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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 2023**

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 2023, along with the comparative audited figures for the year ended 31 December 2022. Such financial results in this announcement had been agreed by Ernst & Young Hua Ming (LLP), the external auditor of the Company.

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

(All amounts in RMB unless otherwise stated)

	Note 4	2023	2022
Assets			
Current assets			
Cash at bank and on hand		1,003,337,496.96	1,190,828,339.52
Financial assets held for trading		30,213,750.00	80,167,958.90
Notes receivable	1	390,946,203.95	252,144,057.13
Accounts receivable	2	929,619,309.54	730,204,276.92
Financing of accounts receivable		156,656,371.19	81,708,392.03
Prepayments		110,682,041.34	474,702,228.34
Other receivables		23,871,720.59	20,352,381.01
Inventories		3,177,370,636.58	1,483,264,548.04
Other current assets		114,586,140.71	13,728,762.53
Total current assets		5,937,283,670.86	4,327,100,944.42
NON-CURRENT ASSETS			
Long-term equity investments		42,519,687.82	42,508,902.76
Investments in other equity instruments		35,465,034.27	33,902,315.43
Investment properties		-	122,687,909.50
Fixed assets		1,115,454,318.00	694,446,705.71
Construction in progress		480,656,568.13	193,776,441.01
Right-of-use assets		33,859,418.43	41,886,980.15
Intangible assets		143,276,878.80	85,750,633.28
Development costs		456,108,580.08	316,521,697.31
Long-term prepaid expenses		64,086,240.91	66,244,507.84
Deferred tax assets		4,129,192.02	3,243,844.60
Other non-current assets		98,511,297.07	182,817,172.08
Total non-current assets		2,474,067,215.53	1,783,787,109.67
Total assets		8,411,350,886.39	6,110,888,054.09

LIABILITIES AND EQUITY**Current liabilities**

Short-term borrowings		893,860,090.54	54,000,000.00
Accounts payable	3	235,756,887.78	201,182,480.44
Contract liabilities		57,567,549.49	210,402,283.73
Employee benefits payable		251,118,256.79	192,340,093.25
Taxes payable		13,936,835.09	10,735,058.29
Other payables		182,230,721.48	72,335,632.38
Current portion of non-current liabilities		72,340,225.85	15,181,384.65
Other current liabilities		172,510,566.20	147,699,399.83

Total current liabilities

	1,879,321,133.22	<u>903,876,332.57</u>
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Non-current liabilities

Long-term borrowings		530,063,719.49	-
Lease liabilities		21,710,718.02	33,162,705.60
Deferred income		14,682,715.04	16,548,141.05
Deferred tax liabilities		3,870,791.48	4,131,496.92

Total non-current liabilities

	570,327,944.03	<u>53,842,343.57</u>
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Total liabilities

	2,449,649,077.25	<u>957,718,676.14</u>
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Owners' equity

Share capital	4	81,906,040.00	81,665,650.00
Capital surplus		1,782,726,457.49	1,622,905,978.93
Other comprehensive income		16,123,727.63	13,684,518.28
Surplus reserves		40,953,020.00	40,832,825.00
Undistributed profits	5	3,381,266,932.48	2,772,141,379.40

Total equity attributable to shareholders of the parent company

	5,302,976,177.60	<u>4,531,230,351.61</u>
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Minority interests

	658,725,631.54	<u>621,939,026.34</u>
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Total shareholders' equity

	5,961,701,809.14	<u>5,153,169,377.95</u>
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Total liabilities and shareholders' equity

	8,411,350,886.39	<u><u>6,110,888,054.09</u></u>
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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

(All amounts in RMB unless otherwise stated)

	Note 4	2023	2022
Revenue	7	3,536,259,423.60	3,538,908,884.94
Less: Cost of sales	7	1,371,667,976.42	1,250,271,225.31
Taxes and surcharges	8	8,272,565.61	24,560,276.91
Selling expenses		251,742,037.01	222,818,922.72
Administrative expenses		157,935,778.03	138,935,477.14
Research and development expenses	9	1,010,597,572.06	735,419,692.61
Finance expenses		15,701,504.77	(7,753,839.50)
Including: Interest expenses		27,985,971.22	4,354,699.62
Interest income		15,544,504.78	14,813,114.77
Add: Other income		173,899,040.96	106,915,037.93
Investment gains/(losses)		4,488,302.27	(1,674,356.94)
Including: Investment losses in associates and joint ventures		(239,042.91)	(8,129,075.27)
(Loss)/ Profit arising from changes in fair value		(1,398,871.91)	1,866,476.71
Credit impairment (losses)/ reverses		(13,630,536.85)	1,109,908.97
Assets impairment losses		(133,519,476.99)	(162,804,292.45)
Gains on disposals of assets		1,236,606.63	1,329,678.22
Operating profit		751,417,053.81	1,121,399,582.19
Add: Non-operating income		433,800.91	111,404.79
Less: Non-operating expenses		-	300.00
Total profit:		751,850,854.72	1,121,510,686.98
Less: Income tax expenses	10	2,992,107.44	4,245,922.69
Net profit		748,858,747.28	1,117,264,764.29
Classified by operation continuity			
Net profit from continuing operations		748,858,747.28	1,117,264,764.29
Classified by ownership of the equity			
Net profit attributable to shareholders of the parent company		719,494,375.58	1,076,843,340.68
Gains or losses of minority interests		29,364,371.70	40,421,423.61
Other comprehensive income, net of tax		2,439,209.35	3,175,435.58
Other comprehensive income, net of tax, attributable to shareholders of the parent company		2,439,209.35	3,175,435.58
Other comprehensive income that may not be reclassified to profit or loss			
Changes in fair value of investments in other equity instrument		1,116,462.83	777,913.54

