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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)

2023 THIRD QUARTERLY REPORT

The board of directors (the “Board”) of Shanghai Fudan Microelectronics Group Company Limited (the “Company”) is pleased to announce the third quarterly unaudited consolidated results of the Company and its subsidiaries (the “Group”) prepared in accordance with China Accounting Standards for Business Enterprises for the nine months ended 30 September 2023. This announcement is made pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rules 13.09(2) and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

IMPORTANT NOTICE:

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

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

The third quarterly financial statements were unaudited or not

Yes No

1. PRINCIPAL ACCOUNTING DATA

(1) Principal accounting data and key financial indicators

RMB0'000

Item	Reporting Period	Change as compared with the corresponding period of last year (%)	From the beginning of the year to the end of the Reporting Period	Change from the beginning of the year to the end of the Reporting Period as compared with the same period of last year (%)
Revenue	94,180.82	-6.00	273,803.75	1.25
Net profits attributable to shareholders of the parent company	20,087.15	-38.88	65,014.23	-24.33
Net profit attributable to shareholders of the parent company after deducting non-recurring profit or loss	18,852.25	-40.41	60,351.38	-27.75
Net cash flows from operating activities	N/A	N/A	-110,258.84	N/A
Basic earnings per share (RMB/share)	0.25	-37.50	0.80	-23.81
Diluted earnings per share (RMB/share)	0.24	-40.00	0.79	-24.76
Weighted average return on net asset (%)	4.02	Reduced by 4.62 percentage point	13.33	Reduced by 10.84 percentage point
Total research and development investment	28,997.87	7.85	87,812.25	31.56
Percentage of research and development investment in revenue (%)	30.79	Increased by 3.96 percentage point	32.07	Increased by 7.39 percentage point

	As at the end of the Reporting Period	As at the end of last year	Change as compared with last year (%)
Total assets	813,385.48	611,088.81	33.10
Total equity attributable to shareholders of the parent company	516,192.63	453,123.04	13.92

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

A. Overview of revenue and net profit

1. Situation of the period from January to September 2023

For the period from January to September 2023, the revenue of the Group was approximately RMB2,738 million which representing an increase of approximately 1.25% over the same period of last year. The net profits attributable to shareholders of the parent company was approximately RMB650 million which representing a decrease of approximately 24.33% as compared with the same period of last year. The net profits attributable to shareholders of the parent company after deducting non-recurring profit or loss was approximately RMB604 million which representing a decrease of approximately 27.75% as compared with the same period of last year.

The revenue of each product line was: approximately RMB638 million for security and identification IC chips; approximately RMB856 million for non-volatile memory; approximately RMB189 million for smart meter chips; approximately RMB910 million for FPGA and other products; and approximately RMB145 million for testing services (after consolidation elimination). The comprehensive gross profit margin of products for the period from January to September decreased from 65.03% to 64.58% as compared with the same period of last year.

2. Situation of the period from July to September 2023

For the period from July to September 2023, the revenue of the Group was approximately RMB942 million which representing a decrease of approximately 6.00% as compared with the same period of last year. The net profits attributable to shareholders of the parent company was approximately RMB201 million which representing a decrease of approximately 38.88% as compared with the same period of last year. The net profits attributable to shareholders of the parent company after deducting non-recurring profit or loss was approximately RMB189 million which representing a decrease of approximately 40.41% as compared with the same period of last year.

The revenue of each product line was: approximately RMB277 million for security and identification IC chips; approximately RMB268 million for non-volatile memory; approximately RMB77 million for smart meter chips; approximately RMB325 million for FPGA and other products; and approximately RMB45 million for testing services (after consolidation elimination). The comprehensive gross profit margin of products for the period from July to September decreased from 65.08% to 59.76% as compared with the same period of last year.

