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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 HALF-YEAR ENDED 30 JUNE 2020

The board of directors (the "Board") of Shanghai Fudan Microelectronics Group Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the half-year ended 30 June 2020 together with the comparative figures for the corresponding period in 2019 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

		Half-year ended 30 June	
	Notes	2020	2019
		RMB'000	RMB'000
			(Restated)
REVENUE	2	712,286	639,151
Cost of sales		<u>(385,744)</u>	<u>(397,932)</u>
Gross profit		326,542	241,219
Other income and gains	2	61,290	47,180
Selling and distribution costs		(46,830)	(46,419)
Administrative expenses		(42,772)	(41,430)
Impairment losses on financial assets		(2,029)	(2,809)
Other expenses		(222,577)	(284,908)
Financial cost		<u>(1,174)</u>	<u>(1,141)</u>
PROFIT/(LOSS) BEFORE TAX	4	72,450	(88,308)
Income tax expense	5	<u>(3,672)</u>	<u>(3,255)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>68,778</u>	<u>(91,563)</u>
Profit/(loss) attributable to:			
Owners of the parent		60,296	(97,311)
Non-controlling interests		<u>8,482</u>	<u>5,748</u>
		<u>68,778</u>	<u>(91,563)</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE PARENT			
Basic and diluted			
- For profit/(loss) for the period	6	<u>8.68 cents</u>	<u>(14.01) cents</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Half-year ended 30 June	
	2020	2019
	RMB'000	RMB'000
PROFIT/(LOSS) FOR THE PERIOD	<u>68,778</u>	<u>(91,563)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	410	82
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investments designated at fair value through other comprehensive (loss)/income	<u>(1,606)</u>	<u>2,233</u>
Other comprehensive (loss)/income for the period, net after tax	<u>(1,196)</u>	<u>2,315</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u><u>67,582</u></u>	<u><u>(89,248)</u></u>
Total comprehensive income/(loss) attributable to:		
Owners of the parent	59,100	(94,996)
Non-controlling interests	<u>8,482</u>	<u>5,748</u>
	<u><u>67,582</u></u>	<u><u>(89,248)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	7	433,859	423,120
Right-of-use assets		37,130	41,590
Prepayments for equipment		-	3,076
Intangible assets	8	185,271	176,520
Investments in an associate		70,482	55,943
Equity investments designated at fair value through other comprehensive income		30,589	31,119
Financial assets at fair value through profit or loss		1,416	1,395
Deferred tax assets		7,837	7,679
		<hr/>	<hr/>
Total non-current assets		766,584	740,442
CURRENT ASSETS			
Inventories		601,792	588,078
Trade and bills receivables	9	681,060	643,942
Prepayments, deposits and other receivables		49,602	20,500
Cash and bank balances	13	431,027	465,410
		<hr/>	<hr/>
Total current assets		1,763,481	1,717,930
CURRENT LIABILITIES			
Trade payables	10	151,396	136,531
Other payables, accruals and deferred income		266,483	289,066
Other borrowings		10,065	10,702
Tax payable		2,897	657
		<hr/>	<hr/>
Total current liabilities		430,841	436,956
		<hr/>	<hr/>
NET CURRENT ASSETS		1,332,640	1,280,974
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITES		2,099,224	2,021,416
NON-CURRENT LIABILITES			
Other borrowings		28,240	32,860
Deferred income		45,416	47,763
Deferred tax liabilities		3,474	2,507
		<hr/>	<hr/>
Total non-current liabilities		77,130	83,130
		<hr/>	<hr/>
NET ASSETS		2,022,094	1,938,286
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
EQUITIES		
Equity attributable to equity holders of the parent		
Issued capital	69,450	69,450
Reserves	1,790,472	1,715,146
	1,859,922	1,784,596
Non-controlling interests	162,172	153,690
TOTAL EQUITY	2,022,094	1,938,286