Other comprehensive income that will be reclassified to profit or loss		
Exchange differences on translation of foreign currency financial statements		<u>2,397,522.04</u>
	<u>1,322,746.52</u>	
Other comprehensive income, net of tax, attributable to minority interests	<u>-</u>	<u>-</u>
Total comprehensive income	<u>751,297,956.63</u>	<u>1,120,440,199.87</u>
Including :		
Attributable to shareholders of the parent company	721,933,584.93	1,080,018,776.26
Attributable to minority interests	29,364,371.70	40,421,423.61
Earnings per share	11	
Basic earnings per share		<u>1.32</u>
	<u>0.88</u>	
Diluted earnings per share		<u>1.31</u>
	<u>0.87</u>	

Notes to Financial Statements

For the year ended 31 December 2023

(All amounts in RMB unless otherwise stated)

1. Basis of preparation of the financial statements

These financial statements have been prepared in accordance with Accounting Standards for Business Enterprises - Basic Standard and specific accounting standards, implementation guidance, interpretations and other relevant provisions issued subsequently by the Ministry of Finance (collectively referred to as “ASBEs”). In addition, these financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

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

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

2. Significant accounting policies and estimates

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

1. Declaration Following ASBEs

The financial statements have been prepared in accordance with ASBEs, and presented truly and completely the Group’s and the Company’s financial position as at 31 December 2023 and the operating results for the year ended 31 December 2023.

2. Accounting Period

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

3. Functional Currency

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

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

3. Products and services

Revenue from external transactions

	2023	2022
Security and Identification Chips	862,638,795.64	976,052,956.98
Non-Volatile Memory	1,072,193,991.40	940,310,039.15
Smart Meter Chips	273,770,814.68	594,579,681.69
FPGA and Other Chips	1,139,456,334.02	803,149,655.86
Integrated Circuit Test Services	184,872,103.05	218,619,100.28
Lease income	3,327,384.81	6,197,450.98
	<u>3,536,259,423.60</u>	<u>3,538,908,884.94</u>

Geographic information

Revenue from external transactions

	2023	2022
Mainland China	3,311,820,003.97	3,366,575,722.96
Others	224,439,419.63	172,333,161.98
	<u>3,536,259,423.60</u>	<u>3,538,908,884.94</u>

Segment Reporting

Operating segment

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

(1) The design and sales of integrated circuits segment (“Design segment”) manufactures products including Security and Identification Chips, Non-Volatile Memory, Smart Meter Chips, FPGA and Other Chips;

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

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

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

2023

	Design segment	Testing segment	Offsets between segments	Consolidation
Sales to external customers	3,350,877,320.55	185,382,103.05	-	3,536,259,423.60
Inter-segment sales	-	130,107,523.56	(130,107,523.56)	-
Investment losses in associates and joint ventures	239,042.91	-	-	239,042.91
Assets impairment losses	133,519,476.99	-	-	133,519,476.99
Depreciation and amortisation	138,598,074.16	100,930,735.42	29,110,168.48)	268,638,978.06
Total profit	706,248,069.67	77,363,051.78	(31,760,266.73)	751,850,854.72
Income tax	4,764,040.01	2,500,493.06	(4,272,425.63)	2,992,107.44
Total assets	7,128,640,710.76	1,319,631,808.63	(36,921,633.00)	8,411,350,886.39
Total liabilities	2,282,620,554.24	203,950,156.01	(36,921,633.00)	2,449,649,077.25
Long-term equity investments in joint ventures and associates	42,519,687.82	-	-	42,519,687.82
Capital expenditure (note)	487,043,775.58	620,917,401.57	(22,221,323.64)	1,085,739,853.51

2022

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

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

4. Notes to Major Items of the Consolidated Financial Statements

1. Notes receivable

	2023	2022
Bank acceptance bills	22,231,659.30	44,206,905.70
Commercial acceptance bills	<u>376,305,047.42</u>	<u>212,028,645.42</u>
	398,536,706.72	256,235,551.12
Less: Provision for bad debts	<u>7,590,502.77</u>	<u>4,091,493.99</u>
	<u><u>390,946,203.95</u></u>	<u><u>252,144,057.13</u></u>

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

	Opening balance	Provision	Recovered or reversal	Closing balance
2023	4,091,493.99	3,499,008.78	-	7,590,502.77
2022	6,971,405.59	-	(2,879,911.60)	4,091,493.99