B. Analysis of key factors impacting net profit for January to September 2023

1. Impact of revenue and gross profit on net profit

From January to September 2023, some of the Company's products applied in the consumption electronics and power electronics industries were greatly affected by factors such as insufficient demand and the digestion of prior-period inventories. Although there were countermeasures implemented for the relevant product lines actively such as launching new products and exploring new customers, they still faced great pressure in the short term, resulting in a significant decline in revenue. The Company's non-volatile memory and FPGA product business benefited from advanced and reliable technology and better customer base, and revenue of these products maintained steady growth. The revenue and comprehensive gross profit margin of the Company's major product lines remained stable.

2. Impact of expenses on net profit

- i. Increase in research and development expense: During the period from January to September 2023, the Company continued to maintain strong investment in research and development ("R&D") in order to perform continuous technology iteration and new product development, as well as enriching the product sequence to satisfy more application areas, and strengthening product development based on diversifying the supply-side. R&D expenses amounted to approximately RMB757,831,900, representing an increase of approximately RMB197,928,600 as compared with the same period of last year, which was mainly attributable to the increase in R&D expenses, such as materials and processing fees, depreciation and amortisation, and remuneration of staff used in R&D projects.
- ii. Analysis of other expenses with great impact: During the period from January to September 2023, the increase in credit impairment loss, as compared with the same period of last year, was amounted to approximately RMB20,616,000, which was attributable to the increase in the balance of accounts receivables due to the growth in revenue and the increase in the provision in accordance with the relevant policy.

(2) Non-recurring profit or loss items and amounts

RMB

Item	Amount of the Reporting Period	Amount from the beginning of the year to the end of current Reporting Period
Gains or losses from disposal of non-current assets	136,343.33	505,593.84
Government subsidies (other than those closely related to the Company's routine business, in line with national policies and regulation, continuously provided in accordance with certain standard quota or ration) incorporated into the current profit or loss	12,230,673.22	49,937,445.72
Except for the effective hedging activities related to the Group's ordinary operation, profit or loss arising from changes in the fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and investment income from the disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments	529,224.92	2,578,786.57
Non-operating income and expenses other than the above items	433,800.50	433,800.91
Other profit and loss items in line with the definition of non-recurring profit or loss	1,010,742.87	4,519,221.72
Less : Income tax effect	461,540.05	2,665,389.09
Minority interest effect (after tax)	1,530,181.03	8,680,990.36
Total	12,349,063.76	46,628,469.31

Explanation of recognition of non-recurring profit or loss items in accordance with the requirement of explanatory Announcement No.1 on "Information Disclosure for Companies with Public Offering Securities - Non-recurring profit or loss" as recurring profit or loss.

Applicable Not applicable

(3) Changes and the reasons of changes in principal accounting data and key financial indicators

Applicable Not applicable

Name of item	Fluctuation (%)	Main Reasons
Net profit attributable to shareholders of the parent company (July to September)	-38.88	This was mainly due to the decrease in gross profit caused by the decline in downstream demand for some of the Company's product lines and price reduction of products; the increase in material and processing costs, depreciation and amortisation consumed in R&D expenses; and the increase in interest expenses and foreign exchange losses in finance costs, which led to the decrease in net profit.
Net profit attributable to shareholders of the Company after deducting non-recurring profit or loss (July to September)	-40.41	
Net cash flow generated from operating activities	N/A	This was mainly due to the substantial increase in payments to suppliers as a result of sparing of inventories by the Company; as well as changes in the structure of product sales and customers base, which resulted in a slowdown in sales settlement.
Basic earnings per share (July to September)	-37.50	This was mainly due to the decrease in net profit of the Company.
Diluted earnings per share (July to September)	-40.00	
Total research and development investment (January to September)	31.56	This was mainly due to the Company's continuous investment in R&D in order to maintain and enhance the R&D of new products and technologies and to improve its core competitiveness, as well as the increase in material and processing costs, depreciation and amortisation, and technical service fees consumed in R&D projects.
Total assets	33.10	This was mainly attributable to the increase in inventories as a result of the expansion of the scale of production and operation, the increase in accounts receivable, and the purchases of plants in Lingang and increase in production equipment as a result of the expansion of the scale of operation of the Company's subsidiary, Sino IC Technology Co., Ltd. (上海華嶺集成電路技術股份有限公司).