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Issued share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Available for sale investment revaluation/ Fair value reserve RMB'000	Exchange fluctuatio n reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	69,450	547,076	52,966	12,789	(1,070)	14,743	1,088,642	1,784,596	153,690	1,938,286
Profit for the period	-	-	-	-	-	-	60,296	60,296	8,482	68,778
Other comprehensive income/(loss) for the period:										
Change in fair value of equity investments at fair value through comprehensive income, net of tax	-	-	-	(1,606)	-	-	-	(1,606)	-	(1,606)
Exchange differences on translation of foreign operations	-	-	-	-	410	-	-	410	-	410
Total comprehensive income/(loss) for the period	-	-	-	(1,606)	410	-	60,296	59,100	8,482	67,582
Equity-settled share-based expenses	-	16,226	-	-	-	-	-	16,226	-	16,226
At 30 June 2020	69,450	563,302 *	52,966 *	11,183 *	(660) *	14,743 *	1,148,938 *	1,859,922	162,172	2,022,094
At 1 January 2019	69,450	545,756	52,003	10,643	(1,613)	14,743	1,251,624	1,942,606	164,834	2,107,440
(Loss)/profit for the period	-	-	-	-	-	-	(97,311)	(97,311)	5,748	(91,563)
Other comprehensive income for the period:										
Change in fair value of equity investments at fair value through comprehensive income, net of tax	-	-	-	2,233	-	-	-	2,233	-	2,233
Exchange differences on translation of foreign operations	-	-	-	-	82	-	-	82	-	82
Total comprehensive (loss)/ income for the period	-	-	-	2,233	82	-	(97,311)	(94,996)	5,748	(89,248)
Equity-settled share-based expenses	-	654	-	-	-	-	-	654	-	654
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(9,394)	(9,394)
At 30 June 2019	69,450	546,410	52,003	12,876	(1,531)	14,743	1,154,313	1,848,264	161,188	2,009,452

* These reserve accounts comprise the consolidated reserves of RMB1,790,472,000 (31 December 2019: RMB1,715,146,000) in the condensed consolidated statement of financial position.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Half-year ended 30 June	
	Note	2020	2019
		RMB'000	RMB'000
Net cash flows generated from/(used in) operating activities		72,274	(161,146)
Net cash flows (used in)/generated from investing activities		(39,793)	98,013
Net cash flows used in financing activities		<u>(16)</u>	<u>-</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		32,465	(63,133)
Cash and cash equivalents at beginning of period		268,055	304,878
Effect of foreign exchange rate changes, net		<u>342</u>	<u>4,715</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>300,862</u>	<u>246,460</u>
 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash on hand and demand deposits	13	189,142	182,599
Non-pledged time deposits	13	<u>241,885</u>	<u>287,784</u>
Cash and bank balances as stated in the condensed consolidated statement of financial position	13	431,027	470,383
Time deposits with original maturity of over three months when acquired	13	<u>(130,165)</u>	<u>(223,923)</u>
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of cash flows		<u>300,862</u>	<u>246,460</u>

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in compliance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). They have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies adopted in preparing these unaudited consolidated financial statements are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 December 2019. The Group has adopted the new and revised Hong Kong Financial Reporting Standards which are effective for the financial year beginning on or after 1 January 2020. The adoption of these new and revised standards did not have any significant impact on the operating results and financial position of the Group.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. REVENUE, OTHER INCOME AND GAINS

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

	Half-year ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
		(As restated)
	RMB’000	RMB’000
Revenue		
Revenue from contracts with customers	710,330	637,051
Revenue from other sources:		
Other lease payments, including fixed payments	<u>1,956</u>	<u>2,100</u>
	<u>712,286</u>	<u>639,151</u>
Other income and gains		
Bank interest income	3,732	4,960
Government grants received for research activities	44,152	27,706
Other government grants	7,145	6,819
Others	<u>6,261</u>	<u>7,695</u>
	<u>61,290</u>	<u>47,180</u>

3. 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”).

