



**FUDAN  
MICRO**

**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)

**2021**

**INTERIM REPORT**

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# Principal Accounting Data and Key Financial Indicators

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 2021 together with the comparative figures for the corresponding period in 2020 as follows:

## PRINCIPAL ACCOUNTING DATA

	Half-year ended 30 June	
	2021	2020
	RMB	RMB
	(Unaudited)	(Unaudited)
		(Restated)
<b>Operating income</b>	<b>1,128,663,994.43</b>	723,273,949.38
Net profits attributable to the shareholders of the Company	<b>194,343,292.11</b>	60,512,426.43
Net profits attributable to the shareholders of the Company after non-recurring profit or loss	<b>161,728,608.20</b>	20,979,117.88
Net cash flows from operating activities	<b>235,732,498.87</b>	72,342,645.54
	As at	As at
	30 June 2021	31 December 2020
	RMB	RMB
	(Unaudited)	(Restated)
Net assets attributable to the shareholders of the Company	<b>2,125,004,526.35</b>	1,930,252,359.14
Total assets	<b>3,038,431,093.55</b>	2,678,603,017.23

# Principal Accounting Data and Key Financial Indicators

## KEY FINANCIAL INDICATORS

	Half-year ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Basic earnings per share (RMB/share)	<b>0.28</b>	0.09
Diluted earnings per share (RMB/share)	<b>N/A</b>	N/A
Basic earnings per share after non-recurring profit or loss (RMB/share)	<b>0.23</b>	0.03
Weighted average return on net asset (%)	<b>9.59</b>	3.33
Weighted average return on net asset after non-recurring profit or loss (%)	<b>7.98</b>	1.15
Percentage of research and development investment in operating income (%)	<b>28.91</b>	30.40

During the reporting period, the Group achieved a revenue of RMB1,128.66 million, representing an increase of approximately 56.05% over the same period in 2020, a net profit attributable to owners of the parent of RMB194.34 million, representing a significant increase of 221.16% over the same period in 2020, and a net profit attributable to owners of the parent after deducting non-recurring profit or loss amounted to RMB161.73 million, representing an increase of 670.90% over the same period in 2020. Net cash flows generated from operating activities amounted to RMB235.73 million, representing 225.86% over the corresponding period last year. The main reasons for the Group's sharp increase in operating profit are strong demand of the downstream application market, exploration of new customers and the launch of new products, these factors brought with significant growth in turnover as well as the comprehensive gross profit margin.

The Group's three kinds of operating expenses of selling and distribution costs, administrative expenses and R&D expenses increased when compared with the corresponding period, and the three operating expenses incurred amounted to RMB425.11 million, representing an increase of RMB114.92 million or increase of 37.05% over the same period last year. The main reasons are: (1) the expansion of the Company's business scale and increased market development during the reporting period, which led to an increase in related expenses; (2) the continuous increase in R&D investment during the reporting period, especially the increase in R&D of advanced process products, corresponding materials, processing fees, employee salaries and increase in amortization of intangible assets; and (3) the social insurance was reduced and exempted due to the pandemic in the first half of last year, resulted in a low base of employee compensation in last corresponding period.

## DIFFERENCES IN ACCOUNTING DATA UNDER DIFFERENT ACCOUNTING STANDARDS

In order to improve working efficiency, lower disclosure costs and audit costs, the board of directors of the Company (the "Board") resolved to change the overseas financial reporting disclosure standards of the Company from the Hong Kong Financial Reporting Standards to the China Accounting Standards for Business Enterprises on 16 August 2021. For details, please refer to the announcement of the Company dated 16 August 2021. The Company will disclose its financial report for the year ending 31 December 2021 in accordance with the China Accounting Standards for Business Enterprises and relevant regulations.