2. SHAREHOLDERS INFORMATION

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

Total number of ordinary shareholders at the end of the Reporting Period	20,310	Total number of preference shareholders whose voting rights have been restored at the end of the Reporting Period (if any)	N/A
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Share

Top ten shareholders							
Name of shareholders	Nature of shareholders	Number of shares held	% held	Number of shares held with selling restriction	Number of restricted shares including refinancing or lending shares	Status on charges, pledges or frozen	
						Status of shares	Number
HKSCC Nominees Limited (Note 2)	Foreign entity	284,197,980	34.80			Unknown	
Shanghai Fudan Fukong Technology Enterprise Holdings Limited	State-owned entity	109,620,000	13.42	109,620,000		Nil	
Shanghai Fuxin Fangao IC Technology Co. Ltd.	State-owned entity	106,730,000	13.07	106,730,000		Nil	
Shanghai Zhengben Corporate Management Consultant Partnership Enterprise (limited partnership) (Note 3)	Domestic non-state-owned legal person	49,592,811	6.07			Pledged	49,592,811
China Merchants Bank Co., Ltd – China AMC STAR 50 Constituent Traded Open-End Index Securities Investment Fund	Other	26,277,954	3.22			Nil	
Shanghai Zhenghua Corporate Management Consultant Partnership Enterprise (limited partnership)	Domestic non-state-owned legal person	18,808,896	2.30			Nil	
Industrial and Commercial Bank of China Limited - Fullgoal Hybrid Securities Investment Fund	Other	8,995,022	1.10			Nil	
Industrial and Commercial Bank of China Limited - Efund SSE GEM 50 Constituent Traded Open-End Index Securities Investment Fund	Other	8,050,663	0.99			Nil	
Shi Lei	Domestic natural person	7,210,000	0.88			Nil	
Jiang Guoxing	Domestic natural person	7,210,000	0.88			Nil	
China Construction Bank Corporation – China AMC SSE Semiconductor Chips Trading Open-End Index Securities Investment Fund	Other	6,729,854	0.82			Nil	

Shareholdings of the top 10 shareholders which not subject to selling restrictions			
Name of shareholders	Number of shares in circulation without any selling restrictions	Type and number of shares	
		Type	Number
HKSCC Nominees Limited (Note 2)	284,197,980	Overseas listed foreign invested shares	284,197,980
Shanghai Zhengben Corporate Management Consultant Partnership Enterprise (limited partnership)	49,592,811	RMB ordinary shares	49,592,811
China Merchants Bank Co., Ltd – China AMC STAR 50 Constituent Traded Open-End Index Securities Investment Fund	26,277,954	RMB ordinary shares	26,277,954
Shanghai Zhenghua Corporate Management Consultant Partnership Enterprise (limited partnership)	18,808,896	RMB ordinary shares	18,808,896
Industrial and Commercial Bank of China Limited - Fullgoal Hybrid Securities Investment Fund	8,995,022	RMB ordinary shares	8,995,022
Industrial and Commercial Bank of China Limited - Efund SSE GEM 50 Constituent Traded Open-End Index Securities Investment Fund	8,050,663	RMB ordinary shares	8,050,663
Shi Lei	7,210,000	RMB ordinary shares	7,210,000
Jiang Guoxing	7,210,000	RMB ordinary shares	7,210,000
China Construction Bank Corporation – China AMC SSE Semiconductor Chips Trading Open-End Index Securities Investment Fund	6,729,854	RMB ordinary shares	6,729,854
CITIC Capital Investment Limited	6,000,000	RMB ordinary shares	6,000,000
Hong Kong Securities Clearing Company Limited	5,355,381	RMB ordinary shares	5,355,381
Details relating to the related relationship of the above shareholders or the parties acting in concert	<ol style="list-style-type: none"> Shanghai Zhengben Corporate Management Consultant Partnership Enterprise (limited partnership) and Shanghai Nianjin Corporate Management Consultant Partnership Enterprise (limited partnership) are parties acting in concert. The Company is not aware whether other shareholders have related party relationship or acting-in-concert arrangements. 		
Description of the top 10 shareholders and the top 10 unrestricted shareholders participating in margin trading and securities lending and refinancing business (if any)	N/A		