For the half-year ended 30 June 2020	Design, development and selling of IC products (Unaudited) RMB'000	Testing services of IC products (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue			
Sales to external customers	642,899	69,387	712,286
Intersegment sales	-	9,095	9,095
	642,899	78,482	721,381
<i>Reconciliation:</i>			
Elimination of intersegment sales			(9,095)
Revenue			<u>712,286</u>
Segment results	43,912	19,094	63,006
<i>Reconciliation:</i>			
Elimination of segment results			(1,432)
Interest income			3,732
Unallocated gains			7,144
Loss before tax			<u>72,450</u>
Segment assets	2,145,508	412,613	2,558,121
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(35,894)
Corporate and other unallocated assets			7,838
Total assets			<u>2,530,065</u>
Segment liabilities	451,902	91,963	543,865
<i>Reconciliation:</i>			
Elimination of intersegment payables			(35,894)
Total liabilities			<u>507,971</u>
Other segment information			
Impairment loss recognised in the statement of profit and loss	(778)	130	(648)
Depreciation	16,949	29,455	46,404
Amortisation of intangible assets	26,955	-	26,955
Capital expenditure*	<u>56,805</u>	<u>45,779</u>	<u>102,584</u>

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

3. OPERATING SEGMENT INFORMATION *(continued)*

For the half-year ended 30 June 2019	Design, development and selling of IC products (Unaudited) RMB'000	Testing services of IC products (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue			
Sales to external customers	586,975	52,176	639,151
Intersegment sales	-	15,615	15,615
	<u>586,975</u>	<u>67,791</u>	<u>654,766</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(15,615)</u>
Revenue			<u>639,151</u>
Segment results	(113,459)	18,269	(95,190)
<i>Reconciliation:</i>			
Elimination of segment results			(4,897)
Interest income			4,960
Unallocated gains			<u>6,819</u>
Profit before tax			<u>(88,308)</u>
Segment assets	2,086,721	381,114	2,467,835
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(35,990)
Corporate and other unallocated assets			<u>6,374</u>
Total assets			<u>2,438,219</u>
Segment liabilities	366,801	97,956	464,757
<i>Reconciliation:</i>			
Elimination of intersegment payables			<u>(35,990)</u>
Total liabilities			<u>428,767</u>
Other segment information			
Impairment loss recognised in the statement of profit and loss	19,915	153	20,068
Depreciation	18,964	20,615	39,579
Amortisation of intangible assets	28,458	-	28,458
Capital expenditure*	<u>61,893</u>	<u>19,904</u>	<u>81,797</u>

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

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

a) Revenue from external customers

	Half-year ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Mainland China	680,913	577,597
Asia Pacific (excluding Mainland China)	25,829	57,614
Others	5,544	3,940
	<u>712,286</u>	<u>639,151</u>

The revenue information from operations above is based on the location of the customers.

b) Non-current assets

	Half-year ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Mainland China	726,444	576,838
Asia Pacific (excluding Mainland China)	281	13
Others	17	8,604
	<u>726,742</u>	<u>585,455</u>

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

Information about major customers

No customer was individually accounted for more than 10% of the Group's total revenue during the half-year ended 30 June 2020 (2019: nil).

4. PROFIT/(LOSS) BEFORE TAX

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

	Half-year ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Depreciation	46,404	39,579
Impairment of financial and contract assets, net:		
Impairment of trade receivables, net:	2,029	2,809
Amortisation of deferred development costs*	26,955	28,458
Impairment of intangible assets	-	9,106
(Written-back)/provision for impairment of inventories	(2,676)	17,259
Bank interest income	(3,732)	(4,960)
Other government grants	(7,145)	(6,819)
Government grants received for research activities**	<u>(44,152)</u>	<u>(27,706)</u>

Note: * The amortisation of deferred development costs for the period is included in "Other expenses" on the face of the unaudited condensed consolidated income statement.

** The government grants received for certain research and development activities have been recognised as other income if there are no unfulfilled conditions or contingencies relating to these grants and they are not matched with the related costs which they are intended to compensate. Government grants received for which related expenditure has not yet been undertaken are included in "Other payables, accruals and deferred income" in the condensed consolidated statement of financial position.