2. Accounts receivable

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

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

	2023	2022
Within 1 year	775,315,910.07	688,650,408.23
1 to 2 years	159,934,313.88	45,143,732.53
2 to 3 years	12,708,380.25	5,857,596.33
3 to 4 years	1,850,998.95	1,307,312.70
4 to 5 years	707,935.67	996,764.59
Over 5 years	<u>2,915,437.53</u>	<u>4,711,864.53</u>
	953,432,976.35	746,667,678.91
Less: Provision for bad debts	<u>23,813,666.81</u>	<u>16,463,401.99</u>
	<u><u>929,619,309.54</u></u>	<u><u>730,204,276.92</u></u>

	Book balance		31 December 2023 Provision for bad debts		Book value
	Amount	proportion (%)	Amount	proportion (%)	Amount
Accounts receivable for which bad debt allowance is provided by portfolio of credit risk characteristics					
Highly Reliable Product Sales Portfolio	765,073,292.23	80.25	17,308,068.45	2.26	747,765,223.78
Industrial Sales Portfolio	144,571,248.29	15.16	5,191,945.28	3.59	139,379,303.01
Testing Services Portfolio	43,788,435.83	4.59	1,313,653.08	3.00	42,474,782.75
	<u>953,432,976.35</u>	<u>100.00</u>	<u>23,813,666.81</u>	<u>2.50</u>	<u>929,619,309.54</u>

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

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

	Opening balance	Provision	Translation of foreign currency	Recovered or Reversal	Written-off	Closing balance
2023	16,463,401.99	10,131,528.07	-	-	(2,781,263.25)	23,813,666.81
2022	17,309,126.59	1,770,002.63	-	-	(2,615,727.23)	16,463,401.99

3. Accounts payable

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

	2023	2022
Within 1 year	209,303,850.23	187,918,075.41
1 to 2 years	17,542,109.49	13,264,405.03
Over 2 years	8,910,928.06	-
	<u>235,756,887.78</u>	<u>201,182,480.44</u>

As at 31 December 2023, the Group did not have significant accounts payable aged over 1 year (31 December 2022: Nil).

4. Share capital

2023

	Opening balance	Changes for the year			Closing balance
		Issue of new shares	Others	Total	
Ordinary shares in RMB	53,232,650.00	240,390.00	-	240,390.00	53,473,040.00
Foreign shares listed overseas	28,433,000.00	-	-	-	28,433,000.00
	<u>81,665,650.00</u>	<u>240,390.00</u>	<u>-</u>	<u>240,390.00</u>	<u>81,906,040.00</u>

On 19 December 2023, the Company issued ordinary shares of A shares to the eligible persons who satisfied the vesting conditions of the second vesting period of the first batch and the first vesting period of the reversed batch of the 2021 A Share Restricted Share Incentive Scheme, the share capital was increased by RMB240,390.00.

2022

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

5. Undistributed profits

	2023	2022
Balance at the beginning of the year	2,772,141,379.40	1,748,348,393.72
Net profit attributable to shareholders of the parent company	719,494,375.58	1,076,843,340.68
Less: Appropriation to surplus reserve	(120,195.00)	(107,725.00)
Dividends paid	<u>(110,248,627.50)</u>	<u>(52,942,630.00)</u>
Balance at end of the year	<u>3,381,266,932.48</u>	<u>2,772,141,379.40</u>

6. Dividend

On 22 March 2024, the Company held the 14th meeting of the 9th session of the Board for the purpose of considering and passing the “Resolution of the 2023 Distribution Plan of the Company”. The Company intends to use the total share capital registered on the equity registration date for the implementation of equity distribution as the base, every 10 shares will be distributed with a cash dividend of RMB1.00 (tax included) (2022 paid: RMB1.35 (tax included)) with total cash dividend amounted to RMB81,906,040.00 (2022 paid: RMB110,248,627.50), representing 11.38% of the net profits attributable to the shareholders of the parent for the year 2023.

7. Revenue and Costs of Sales

	2023		2022	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operations	3,524,386,886.82	1,362,081,367.46	3,510,573,053.08	1,241,292,662.24
Other operations	<u>11,872,536.78</u>	<u>9,586,608.96</u>	<u>28,335,831.86</u>	<u>8,978,563.07</u>
	<u>3,536,259,423.60</u>	<u>1,371,667,976.42</u>	<u>3,538,908,884.94</u>	<u>1,250,271,225.31</u>

8. Taxes and surcharges

	2023	2022
Urban maintenance and construction tax	940,966.23	11,890,251.53
Education surcharge	-	4,412,697.46
Local education surcharge	-	2,941,798.29
Property tax	4,376,763.26	1,835,094.13
Land use tax	29,184.70	13,001.82
Vehicle and vessel tax	8,990.00	10,020.00
Stamp duties	<u>2,916,661.42</u>	<u>3,457,413.68</u>
	<u>8,272,565.61</u>	<u>24,560,276.91</u>

9. Research and development expenses

	2023	2022
Staff costs	567,047,623.09	418,839,734.93
Material costs	181,512,576.47	125,150,466.01
Equity incentive fees	69,814,425.09	93,728,472.47
Depreciation and amortisation	130,900,553.56	67,828,247.23
Professional service fee	50,094,984.53	20,668,756.06
Office and administrative expenses	3,567,292.63	2,378,849.85
Travelling expense	2,364,173.57	623,146.36
Others	<u>5,295,943.12</u>	<u>6,202,019.70</u>
	<u>1,010,597,572.06</u>	<u>735,419,692.61</u>

