expense (including directors' remuneration) as recorded in the consolidated statement of profit or loss was approximately RMB404,864,000 (2019: RMB393,455,000). The increase in employee expenses was due to an increase of 103 employees in the year, as well as the increase in wages in the industry due to continued industry development and talent hunger. The employee benefit expense of RMB62,252,000 (2019: RMB36,601,000) was capitalized as development costs during the year.

PROSPECTS

Looking forward into 2021, the epidemic on the Mainland is basically under control while the number of the infected in overseas due to the epidemic starts to decrease, it is believed that the epidemic will sustain for a long period of time. Though the lately launched vaccines caused the epidemic around the world to ease, the epidemic still posed a far-reaching adverse impact on the global economy. In addition, certain regions have been facing the escalating geopolitical risks with unsolved problems such as multilateral trading conflicts worldwide, and therefore the development of issues is vital to the recovery of the industry. In the face of various uncertain business risks, the Directors believe that 2021 is always challenging, and are cautiously optimistic about the prospects. The Group still will implement the recent measures to cope with different business risks, including a close examination at inventory level, cutting expenditures, tight control of business, credit and foreign and other risks. The business objectives of the Group consist of the ongoing research and development and the development of high technology. The Directors consider these as the key of success in the industry which are also effective, and expect that the initial offering of A share of the Company can be completed shortly, allowing the Group to obtain sufficient resource to sustainably research and develop brand new high technology and innovating products continuously to improve its business performance and express our gratitude to shareholders.

DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of the annual general meeting of the Company (the “AGM”), the register of members of the Company will be closed from from 3 May 2021 to 2 June 2021 (both days inclusive), during which period no transfer of Shares will be effected.

Persons who hold Shares and whose names appear on the Register of Members of the Company as at 3 May 2021 shall be entitled to attend the AGM. In order to be qualified to attend and vote at the AGM, all transfers documents accompanied by the relevant Share certificates must be lodged with the Company’s principal place of business in the PRC at Building 4, Lane 127, Guotai Road, Shanghai, the PRC (for holders of Domestic Shares) or the Company’s H share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (for holders of H Shares) no later than 4:30 p.m. on 2 May 2021.

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

At 31 December 2020, 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	1.04
Mr. Shi Lei	7,210,000	-	-	7,210,000	1.04
	<u>14,420,000</u>	<u>-</u>	<u>-</u>	<u>14,420,000</u>	
Supervisor					
Ms. Zhang Yanfeng	-	-	294,000	294,000	0.04

Long positions in H 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
Supervisor					
Ms. Zhang Yanfeng	-	277,800	-	277,800	0.04

Save as disclosed above, as at 31 December 2020, none of the directors or supervisors had registered an interest or short position in the 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 Hong Kong 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 2020.

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 2020, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in shares of the Company:

Name	Notes	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 High Tech Company ("Fudan High Tech")	(1)	Directly beneficially owned	106,730,000	Domestic shares	26.02	15.37
Shanghai Fudan Asset Management Co., Ltd. ("Fudan Asset")	(1)	Interest of corporation controlled	106,730,000	Domestic shares	26.02	15.37
Fudan University	(1)	Interest of corporation controlled	106,730,000	Domestic shares	26.02	15.37
Shanghai Fukong Fudan Technology Enterprise Holdings Limited ("Fudan Fukong")	(2)	Directly beneficially owned	109,620,000	Domestic shares	26.73	15.78
Shanghai Commerce and Invest (Group) Corporation ("SCI")	(2)	Interest of corporation controlled	109,620,000	Domestic shares	26.73	15.78
Bailian Group Company Limited ("Bailian Group")	(2)	Interest of corporation controlled	109,620,000	Domestic shares	26.73	15.78
Shanghai Zhengben Corporate Management Consultant Partnership Enterprise ("Shanghai Zhengben")	(3)	Directly beneficially owned	52,167,270	Domestic shares	12.72	7.51
Shanghai Yikun Investment Consultant Partnership Enterprise ("Shanghai Yikun")	(3)	Interest of corporation controlled	66,845,110	Domestic shares	16.29	9.62
Zhang Yong	(3)	Interest of corporation controlled	66,845,110	Domestic shares	16.29	9.62
Shanghai Zhenghua Corporate Management Consultant Partnership Enterprise ("Shanghai Zhenghua")	(4)	Directly beneficially owned	47,443,420	Domestic shares	11.57	6.83
Shanghai Shanyao Industrial Limited ("Shanghai Shanyao")	(4)	Interest of corporation controlled	47,443,420	Domestic shares	11.57	6.83
Zhou Yufeng	(4)	Interest of corporation controlled	47,443,420	Domestic shares	11.57	6.83
Shanghai Guonian Corporate Management Consultant Partnership Enterprise ("Shanghai Guonian")	(5)	Directly beneficially owned	29,941,470	Domestic shares	7.30	4.31

Shanghai Danruo Investment Management Partnership Enterprise (“Shanghai Danruo”)	(5)	Interest of corporation controlled	29,941,470	Domestic shares	7.30	4.31
Dazi Country Dingcheng Capital Investment Limited (“Dingcheng Capital”)	(5)	Interest of corporation controlled	29,941,470	Domestic shares	7.30	4.31
Beijing Zhongrong Dingxin Investment Management Limited (“Zhongrong Dingxin”)	(5)	Interest of corporation controlled	29,941,470	Domestic shares	7.30	4.31
Zhongrong International Trust Limited (“Zhongrong International”)	(5)	Interest of corporation controlled	29,941,470	Domestic shares	7.30	4.31
Jingwei Textile Machinery Co., Ltd. (“Jingwei Textile”)	(5)	Interest of corporation controlled	29,941,470	Domestic shares	7.30	4.31
Springs China Opportunities Master Fund (“Spring China”)	(6)	Directly beneficially owned	17,088,000	H shares	6.01	2.46
Springs China Limited	(6)	Interest of corporation controlled	17,088,000	H shares	6.01	2.46
Zhao Jun	(6)	Interest of corporation controlled	17,088,000	H shares	6.01	2.46

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 Fukong. Accordingly, each of SCI and Bailian Group is deemed to be interested in Fudan Fukong’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, Zhongrong Dingxin and Dingcheng Capital holds 99.9% and 0.01% respectively of the equity interest in Shanghai Danruo and Dingcheng capital is the general partner thereof. 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 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.

Save as disclosed above, as at 31 December 2020, no person, other than the directors and supervisors of the Company, whose interests are set out in the section headed “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 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 People's Republic of China which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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 report, 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 report.

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 accounting period covered by the annual report, save and except the code provision A.6.7 of the CG Code.

A report on the principal corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of the annual report.

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. Wang Pin (Chairman), Mr. Guo Li and Mr. Cai Minyong.

The Group's audited financial statements for the year ended 31 December 2020 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.

EVENTS AFTER THE REPORTING PERIOD

The Group does not have other significant subsequent events.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed with by the Group's auditor, Ernst & Young, Certified Public Accountants ("Ernst & Young") to the amounts set out in the Group's audited financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary Announcement.

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

Shanghai, the PRC, 12 March 2021

As at the date of this announcement, the Company's executive directors are Mr. Jiang Guoxing, Mr. Shi Lei, Mr. Yu Jun and Ms. Cheng Junxia; non-executive directors are Ms. Zhang Qianling, Mr. Ma Zhicheng, Ms. Zhang Huajing and Mr. Wu Ping and independent non-executive directors are Mr. Guo Li, Mr. Cao Zhongyong, Mr. Cai Minyong and Mr. Wang Pin.

** For identification purpose only*