5. INCOME TAX EXPENSES

Under the PRC Corporate Income Tax Law (the “CIT Law”), the Company is subject to income tax at a base rate of 25%. The Company is eligible to a preferential income tax rate of 15% as a High New Technology Enterprise (“HNT Enterprise”). And pursuant to the notice of the State Council on “Issuing Several Policies on Further Encouraging the Development of the Software and Integrated Circuit Industries” (Guo Fa (2011) No. 4) and “Notice Concerning Several Policies on Enterprise Income Tax of Software and Integrated Circuit Industries” (Cai Shui (2016) No. 49) issued by the Ministry of Finance of the PRC, the Company was subsequently qualified as “key integrated circuit design enterprise falling within the State’s planned arrangement”. For the financial year ending 31 December 2020, income tax provision of the Company have been provided at the preferential income tax rate of 15% as a HNT Enterprise (2019: 15%).

Under the CIT Law, the Company’s subsidiary, Sino IC Technology Co., Ltd. (“Sino IC”) is subject to income tax at a base rate of 25%. Sino IC is entitled to a preferential income tax rate of 15% as an HNT Enterprise. For the financial year ending 31 December 2020, income tax on assessable income of Sino IC have been provided at the rate of 15% (2019: 15%).

Under the CIT Law, two of the Company’s subsidiaries, Shenzhen Fudan Microelectronics Company Limited and Beijing Fudan Microelectronics Technology Company Limited are subject to income taxes at a base rate of 25%. For the financial year ending 31 December 2020, income taxes on assessable income of these subsidiaries has been provided at the rate of 25% (2019: 25%).

Hong Kong Profits Tax of the Hong Kong subsidiary has been provided at the rate of 8.25% on the first HK\$2,000,000 and 16.5% on the remaining of the estimated assessable profit arising in Hong Kong during the period. The provision for Hong Kong Profits Tax for this subsidiary for the financial year ending 31 December 2020 was calculated at the same basis in 2019.

The Company’s subsidiary incorporated and operating in the United States is subject to federal corporation income tax rate of 21% (2019: 21%) and local tax of 8.84% (2019: 8.84%) during the year.

	Half-year ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB’000	RMB’000
Current - PRC		
Charge for the period	3,575	3,230
Current – Hong Kong		
Charge for the period	-	150
Current – United States of America		
Charge for the period	6	-
Deferred		
Charge/(credit) for the period	91	(125)
Total tax charge for the period	<u>3,672</u>	<u>3,255</u>

6. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of the basic earnings/(loss) per share for the half years ended 30 June 2020 and 30 June 2019 are based on the unaudited net profit attributable to ordinary equity holders of the parent of approximately RMB60,296,000 (2019: net loss RMB97,311,000) and the weighted average number of 694,502,000 (2019: 694,502,000) ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the two half years ended 30 June 2020 and 30 June 2019.

7. PROPERTY, PLANT AND EQUIPMENT

During the half-year ended 30 June 2020, the Group acquired machinery and office equipment amounted to approximately RMB57,178,000 (31 December 2019: RMB113,150,000).

8. INTANGIBLE ASSETS

	License RMB'000	Deferred development cost RMB'000	Total RMB'000
30 June 2020 (Unaudited)			
Cost at 1 January 2020, net of accumulated amortisation and impairment	19,509	157,011	176,520
Additions	10,888	34,517	45,405
Write-off	-	(9,699)	(9,699)
Amortisation provided	(6,531)	(20,424)	(26,955)
At 30 June 2020	23,866	161,405	185,271
At 30 June 2020:			
Cost	35,092	481,370	516,462
Accumulated amortisation and impairment	(11,226)	(319,965)	(331,191)
Net carrying amount	23,866	161,405	185,271
31 December 2019 (Audited)			
Cost at 1 January 2019, net of accumulated amortisation and impairment	-	191,068	191,068
Additions – internal development	24,204	50,629	74,833
Write-off – internal development	-	(11,579)	(11,579)
Impairment	-	(9,832)	(9,832)
Disposal of a subsidiary	-	(11,412)	(11,412)
Amortisation provided	(4,695)	(51,863)	(56,558)
At 31 December 2019	19,509	157,011	176,520
At 31 December 2019:			
Cost	24,204	455,044	479,248
Accumulated amortisation and impairment	(4,695)	(298,033)	(302,728)
Net carrying amount	19,509	157,011	176,520