10. Income tax expenses

	2023	2022
Current income tax expenses	3,877,454.86	5,336.12
Deferred income tax expenses	<u>(885,347.42)</u>	<u>4,240,586.57</u>
	<u>2,992,107.44</u>	<u>4,245,922.69</u>

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

	2023	2022
Accounting profit	751,850,854.72	1,121,510,686.98
Income tax expense at the rate of 15%	112,777,628.21	168,226,603.05
Effect of different tax rates for some subsidiaries	(1,832,425.78)	(1,333,257.11)
Expenses not deductible for tax purposes	3,835,266.49	4,704,899.77
Deduction of research and development costs	(143,915,550.02)	(116,406,048.21)
Tax impact of utilisation of unrecognized deductible losses and deductible temporary differences in previous years	(6,829,738.85)	(90,967,921.59)
Tax impact of unrecognised deductible temporary differences and deductible losses in the year	38,956,927.39	44,371,796.98
Others	-	(4,350,150.20)
Tax charge at the Group's effective tax rate	<u>2,992,107.44</u>	<u>4,245,922.69</u>

11. Earnings per Share

	2023 RMB/Share	2022 RMB/Share
Basic earnings per share		
Continuing operations	<u>0.88</u>	<u>1.32</u>
Diluted earnings per share		
Continuing operations	<u>0.87</u>	<u>1.31</u>

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

	2023	2022
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company		
Continuing operations	<u>719,494,375.58</u>	<u>1,076,843,340.68</u>

	2023	2022
Shares		
Weighted average number of common shares in issued	816,735,532.00	814,681,542.00
Dilution effect - weighted average number of common shares		
Stock options	<u>6,082,601.00</u>	<u>6,686,339.00</u>
Weighted average number of common shares of the Company issued and outstanding	<u>822,818,133.00</u>	<u>821,367,881.00</u>

MANAGEMENT DISCUSSION AND ANALYSIS

I. DISCUSSION AND ANALYSIS OF OPERATING

For the year ended 31 December 2023 (the “Reporting Period”), the semiconductor industry was in a downward cycle which was affected by factors such as the structural relief of production capacity and the digestion of prior-period inventories. Demand for some chips, especially represented by consumer electronics, was on a downward trend. The impacts on the sales of some of the Group's products applied in consumer electronics, power electronics and other industries were relatively significant. Although the relevant product lines adopted countermeasures such as launching new products and exploring new customers proactively, they were still under pressure during the Reporting Period which resulting in a decline in revenue. Benefiting from the advanced and reliable technology, continuous expansion of application areas and steady growth in demand from major customers, the revenue of the Group's FPGAs and some of the Group's non-volatile memory products applied in high-reliability scenarios maintained a steady growth in the relevant products, which contributed significantly to the Group's results for the Reporting Period. During the year of 2023, the Group achieved revenue of approximately RMB3,536 million, basically the same when compared with the last year; comprehensive gross profit margin decreased to 61.21% due to the downward trend of some product lines; net profit attributable to shareholders of the parent company of approximately RMB719 million, representing a decrease of 33.18% when compared with the last year. The report on the business situation in 2023 is as follows:

(1) Business situation for each product line

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

1. Product line of security and identification chips

The product line has several sub-products including smart card and security chips, radio frequency identification (“RFID”) and sensor chips, and smart identification device chips, etc. In 2023, it achieved revenue of approximately RMB863 million.

The Group has many years of technology accumulation and security advantages in smart card and secure chips. During the Reporting Period, the overall domestic smart card market was sluggish, coupled with intense competition, and faced great pressures. The Business Division is expanding into the security SE, SIM card fields and overseas markets actively. In terms of RFID and sensor chips, the Group's high-frequency security labels benefited from the growth in sales volume in the liquor industry, with a relatively large increase in sale volume. The first generation of EPC-compliant UHF RFID tag chips passed GS1 testing and is in mass production and sale, and the Group's competitiveness in RFID products continues to be maintained. In terms of chips for smart identification devices, the Group has completed the research and development (“R&D”) of a new generation of chips for overseas POS targeting high-end EMV applications and a new generation of chips for low-cost reader/writer applications. The R&D investment and application of NFC read/write chips for automobiles also has a greater advantage. The introduction of vehicle-specific items such as digital keys, in-vehicle aromatherapy, and wireless chargers has been smooth, and e-Bike and consumable anti-counterfeiting are expected to make a better contribution to the division's results in 2024.

2. Product line of non-volatile memory

The product line has products including EEPROM memory, NOR Flash memory and SLC NAND Flash memory in a variety of capacities, interfaces and packages. In 2023, it achieved revenue of approximately RMB1,072 million.

The Group has a wide range of memory products. During the Reporting Period, the Group's memory products, which are terminated with consumer electronic products, faced great market pressure. As a result of the significant decline in customer demand and intensified competition, which had an impact on its revenue and gross margin, consumer memory products responded to the fluctuations by adopting strategies such as price adjustments, keeping close to customers' needs and focusing on core customers. Benefiting from the early deployment of memory products in the industrial market, high-reliability market, automotive electronics and other areas, especially the solid foundation of high-reliability products, leading the product line go through the product cycle, so as to enhance the business performance of the product line.