The following is the differences of the profit and equity in the financial report disclosed simultaneously in accordance with the Hong Kong Financial Reporting Standards and the China Accounting Standards for Business Enterprises:

# Principal Accounting Data and Key Financial Indicators

## Net Profits Attributable to the Shareholders of the Company

	Half-year ended 30 June	
	2021	2020
	RMB	RMB
	(Unaudited)	(Unaudited)
According to the China Accounting Standards for Business Enterprises	<b>194,343,292.11</b>	60,512,426.43
Items and amounts adjusted in accordance with the Hong Kong Accounting Standards:		
Gain or loss of minority interests	–	(390,579.00)
Investment income	–	134,525.46
Others	–	39,385.11
According to the Hong Kong Accounting Standards	N/A	60,295,758.00

## Net Assets Attributable to the Shareholders of the Company

	As at	As at
	30 June 2021	31 December 2020
	RMB	RMB
	(Unaudited)	
According to the China Accounting Standards for Business Enterprises	<b>2,125,004,526.35</b>	1,930,252,359.14
Others	–	1,640.86
According to the Hong Kong Accounting Standards (audited)	N/A	1,930,254,000.00

## Items and Amounts of Non-recurring Profit or Loss

	Half-year ended
	30 June 2021
	RMB
	(Unaudited)
Profit and loss from disposal of non-current asset	<b>177,025.39</b>
Government subsidies (other than those closely related to the Company's routine business, in line with national policies and regulation, continuously provided in accordance with certain standard quota or ration) incorporated into the current profit or loss	<b>36,551,616.53</b>
Non-operating income and expenses other than the above items	<b>(1,974.35)</b>
Other profit and loss items in line with the definition of non-recurring profits and losses	<b>767,764.59</b>
Affected amount of minority interest	<b>(3,601,289.75)</b>
Affected amount of income tax	<b>(1,278,458.50)</b>
Total	<b>32,614,683.91</b>

# Management Discussion and Analysis

## (I) INDUSTRY AND PRINCIPAL BUSINESS

### 1. Industry Development

The Company is mainly engaged in the design, development and testing of very large integrated circuits. According to the “Guidelines for the Industry Classification of Listed Companies” issued by the CSRC, the industry in which the Company operates is “C Manufacturing Industry – C39 Computer, Communication and Other Electronic Equipment Manufacturing Industry”.

According to the information issued by the China Semiconductor Industry Association, in 2020, the sales of integrated circuit industry in China reached RMB884.8 billion, representing a year-on-year increase of 17.0% compared to 2019. Among them, the sales of integrated circuit design industry amounted to RMB377.84 billion, representing a year-on-year increase of 23.3%; the sales of the manufacturing industry amounted to RMB256.0 billion, representing a year-on-year increase of 19.1%; the sales of the packaging and testing industry amounted to RMB250.95 billion, representing a year-on-year increase of 6.8%;

For the sales scale of integrated circuit design enterprises in China, according to the statistics of the China Semiconductor Industry Association IC Design Branch, there were 1,780 integrated circuit design enterprises nationwide in 2019. Among them, 238 enterprises are expected to record sales of more than RMB100 million in 2019, accounting for 13.37% of the total number of domestic design enterprises. At present, the number of large-scale integrated circuit design enterprises with sales scale of more than RMB100 million is relatively small, and the domestic market is still dominated by small and micro design companies. Due to the large number of industry participants, the competition in the integrated circuit design industry in China is fierce. In the future, the design enterprises in China will focus on becoming bigger and stronger.

### 2. Analysis of Principal Business, Products and Industry Position

The Company is a professional company engaged in the design, development and testing of very large integrated circuits as well as provision of system solutions to customers. The Company has established and improved product lines such as security and identification IC chips, non-volatile memory chips, smart meter ASIC chips, FPGA chips and testing services for IC products, and the products are widely used in numerous fields such as finance, social security, urban public transportation, electronic certificates, mobile payment, anti-counterfeiting traceability, smart phones, security monitoring, industrial control, signal processing and smart computing. The main products of the Company include security and identification IC chips, non-volatile memory chips, smart meter ASIC chips, FPGA chips and testing services for IC products. The details of each product are as follows:

# Management Discussion and Analysis

## (I) INDUSTRY AND PRINCIPAL BUSINESS *(Continued)*

### 2. Analysis of Principal Business, Products and Industry Position *(Continued)*

#### a) *Security and identification IC chips*

The RFID and memory card chip product line of the Company has formed a series of chips such as logic encryption card chips, NFC tag chips, security encryption tag chips, dual interface tags and channel chips and temperature sensor RFID chips. The Company is one of the integrated circuit design companies with more complete RFID chip products and larger shipments in China. The Company's RFID and memory card chip products are widely used in community access control, personnel certificates, member management, new retail, smart manufacturing, anti-counterfeiting traceability, cold chain monitoring, asset management, mobile payment and many other fields. The end users who use the products of the Company include China UnionPay, Hanshow, SES-imagotag, Alibaba, JD.com, Focus Media and other well-known companies at home and abroad.