9. TRADE AND BILLS RECEIVABLES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade receivables	510,011	468,502
Bills receivables	196,667	199,141
Impairment	(25,618)	(23,701)
	681,060	643,942

The Group's trading terms with its customers are mainly on credit and the credit period is generally up to 30 days to 90 days. An ageing analysis of trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 3 months	414,115	343,818
3 to 6 months	85,126	145,856
6 to 12 months	90,365	67,687
Over 12 months	91,454	86,581
	681,060	643,942

10. TRADE PAYABLES

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

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 3 months	88,083	120,993
3 to 6 months	26,754	5,451
6 to 12 months	16,793	10,057
Over 12 months	19,766	30
	151,396	136,531

11. COMMITMENTS

The Group had the following commitments at the reporting date:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Contracted, but not provided for: Property, plant and equipment	<u><u>17,233</u></u>	<u><u>29,360</u></u>

12. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions with the related party:

Name of related party	Relationship with the Group	Nature of transaction	Half-year ended 30 June	
			2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Fudan University	Owner of a substantial shareholder of the Company	Provision of technical support to the Company	29	-
		Provision of testing services to related party	1,297	-
Shanghai Fukong Hualong Micro-system Technology Co., Ltd. ("Fukong Hualong")	An enterprise controlled by a substantial shareholder of the Company	Sales of finished goods to related party	734	765
		Written-back of technical services charges paid to related party	(1,259)	-
Shanghai Fudan Communication Company Limited	An enterprise controlled by a substantial shareholder of the Company	Sales of goods to related party	<u><u>3,223</u></u>	<u><u>-</u></u>

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

13. CASH AND BANK BALANCES

	Half-year ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cash and cash equivalents		
Including: Time deposits with original maturity of less than 3 months when acquired	111,720	63,861
Cash on hand and demand deposits	<u>189,142</u>	<u>182,599</u>
	300,862	246,460
Time deposits with original maturity of over 3 months when acquired	<u>130,165</u>	<u>223,923</u>
Cash and bank balances	<u><u>431,027</u></u>	<u><u>470,383</u></u>

14. COMPARATIVE FIGURES

Certain comparative figures has been reclassified to conform with current period's presentation.

15. EVENTS AFTER THE REPORTING PERIOD

After the end of the current reporting period, there is no event that has material impact to the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the half-year ended 30 June 2020 (2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the half-year ended 30 June 2020, the outbreak of novel coronavirus in the PRC and overseas has been causing different impacts to the operations and resumption of productions worldwide. The performance results of different product categories of the Group are as follows:

Security and Identification IC Chips

The sales of this category of products has dropped approximately by 14.2% when compared with the same period last year. The sales of the contactless logic security card chips and the financial IC cards which attributable to a higher portion of sales were decreased as a result of the underemployment of downstream customers and the decreasing demand of end users due to the epidemic. The profit margin increased as compared with same period last year thanks to the iteration of new products and preferential policies provided by suppliers.

Non-volatile Memory Chips

The sales had arisen by approximately 53.3% as compared with the same period last year, mainly because NOR flash series products had advantaged by a favorable economic climate since at the end of the previous year which promoted the continual growth of sales. In addition, the shortage of supply from overseas competitors resulted in the increasing market share of the Company.

Smart Meters

The sales had grown by approximately 4.7% as compared with the same period last year, which was mainly advantaged by the stable bidding success rate of the State Grid Corporation and the China Southern Power Grid Company Limited. The market share of the Smart Meter Specified MCU Chips remained stable while the actual supply rate increased which was higher than expected.