Note1: As at the end of the Reporting Period, the total number of A Shares shareholders is 20,298 and H Shares shareholders is 12.

Note2: Shares held by HKSCC Nominees Limited are held on behalf of its clients. As 11,000 H shares held by individual shareholder(s) were in transit and have not registered for transfer, the number of shares held by HKSCC Nominees Limited from the record of the Company's share registrar as at 30 September 2023 was 284,208,980 shares which has a difference of 11,000 shares. As the relevant rules of the Hong Kong Stock Exchange do not require clients to report whether the shares that they hold are charged, pledged or frozen, thus it is unable to provide statistics on the number of shares that have been charged, pledged or frozen.

Note3: 11,800,000 shares owned by Shanghai Zhengben Corporate Management Consultant Partnership Enterprise (limited partnership) are under judicial frozen.

3. OTHER REMINDERS

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

Applicable Not applicable

The Company is in the process of applying for the issuance of convertible bonds and other related works. The issue of convertible bonds to non-specific investors is subject to the approval by the Shanghai Stock Exchange and the consent from the China Securities Regulatory Commission ("CSRC") for the registration before implementation. There is uncertainty as to whether and when the above matters will be ultimately approved by the Shanghai Stock Exchange and receive the consent of the CSRC for the registration decision.

4. QUARTERLY FINANCIAL STATEMENTS

(1) Audit opinion

Applicable Not applicable

(2) Financial statements

Consolidated Balance Sheet 30 September 2023

Item	30 September 2023	31 December 2022
	(Unaudited)	(Audited)
Current assets:		
Cash at bank and on hand	737,280,105.98	1,190,828,339.52
Financial assets held for trading	35,038,816.44	80,167,958.90
Notes receivables	328,376,927.96	252,144,057.13
Accounts receivable	1,126,974,319.74	730,204,276.92
Receivables for financing	95,356,920.03	81,708,392.03
Prepayments	203,990,700.30	474,702,228.34
Other receivables	21,708,840.07	20,352,381.01
Inventories	3,149,327,602.97	1,483,264,548.04
Other current assets	119,793,006.92	13,728,762.53
Total current assets	5,817,847,240.41	4,327,100,944.42
Non-current assets:		
Long-term equity investments	39,609,617.70	42,508,902.76
Investment in other equity instruments	34,706,412.83	33,902,315.43