3. Product line of smart meter chips

The product line mainly includes: smart meter MCU, and general low-power MCU. In 2023, it achieved revenue of approximately RMB274 million.

During the Reporting Period, the Group's smart meter MCU continued to maintain a leading position in the market share of single-phase smart meter MCUs in the national power grid. Factors such as declining market demand, inventory digestion, and oversupply have a greater impact on the MCU market. In order to go through the product cycle, the product line has made greater efforts in general-purpose products, while maintaining its utility base of mainly smart meters, with outreach to water, gas and heat meters. In the second half of 2023, the product line's early deployment in automotive electronics, smart home appliances, and industrial sectors began to grow. As we continue to expand our market share with products that are more competitive in terms of features and performance, sales are expected to grow with the gradual introduction of the M-STAR series from 2024 onwards, which will have a wider range of applications, a process that moves to 40/55nm, with stable supply. Smart home appliances, automotive electronics and industrial control will be the key directions in general-purpose MCUs of the Company.

4. FPGA and other products

The Company is one of the leading companies in the field of field-programmable gate array ("FPGA") technology in China. At present, we can provide four series of products: 10 million-gate-level FPGA chips, 100 million-gate-level FPGA chips, 1000 million-gate-level FPGA chips and embedded programmable devices (PSoC). FPGA and other products achieved revenue of approximately RMB1,139 million in 2023.

The Group's FPGA product line has a series of ultra-large scale heterogeneous converged programmable logic device series. We are the first in China to have successfully developed 100 million-gate FPGAs and embedded programmable devices (PSoC) chips, as well as reconfigurable chips that integrated FPGA and artificial intelligence (AI) for AI applications (FPAI). The product line is currently advancing a new generation of FPGAs and intelligent reconfigurable SoCs based on the advanced 1xnm FinFET process. We provide low-cost, low-power, high-performance, and high-reliability product series for applications such as computer vision, machine learning, high-speed digital processing, targeting industry sectors such as intelligent cockpits, video surveillance, medical imaging, and network communications.

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

5. Testing Services

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

6. Other business situations

Shanghai Fuwei Xunjie Digital Technology Co., Ltd.* (上海復微迅捷數字科技股份有限公司) built on the existing strengths of the Company's Internet Innovation Division. Based on the SaaS service model, we are developing the market in the areas of mobile phone virtual card, mobile phone short-distance communication compatibility testing, and intelligent short video service. It is still in the business development stage.

(2) Research and development and Talent team building

The Group attaches great importance to research and development (“R&D”) and invested approximately RMB1,190 million in R&D for the year, representing an increase of 34.25% when compared with the last year. The Group's R&D staff increased from 885 to 1178 when compared with the last year, resulting in enhanced R&D strength. The Group is simultaneously pursuing projects including but not limited to the New Generation FPGA Platform Development and Industrialization Project, the Intelligent and Reconfigurable SoC Platform Development and Industrialization Project, the New Technical Platform Storage Development and Industrialization Project, the New High-end Security Controller Development and Industrialization Project, and the Passive IoT Basic Chip Development and Industrialization Projects. For details, please refer to the relevant filing documents of the Company's convertible bonds application. The Group is planning for its medium to long-term business development.

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

1. Principal activities

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

2. Main products and services

2.1 Security and identification IC chips

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

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

Product type	Product description	Application fields
RFID and sensor chip series	It is mainly composed of FM11, FM13 and FM44 series products, including contactless logic encryption chips, NFC tag and access chips, high-frequency RFID chips, UHF RFID tag chips, reader chips, sensor chips, etc.	Identity identification, electronic shelf, smart household electrical appliances, logistics management, anti-counterfeiting and traceability, vehicle management, etc.
Smart card and security chip series	It is mainly composed of FM12, FM15 and other series products, including contactless CPU card chips, dual interface CPU card chips and security chips	Banking, social security, electronic documents, transportation, campus, health, telecommunications, anti-counterfeiting, etc.
Smart identification device chip series	It is mainly composed of FM17 series, and the product is of contactless reader chip type	Door lock, access control, contactless card reader, OBU, financial POS, subway gate, digital key applications for e-bikes/electronic vehicles, smart home appliances, etc.

2.2 Non-volatile memory

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

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

Product type	Product description	Application fields
EEPROM memory	It is mainly composed of FM24 / FM25 / FM93 series, supports I ² C, SPI and Micro Wire interfaces with storage capacity of 1Kbit-1024Kbit	Mobile phone module, smart meter, communication, home appliances, display, LCD panel, automotive electronics, computer memory strip, medical instruments, industrial control instruments, password lock, etc.
NOR Flash memory	It is mainly composed of FM25 / FM29 series, supports SPI and general parallel interface with storage capacity of 0.5Mbit-256Mbit	Network communication, IoT module, computer and peripheral products, mobile phone module, display and screen module, smart meter, security monitoring, on-board box, Ukey, automotive electronic medical instruments, industrial control instruments, wifi/ Bluetooth module, high reliability application, etc.
SLC NAND Flash memory	It is mainly composed of FM25 / FM9 series, supports SPI and ONFI parallel interfaces with storage capacity of 1Gbit-4Gbit	Network communication, security monitoring, wearable device, on-board box, automotive electronics, medical instruments, etc.