Smart Electrical Appliances

The sales declined by approximately 14.3% over that of the corresponding period of last year in the light of the epidemic in the PRC and overseas causing a decrease of sales volume of approximately 21.6%. This category of product attributed to less than 3% of sales which had relatively less impact.

Other Chips

The sales increased by approximately 50.4% when compared with the corresponding period of last year. Specified project products have particular properties in application fields, great investment, leading technology and higher profit margin as compared with other products. The increasing customer demand during the period caused a significant escalation in sales and gross profit margin.

IC Testing

The sales of testing service increased by approximately 33.0% when compared with the same period last year due to the additions of various testing platforms, boost of production capacity and expansion of application of high-end testing fields, causing an increase of testing demand.

FINANCIAL REVIEW

For the half-year ended 30 June 2020, the Group recorded a turnover of approximately RMB712,286,000 (2019: RMB639,151,000), an increase of approximately by 11.4% as compared to the same period last year. The consolidated gross profit margin of overall products was 45.8% (2019: 37.7%). The Company has recorded a turnaround from loss to profit of approximately RMB68,778,000 (2019: Loss of RMB 91,563,000). Profit attributable to owners of the parent amounted to approximately RMB 60,296,000 (2019: Loss of RMB 97,311,000). Basic earnings per share was approximately RMB 8.68 cents (2019: Loss of RMB 14.01 cents).

The other income for the year recorded an increase of approximately 29.9% when compared with the same period last year, mainly attributed to the increase of income in relation to R&D activities. Selling and administrative expenses were increased when compared with corresponding period in last year, mainly due to increases in number of employees and amount of salaries, causing a growth in employment expenses. Other expenses recorded a decrease over the same period last year by approximately 21.9% as the progress of R&D projects was lagged because of the epidemic, leading a decline in R&D cost and amortization recognised in profit and loss. In addition, no impairment loss of deferred development cost was recognised during the period (2019: RMB9,106,000).

The tax charge for the period of the Company increased by approximately 12.8% due to the increase of profits of the subsidiaries during the period.

As at 30 June 2020, the Group had net assets of approximately RMB2,022,094,000 (31 December 2019: RMB1,938,286,000), increased by approximately 4.3%. Non-current assets amounted to approximately RMB766,584,000 (31 December 2019: RMB740,442,000) and the growth was due to increase in intangible assets and the capital injection of Fukong Hualong which increased the share of net assets of investments in associates. Current assets amounted to approximately RMB1,763,481,000 (31 December 2019: RMB1,717,930,000), as inventories was increased to cope with sales for the coming half year; trade and bill receivables increased due to gain in sales; prepayments increased because of deposits paid for purchase of goods, and cash and bank deposits dropped because of business operation needs.

The Group's current liabilities as at 30 June 2020 amounted to approximately RMB430,841,000 (31 December 2019: RMB436,956,000). The decline was because deferred income decreased as certifications of projects were on a timely manner, however, payables was increased due to addition of purchase of goods. Non-current liabilities amounted to approximately RMB77,130,000 (31 December 2019: RMB83,130,000). The decrease was due to the decline in long-term lease liability and deferred income.

The Group's net assets value per share as at 30 June 2020 was approximately RMB2.91 (31 December 2019: RMB2.79), a rise of approximately 4.3%. The Group's current ratio of total current liabilities over total current assets was approximately 24.4% (31 December 2019: 25.4%) which demonstrated the capability of short-term loan repayment of the Group was desirable and the potential of realizing assets maintained healthy standard. And the gearing ratio was approximately 25.1% (31 December 2019: 26.8%) on the basis of total liabilities over net assets, indicating that the main source of funds of the Group were mainly come from shareholders, and therefore, the risk of credit provision to the Group was relatively low.