RMB

Investment properties	-	122,687,909.50
Fixed assets	897,633,986.42	694,446,705.71
Construction in progress	616,885,608.73	193,776,441.01
Right-of-use assets	35,686,502.89	41,886,980.15
Intangible assets	158,901,766.36	85,750,633.28
Development costs	392,446,703.03	316,521,697.31
Long-term prepaid expenses	64,229,175.50	66,244,507.84
Deferred tax assets	5,624,966.40	3,243,844.60
Other non-current assets	70,282,782.71	182,817,172.08
Total non-current assets	2,316,007,522.57	1,783,787,109.67
Total assets	8,133,854,762.98	6,110,888,054.09
Current liabilities:		
Short-term borrowings	753,204,670.54	54,000,000.00
Accounts payable	249,222,202.68	201,182,480.44
Contract liabilities	111,376,623.14	210,402,283.73
Employee benefits payable	149,269,087.36	192,340,093.25
Taxes payables	20,967,775.72	10,735,058.29
Other payables	191,860,430.84	72,335,632.38
Non-current liabilities due within one year	60,026,760.71	15,181,384.65
Other current liabilities	170,423,251.94	147,699,399.83
Total current liabilities	1,706,350,802.93	903,876,332.57
Non-current liabilities:		
Long-term borrowings	584,237,024.37	-
Lease liabilities	23,640,218.21	33,162,705.60
Deferred income	17,843,409.17	16,548,141.05
Deferred tax liabilities	4,131,565.14	4,131,496.92
Total non-current liabilities	629,852,216.89	53,842,343.57
Total liabilities	2,336,203,019.82	957,718,676.14
Owners' equity (or shareholders' equity):		
Paid-in capital (or share capital)	81,665,650.00	81,665,650.00
Capital reserve	1,711,996,944.91	1,622,905,978.93
Other comprehensive income	15,395,794.87	13,684,518.28
Surplus reserve	40,832,825.00	40,832,825.00
Undistributed profits	3,312,035,039.10	2,772,141,379.40
Total equity attributable to shareholders of the parent company (or shareholders' equity)	5,161,926,253.88	4,531,230,351.61
Minority interests	635,725,489.28	621,939,026.34
Total shareholders' equity (or shareholders' equity)	5,797,651,743.16	5,153,169,377.95
Total liabilities and shareholders' equity (or shareholders' equity)	8,133,854,762.98	6,110,888,054.09

Consolidated Income Statement
From January to September 2023

RMB

Item	For the three quarters from January to September	
	2023	2022
	(Unaudited)	(Unaudited)
I. Total revenue	2,738,037,480.09	2,704,247,948.97
Including revenue	2,738,037,480.09	2,704,247,948.97
II. Total operating costs	2,034,462,515.00	1,774,861,674.81
Including: Cost of sales	969,886,415.63	945,757,666.20
Taxes and surcharges	6,246,588.80	21,340,174.76
Selling expenses	183,852,983.20	158,732,450.58
Administrative expenses	111,304,928.25	98,646,585.84
Research and development expenses	757,831,871.78	559,903,315.37
Finance costs	5,339,727.34	-9,518,517.94
Including: Interest expenses	17,269,855.99	2,975,844.94
Interest income	11,881,263.46	10,495,815.66
Add: Other income	65,355,118.68	51,774,232.88
Investment income (loss is expressed with negative value)	1,041,356.76	321,014.81
Including: Investment loss from associates and joint venture	-3,150,051.72	-4,115,585.82
Gains from change in fair value (loss is expressed with negative value)	-1,612,621.91	1,698,517.81
Credit impairment loss (loss is expressed with negative value)	-28,740,519.03	-8,124,483.49
Asset impairment loss (loss is expressed with negative value)	-75,329,023.42	-87,679,395.66
Gains on disposal of assets	505,593.84	1,545,411.70
III. Operating profits	664,794,870.01	888,921,572.21
Add: Non-operating income	433,800.91	111,322.51
Less: Non-operating expenses	-	300.00
IV. Total profit	665,228,670.92	889,032,594.72
Less: Income tax expenses	1,299,920.79	2,063,443.43
V. Net profit	663,928,750.13	886,969,151.29
(1) Classified by continuity of operations		
Net profits from continuing operation	663,928,750.13	886,969,151.29
(2) Classified by ownership of the equity		
1. Net profits attributable to shareholders of the parent company	650,142,287.19	859,172,995.67
2. Gain or loss of minority interests	13,786,462.94	27,796,155.62
VI. Other comprehensive income, net of tax	1,711,276.59	3,631,103.51
Other comprehensive income, net of tax, attributable to shareholders of the	1,711,276.59	3,631,103.51

parent company		
Other comprehensive income that will be reclassified to profit or loss	1,711,276.59	3,631,103.51
Other comprehensive income can be classified as profit or loss under the equity method	326,243.37	-
Exchange differences arising from translation of foreign currency denominated financial statements	1,385,033.22	3,631,103.51
VII. Total comprehensive income	665,640,026.72	890,600,254.80
(I) Total comprehensive income attributable to shareholders of the parent company	651,853,563.78	862,804,099.18
(II) Total comprehensive income attributable to minority interests	13,786,462.94	27,796,155.62
VIII. Earnings per share:		
(I) Basic earnings per share (RMB/share)	0.80	1.05
(II) Diluted earnings per share (RMB/share)	0.79	1.05