The Company's smart cards and security chips are widely used in many fields such as social security, finance, transportation, residents' health, citizen cards, campus cards, and gas cards.

The contactless reader chips of smart identification device chip product line of the Company are widely used in financial POS, on-board unit (OBU), smart door lock, charging pile, campus card, as well as water meter, gas meter, electric meter and heat meter. The end users who use the products of the Company include Newland, Liandi, Pax, Xinguodu, 3M, Xiaomi, China Southern Power Grid and other well-known companies at home and abroad.

#### b) *Non-volatile memory chips*

The Company has both the design and mass production capabilities of EEPROM, NOR Flash and SLC NAND Flash products. The storage product capacity covers 1Kbit-4Gbit, and the product capacity and subdivided product series continue to increase. In addition to standard non-volatile storage products, the Company has developed voice coil motor driver and EEPROM two-in-one chips and contact and NFC dual-interface NVM products for industrial applications such as mobile phone camera modules and NFC modules to meet customer needs. Relying on the advantages of complete product lines and strong customized service capabilities, the well-known end customers accumulated by the Company in various fields are as follows:

<b>Application fields</b>	<b>Well-known end customers</b>
Mobile phone camera module	LG, VIVO, OPPO, Lenovo
Smart meter	Solarfun, Samsung, Xu Ji, Hexing, Clou
Communication	VTech, T&W Electronics
Home appliances	Midea, Hisense, Konka, Skyworth, AUX
Display and LCD panel	LG, Lenovo, Dell, Phillips
Computer memory bar	Ramaxel, ADATA, Tigo, Team Group
Bluetooth module	Bluemi, GoerTek
Automotive electronics	CATL, Huayang, Ecard

# Management Discussion and Analysis

## (I) INDUSTRY AND PRINCIPAL BUSINESS *(Continued)*

### 2. Analysis of Principal Business, Products and Industry Position *(Continued)*

#### *c) Smart meter ASIC chips*

The Company's smart meter chip products mainly include: smart meter MCU and general low-power MCU, etc. The products are widely used in numerous fields such as smart meters, smart water meters, gas meters and heat meters, smart homes and the Internet of Things.

The Company's smart meter MCU ranks first in terms of the market share of single-phase smart meter MCU in the State Grid, covering most of the domestic meter manufacturers, including Jiangsu Linyang, Wasion Group, Hangzhou Hexing, Ningbo Samsung, Dongfang Wisdom, Zhejiang Chint, Henan Xu Ji, Hangzhou Sunrise, Shenzhen Clou, Hangzhou Huali, etc.

#### *d) FPGA chips*

The Company is in a leading position in the field of domestic FPGA chip design, and is the first domestic manufacturer to launch the hundred-million gate FPGA products.

The Company has been conducting FPGA research and development since 2004, and has successively launched the multi-million gate and ten-million gate FPGA chips. In the second quarter of 2018, the Company took the lead in launching hundred-million gate FPGA products with 28nm process. The SerDes transmission rate reached a maximum of 13.1Gbps, and it will be officially sold in 2019.

#### *e) Testing services for IC products*

The Company currently has established a high-level purification test environment and real-time online production monitoring system, with a 12-inch advanced process IC testing production line and a MEMS testing platform, and has equipped cumulatively more than 200 units (sets) testing technology research and development and analysis systems.

### 3. Business Model

The Company adopts the typical Fabless business model of the integrated circuit design industry, which focuses on the integrated circuit design business, and entrusts wafer manufacturing, packaging and testing to wafer manufacturing companies as well as packaging and testing companies to complete the OEM.



# Management Discussion and Analysis

## (II) CORE TECHNOLOGY AND RESEARCH AND DEVELOPMENT PROGRESS

### 1. Core Technology and its Leading Edges and Changes during the Reporting Period

#### a) *Security and identification IC chips*

After years of continuous R&D and technology accumulation, the Company's security and identification product line has formed relatively obvious technical and R&D advantages in the two key technical fields of radio frequency and security.