2.3 Smart meter chips

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

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

Product type	Product description	Application fields
Smart meter MCU	It is mainly composed of FM33A series of products, and the product is of the type of smart meter MCU with 32-bit Cortex-M0 core smartwatch MCUs and SoCs	IR46 standard smart energy meter, State Grid 2020 standard smart energy meter, State Grid single-phase / three-phase smart energy meter, Southern Power Grid single-phase / three-phase smart energy meter, overseas single-phase / three-phase smart energy meter, etc.

General low-power MCU	It is mainly composed of FM33A、FM33LC、FM33LG、FM33LE、FM33FR、FM33LF、FM33FK5、FM33LG0xxA、FM33LE0xxA、FM33FT0xxA、FM33FG0xxA Series of MCU products, including 32-bit low-power MCU chips with ARM Cortex-M0\M-star cores Processor cores Low-power MCU chips	Smart meters, smart water, gas and heat meters, smart home appliances, automotive electronics, industrial control meters/heat meters/gas meters, etc.
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2.4 FPGA chips

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

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

Product type	Product description	Application fields
10-million gate FPGA chips	Using 65nm CMOS technology, it is a series of SRAM FPGA products with high performance and cost-effective	Applicable to high-performance and large-scale applications such as network communication, information security, industrial control and high reliability application
100-million gate FPGA chips	Using 28nm CMOS technology, it is a series of SRAM FPGA products with high performance and in large scale	Applicable to 5G communication, artificial intelligence, data center, high reliability and other high-performance, large bandwidth and ultra large- scale applications
1000-million gate FPGA chips	Next-generation FPGA serialisation based on 1xnm FinFET advanced process	Provide low-cost, low-power, high-performance and high-reliability products for computer vision, machine learning, high-speed digital processing and other applications, targeting intelligent cockpit, video surveillance, medical imaging, network communication and other industry sectors.
Embedded programmable device PSoC	Using 28nm CMOS technology, it is a series of embedded programmable SoC products	Applicable to video, industrial control, security, AI, high reliability and other applications

2.5 Testing services for IC products

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

III. ANALYSIS OF OPERATING RESULTS

During the Reporting Period, the Group achieved revenue of approximately RMB3,536 million, basically the same when compared with the last year; net profit attributable to shareholders of the parent company of approximately RMB719 million, representing a decrease of 33.18% when compared with the last year; As at 31 December 2023, the total assets of the Group were approximately RMB8,411 million, representing an increase of 37.65% when compared with the last year; and the net assets attributable to shareholders of the parent company were approximately RMB5,303 million, representing an increase of 17.03% when compared with the last year.

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

- (1) Demand for some chips, represented by consumer electronic products, showed a downtrend due to factors such as the structural slowdown in production capacity and the digestion of prior-period inventories. The impact on the sales of some of the Group's products applied in the consumer electronics and power electronics industries was relatively significant. Although the relevant product lines adopted countermeasures such as launching new products and exploring new customers proactively, they were still under pressure during the Reporting Period, resulting in a significant decline in revenue. Benefiting from the advanced and reliable technology, continuous expansion of application areas and steady growth in demand from major customers, the revenue of the Group's FPGAs and some of the Group's non-volatile memory products applied in high-reliability scenarios maintained a steady growth in the relevant products, which contributed significantly to the Group's results for the Reporting Period. During the Reporting Period, the Group's revenue was basically the same when compared with the last year;
- (2) Comprehensive gross profit margin was affected by the prices of certain product lines, representing a decrease of 3.46 percentage points when compared with the last year;
- (3) The Group has maintained strong investment in R&D. R&D expenses increased by approximately 37.42% when compared with the last year as a result of product iteration and expansion of product spectrum, enhancement of product R&D based on diversified supply-side processes, and a large increase in the number of R&D personnel. The increase was mainly due to the increase in staff salaries, materials consumed for R&D projects and the relevant processing and testing fees, depreciation and amortisation.

Reasons for changes in revenue:	Revenue slightly declined by 0.07% due to divergent market demand in the downstream markets of various product lines, changes in the product mix of products. Growth in revenue from the design and sale of ICs, offset by the impact of a decline in revenue from IC testing services on a consolidated basis.
Reasons for changes in cost of sales:	Cost of sales increased by 9.71%, which was mainly attributable to the change in the structure of the Group's products and the increase of the proportion of sales of low margin products.
Reasons for changes in selling expenses:	Selling expenses increased by 12.98%, which was mainly attributable to the increase in staff remuneration as a result of the increase in headcount and wage increase during the Reporting Period, as well as the increase in travelling expenses and promotional expenses as a result of enhanced marketing efforts.
Reasons for changes in administrative expenses:	This was mainly attributable to the increase in staff remuneration and office expenses as a result of the expansion of the Group's scale of operations and increase in headcount, as well as the increase in share incentive expenses as a result of the implementation of the share incentive scheme by Sino IC during the Reporting Period.
Reasons for changes in finance expenses:	This was mainly due to the significant increase in the Group's bank loans and the corresponding increase in interest expenses.
Reasons for changes in research and development expenses:	The 37.42% increase in research and development expenses was mainly attributable to the Group's continued strong investment in research and development, product iteration and product spectrum expansion, as well as the strengthening of product research and development based on diversified supply-side processes.
Reasons for changes in other income:	The 62.65% increase in other income was mainly attributable to the increase in government grants recognised as a result of the completion and acceptance of certain research and development projects during the Reporting Period.
Reasons for changes in credit impairment losses:	The significant increase in credit impairment losses was mainly due to the increase in the size of accounts receivable.
Reasons for changes in assets impairment losses:	Assets impairment losses decreased by 17.99%, which was mainly due to the impairment loss on long-term equity investments in associates recorded in the last year.