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

**Consolidated Statement of Cash Flows
From January to September 2023**

Item	RMB	
	For the three quarters from January to September	
	2023	2022
	(Unaudited)	(Unaudited)
I. Cash flows generated from operating activities:		
Cash received from sale of goods or rendering of services	2,298,844,865.62	2,619,490,649.96
Refund of taxes and surcharges	35,998,502.96	18,008,270.96
Cash received relating to other operating activities	91,666,381.80	21,893,963.98
Sub-total of cash inflows from operating activities	2,426,509,750.38	2,659,392,884.90
Cash paid for goods and services	2,486,714,110.24	1,442,000,565.72
Cash paid to and on behalf of employees	786,746,839.09	636,292,519.54
Payments of taxes and surcharges	45,296,227.05	201,211,494.06
Cash paid relating to other operating activities	210,340,943.69	113,582,797.94
Sub-total of cash outflow from operating activities	3,529,098,120.07	2,393,087,377.26
Net cash flows generated from operating activities	-1,102,588,369.69	266,305,507.64

II. Cash flows generated from investing activities		
Net cash received from disposal of investments	618,962,270.71	382,768,408.22
Net cash received from return of investments	4,212,475.46	1,392,566.83
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets	257,799.85	9,253.11
Other cash received relating to other investment activities	3,204,192.21	6,337,669.51
Sub-total of cash inflows from investment activities	626,636,738.23	390,507,897.67
Cash paid to acquire fixed assets, intangible assets and other long-term assets	490,453,116.09	456,285,236.93
Cash paid for investments	514,900,000.00	135,000,000.00
Sub-total of cash outflows from investment activities	1,005,353,116.09	591,285,236.93
Net cash flows from investment activities	-378,716,377.86	-200,777,339.26
III. Cash flows generated from financing activities:		
Cash received from financing activities	-	537,173,300.00
Cash received from loans obtained	1,275,135,414.91	-
Other cash received relating to other financing activities	-	280,054.78
Sub-total of cash inflow from financing activities	1,275,135,414.91	537,453,354.78
Cash repayments of borrowings	35,539,018.20	74,730,406.29
Cash paid for distribution of dividends, profit or interest expenses	125,696,779.13	52,912,998.28
Other cash paid relating to financing activities	17,159,718.35	15,472,605.44
Sub-total of cash outflow from financing activities	178,395,515.68	143,116,010.01
Net cash flows generated from financing activities	1,096,739,899.23	394,337,344.77
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	-8,498,241.38	-36,772.09
V. Net increase in cash and cash equivalents	-393,063,089.70	459,828,741.06
Add: Balance of cash and cash equivalents at the beginning of the period	1,120,286,945.68	415,755,306.55
VI. Balance of cash and cash equivalents at the end of the period	727,223,855.98	875,584,047.61

Particulars on adjustment to relevant items in the financial statements as at the beginning of the year according to new accounting standards or standard interpretations since 2023.

Applicable Not applicable

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

Shanghai, the PRC, 30 October 2023

As at the date of this announcement, the Company's executive Directors are Mr. Jiang Guoxing, Mr. Shi Lei, Mr. Yu Jun and Ms. Cheng Junxia; non-executive Directors are Ms. Zhang Qianling, Mr. Wu Ping and Mr. Sun Zheng, and independent non-executive Directors are Mr. Cao Zhongyong, Mr. Cai Minyong, Mr. Wang Pin and Ms. Zou Fuwen.

** For identification purpose only*