The Group manages its capital structure and makes adjustments to it in light of business development and changes in economic conditions. During the half-year ended 30 June 2020, the Group had a net inflow of cash and cash equivalents of approximately RMB32,465,000 (30 June 2019: net outflow RMB63,133,000), a substantial increase over the same period last year. The factor was the business performance recorded a turnaround during the year. The net cash and cash equivalents at the period end was approximately RMB300,862,000 (30 June 2019: RMB246,460,000), an increase of RMB54,402,000. As at 30 June 2020, the Group had no bank or other borrowings (31 December 2019: nil).

The Directors believe that the Group is not exposed to any material interest rate risk in view that the Group does not have any debt obligations that are subject to fluctuations in market interest rates. The Group has transactional currency exposures arise from sales or purchases by operating units in currencies other than 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 the foreign currencies. It is the Group's policy not to enter into forward contracts until a firm commitment is in place. During the reporting period, the fluctuations in foreign exchange have no material effect on the Group's operations and cash flows.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

During the period, the Group did not have material investments, acquisitions or disposals of subsidiaries.

During the period, the capital structure of the Company has no change and only comprises of ordinary shares. The Group relies on its internal resources and profits as a source of funding and keeps most of its cash in Renminbi in bank accounts as working capital.

As at 30 June 2020, the Group has capital commitments in respect of acquisition of property, plant, equipment amounted to RMB17,233,000 (31 December 2019: RMB29,360,000), did not have any material contingent liabilities (31 December 2019: nil) or has not pledged any of its assets to any third parties (31 December 2019: nil).

EMPLOYEE INFORMATION

As at 30 June 2020, the Group employed approximately 1,420 (2019: 1,238) staff and the total staff costs reflected in the unaudited condensed consolidated statement of profit and loss amounted to RMB190,433,000 (30 June 2019: RMB139,958,000). The increase in staff costs were mainly due to increase in staff of the R&D department for future business development and the increment of staff remuneration to catch up salary level with the industry.

PROSPECTS

The foreign sales of the Group will be affected to a certain measure due to the continual international trading conflicts and the spread of novel coronavirus overseas. As the outbreak situation in the PRC seemed to have stabilized, different industries gradually resumed work and production which would promote positive impacts to domestic sales of the Group. For the second half of 2020, the Group will expand the market development in the domestic and foreign market, commit to remain innovation-oriented, further enhance the talents deployment and continual R&D investment in order to maintain to be a technology leader in the domestic industry. The Group will also dedicate to maintain the market share of different products and increase profit level despite the worldwide economy recession and the keen market competitions. In August 2020, the State Council issued the “Several Policies for Expediting High Quality Growth of the Integrated Circuit Sector and Software Sector in a New Era” which will greatly facilitate the future operation development of the Group. The directors expect that the business performance will maintain stable for the second half of 2020.

DIRECTORS’ AND SUPERVISORS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2020, the interests or short positions of the directors and supervisors of the Company in the share capital and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register 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:

	<u>Number of issued shares held, capacity and nature of interest</u>				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		
Supervisor					
Ms. Zhang Yanfeng	-	277,800	-	277,800	0.04

Save as disclosed above, as at 30 June 2020, none of the directors and supervisors had registered an interest or short positions 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 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 period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

At 30 June 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 Fudan Fukong 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 ("SCP")	(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 (limited partnership) (“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 (limited partnership) (“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 (limited partnership) (“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 held 99.9% and 0.01% of the equity interest in Shanghai Danruo, 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 and 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 30 June 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.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the half-year ended 30 June 2020, none of the directors of the Company had an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the half-year ended 30 June 2020, save and except the code provision A.6.7 of the CG Code which requires that independent non-executive directors and other non-executive directors should also attend general meetings.

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the Listing Rules and Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. At the date of this announcement, the audit committee comprises three independent non-executive directors Mr. Guo Li, Mr. Cai Minyong and Mr. Wang Pin. The Group's unaudited financial statements for the half-year ended 30 June 2020 have been reviewed by the committee, who were of the opinion that such statements complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry to all directors, the directors have complied with such code of conduct and the required standard of dealings throughout the half-year ended 30 June 2020.

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

During the half-year ended 30 June 2020, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

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

Shanghai, PRC, 28 August 2020

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*