MATERIAL INVESTMENTS AND ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Company is applying to the Shanghai Stock Exchange and the China Securities Regulatory Commission for the Issuance of A Share Convertible Bonds to non-specific investors in China with a total amount not exceeding RMB2 billion (RMB2 billion inclusive). The proceeds shall be fully invested in the Company's principal business, including, (i) the New Generation FPGA Platform Development and Industrialization Project, (ii) the Intelligent and Reconfigurable SoC Platform Development and Industrialization Project, (iii) the New Technical Platform Storage Development and Industrialization Project, (iv) the New High-end Security Controller Development and Industrialization Project, and (v) the Passive IoT Basic Chip Development and Industrialization Projects. The resolutions in relation to the Issuance of A Share Convertible Bonds have been passed in the extraordinary general meeting and class meetings which were held on 5 July 2023. The relevant application is still under examination by the Shanghai Stock Exchange and the China Securities Regulatory Commission up to the date of this announcement, even though the approval of Listing Committee for the Sci-Tech Innovation Board has obtained.

Before the receipt of the proceeds from the issuance of A Share Convertible Corporate Bonds, the Company will invest with its own or self-raised funds as required based on the actual progress of the projects to be invested. When the proceeds are available, such funds used will be replaced by the proceeds so raised according to the procedures stipulated by the relevant laws and regulations. In the event that the actual amount of proceeds from the Issuance after deducting issuance expenses is less than the amount of proceeds proposed to be invested in the projects above, any shortfall will be made up by the Company with its own or self-raised funds.

Save as mentioned in this announcement, there was no other specific plan for material investments or capital assets as at 31 December 2023.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2023, net assets of the Group amounted to RMB5,961,701,809.14 (2022: RMB5,153,169,377.95), representing an increase of approximately 15.69% over last year; of which current assets amounted to RMB5,937,283,670.86 (2022: RMB4,327,100,944.42), representing an increase of approximately 37.21% over last year; of which included cash at bank and on hand which were RMB1,003,337,496.96 (2022: RMB1,190,828,339.52), representing a decrease of approximately 15.74% over last year.

The Group kept profiting for the past years, and thus profit, placement of shares, bank borrowings and cash flows generated internally have been used to meet the operations and business development needs. With the cautious treasury policy adopted by the Group, the current cashflow is sufficient to cope with daily operation and future development. The Group may also obtain appropriate credit facilities from financial institutions when there is additional funding requirement for its business development in the future, including but not limited to bank borrowings, acceptance bills, discounted bills, trade finance and letters of credit, depending on the scale and duration of the funding requirements. The Company is also applying to the Shanghai Stock Exchange and the China Securities Regulatory Commission for the Issuance of A Share Convertible Bonds to non-specific investors in China with a total amount not exceeding RMB2 billion (RMB2 billion inclusive). The Group does not use any financial instruments for hedging purposes and does not have foreign currency net investments hedged by currency borrowings and other hedging instruments.

As at 31 December 2023, the Group had bank borrowings amounted to RMB1,436,202,110.03 (2022: RMB50,000,000.00).

CHANGE OF SHARE CAPITAL

On 19 December 2023, the Company issued 2,403,900 ordinary shares of A shares to the eligible persons who satisfied the vesting conditions of the second vesting period of the first batch and the first vesting period of the reversed batch of the 2021 A Share Restricted Share Incentive Scheme, the share capital was increased by RMB240,390.00. The total number of shares upon the completion of the issuance was 819,060,400 shares (including 534,730,400 A shares and 284,330,000 H shares).

PLEDGE OF ASSETS

As at 31 December 2023, the Group did not have any assets pledged as security (2022: fixed assets with carrying amounts RMB173,447,600.91 were pledged for the securities of bank borrowings which were fully repaid in Year 2022).

CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments in response to changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not constrained by any external mandatory requirements on capital. The capital structure of the Group consists of equity attributable to owners of the Company, comprising bank borrowings, issued share capital and various reserves. There was no change in the Group's capital management objectives, policies or procedures in 2023 and 2022.

The Group manages its capital with the gearing ratio. The gearing ratio of the Group, which is the total liabilities divided by the total liabilities and owner's equity as at 31 December 2023 is approximately 29.12% (2022: 15.67%).

COMMITMENTS AND CONTINGENCIES

1. Major Commitments

	2023	2022
Contracted but not provided Capital commitment	<u>202,947,261.42</u>	<u>204,494,238.41</u>

2. Contingencies

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

EMPLOYEES

The Group provides employees with competitive compensation and benefits, including salary, bonus, social insurance, housing provident fund, health examination, supplementary commercial medical insurance and other welfare systems. The Group provides employees with various leave in accordance with the law, including personal leave, sick leave, marriage leave, work injury leave, bereavement leave, annual leave, maternity leave, paternity leave and others. The Group has established a complete performance appraisal system, and evaluates each employee according to the targeted appraisal objectives. At the end of each year, the Group formulates a salary adjustment plan based on the results of employee performance evaluation, and with reference to the market salary situation and the Group's current operating conditions. Besides, the Group optimizes the talent team through comprehensive talent evaluation mechanisms such as performance appraisal and talent promotion channels to achieve the development goal of building and developing a first-class talent team.

FUTURE OUTLOOK

In 2024, the Group will continue to consolidate and enhance its comprehensive competitive advantages in technology, services, quality and branding, further expand its production capacity and product applications, as well as continuously increase the coverage of the Group's business in the industrial chain, so as to achieve a sustainable, rapid and healthy development of the Group. Meanwhile, the Group will continue to consolidate the Group's technological advantages through technical cooperation between colleges and enterprises and continuous investment in research and development, and actively focus on advanced technologies and products overseas to build up the Group's competitive advantages in the international market. In terms of product technology, the Group will accelerate the improvement of its product lines, enrich and optimise its product portfolio, and form product matrix rapidly. Bold innovation according to application needs, especially integrated innovation in cross areas. We will develop the ability to derive spectrum products rapidly through strengthening the efficient R&D system and establishing a platform to overcome technical difficulties. In terms of marketing and operation, we will continue to leverage our strategic portfolio to complement our markets and products. Not only formulate a reasonable marketing strategy based on product planning, but we also need to dig deep into new markets and trends to lead our products to explore new areas. We will expand the content and level of research on new markets in a timely manner, so as to provide a good starting point for building new competitiveness. The Group will optimise the allocation of resources to strengthen the market system of the existing businesses; to enhance the quality of customer support services and stabilise our existing market share; to build our marketing network actively and focus our resources on exploring new opportunities and generating new markets in order to expand our market share. In terms of internal management, the Group will endeavour to safeguard the quality of its products, improve the efficiency of its research and development and optimise its management practices. We will improve the Company's ESG management standards continuously and adhering to the business philosophy of sustainable development.

FINAL DIVIDEND

The Board proposes to declare a final dividend of RMB1.00 (tax inclusive) per 10 shares for the year ended 31 December 2023 (2022 paid: RMB1.35 (tax included)) with total cash dividend amounted to RMB81,906,040.00 (2022 paid: RMB110,248,627.50).

The above proposal is subject to consideration and approval at the upcoming annual general meeting (the "AGM") of the Company. If the proposed distribution being approved at the AGM, the final dividend distribution for the year ended 31 December 2023 is expected to be implemented within 60 days after the AGM. Details of the Company's closure of register of shares and the declaration and payment of dividends will be announced in due course.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct on terms no less exacting than the model code for securities transactions by directors of listed issuers as set out in Appendix C3 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Having made specific enquiry to all directors and supervisors, the directors and supervisors have complied with such code of conduct and the required standard of dealings throughout the year ended 31 December 2023.

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

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 19 December 2023, the Company issued 2,403,900 new A Shares pursuant to the 2021 A Shares Restricted Share Incentive Scheme. The issue price is RMB17.8 per share and the additional share capital is RMB240,390.00 with a premium of RMB42,549,030, the proceeds of which were used as daily working capital. At 31 December 2023, the Company's outstanding restricted shares under the 2021 A Shares Restricted Share Incentive Scheme were 4,914,100 (further details are set out in the circular dated 20 October 2021, and the Company's overseas regulatory announcements dated 5 November 2021, 6 December 2021, 28 October 2022, 7 December 2022, 15 December 2022, 19 December 2023 and 26 December 2023). According to the capital structure of the Company, if all the outstanding restricted shares are vested, 4,914,100 additional A Shares ordinary shares of the Company will be issued. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

DIRECTORS' AND SUPERVISOR' INTERESTS IN A COMPETING BUSINESS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 of the Listing Rules. In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2023.

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any significant subsequent events.

AUDIT COMMITTEE

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

The Group’s audited financial statements for the year ended 31 December 2023 have been reviewed by the committee, who is of the opinion that these statements complied with the applicable accounting standards, the requirements as set out by the Stock Exchange and the relevant regulations, and that adequate disclosures had been made.

SCOPE OF WORK OF ERNST & YOUNG HUA MING LLP

The figures in respect of the Group’s consolidated balance sheet and consolidated income statement and the related notes thereto for the year ended 31 December 2023 as set out in the results announcement have been agreed by the Company’s auditor, Ernst & Young Hua Ming LLP, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Ernst & Young Hua Ming LLP in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young Hua Ming LLP on this results announcement.

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

Shanghai, the PRC, 22 March 2024

As at the date of this announcement, the Company’s executive Directors are Mr. Jiang Guoxing, Mr. Shi Lei and Mr. Yu Jun; 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*