Based on the mastered advanced RF chip design technology, the security and identification product line has launched RF chip products covering multiple frequency bands such as 13.56Mhz, 900Mhz and 2.4Ghz. These chip products have outstanding radio-frequency performance, especially can adapt to the domestic complex application environment, and have unique advantages in radio-frequency compatibility, providing differentiated competitive advantages for RFID and memory card chips, smart cards and security chips and smart identification device chips. The Company recently launched the dual-frequency temperature measurement RFID chip that supports high frequency and ultrahigh frequency, dual-interface CPU card chip that supports VHBR (Very-High-Bit-Rates, VHBR) and contactless reader chips that supports EMV3.0 standard firstly in the market, all of which are the results of advanced RF technology research.

Chip security technology is also a key technology that runs through the three product directions of security and identification. With years of research on security chips, the Company has launched a variety of security chips in the direction of smart cards and security chips that have passed detections of CC EAL5+/EMV, National Secret Level 2 and UnionPay security chips. Also, the Company has also launched a number of chip products that support SM7 and other featherweight security algorithms in the field of RFID and reader chips. The product lines will also introduce more different series of security chips and related security solutions in the future.

In addition to the advantages of key chip technology, the product line also has an experienced software and system team, which can integrate the full range of various complementary and synergistic chip products within the product line into a complete solution, so as to provide customers with one-stop service.

# Management Discussion and Analysis

## (II) CORE TECHNOLOGY AND RESEARCH AND DEVELOPMENT PROGRESS

(Continued)

### 1. Core Technology and its Leading Edges and Changes during the Reporting Period

(Continued)

#### b) *Non-volatile memory chips*

Through continuous independent innovation and technological research and development, the Company has achieved the smallest 1.0 $\mu$ m<sup>2</sup> cell product in the industry on the 0.13 $\mu$ m (currently the smallest process node achievable for EEPROM devices in the industry) EEPROM process platform and its mass production; realized the mass production of wide-voltage NOR Flash products of 128Mb~8Mb series on the ETOX NOR Flash 55nm platform, and continued to invest in the ETOX NOR Flash 50/40nm process platform and product development; based on the stable mass production of SLC NAND Flash 40nm process node, the Company has started the design and development of 2Xnm process node products. The Company applied a series of technologies in non-dynamic memory direction to products, such as low-voltage and wide-voltage erasing and reading circuit design, high stability and high voltage charge pump design, error correction algorithm (ECC), design to improve the reliability of memory cell erasing and writing and data preservation, wide temperature range and high reliability design, so that all the parameters and reliability indicators of the products meet the international common standards. Meanwhile, the Company has launched temperature-expanded industrial-standard products for the high-temperature application market, and the working temperature can support 105°C and 125°C, which has passed market verification in batches; as a long-term and stable supplier of high reliable products with wide temperature range, the high and low temperature performance and reliability of the Company's products have been fully verified.

#### c) *Smart meter ASIC chips*

The Company currently focuses on the smart meter MCU products, which integrate embedded FLASH memory with a maximum capacity of 512KB that can expand external FLASH through XIP to achieve higher capacity, RAM with a maximum capacity of 80KB, 32-bit CPU with core frequency up to 64Mhz, as well as various peripheral communication interfaces such as ADC, temperature sensor, RTC, power management, LCD segment code LCD driver, maximum 8 independent UART, 5 SPI and I2C. The largest package form of the product is LQFP100. While maintaining RTC time and RAM data, the lowest standby power consumption is only round 1 $\mu$ A. The product has built-in real random number generator, AES encryption operation unit, ECC/ RSA public key cryptographic algorithm acceleration engine and HASH hardware accelerator to support FLASH data protection, which fully meets the application requirements of the General Technical Specifications for Single-Phase Smart Energy Meters (2020 Edition) (《單相智慧電能表(2020版)通用技術規範》) and the General Technical Specifications for Three-Phase Smart Energy Meters (2020 Edition) (《三相智慧電能表(2020版)通用技術規範》). Compared with competitors in the industry, the Company's products have larger storage capacity, higher main frequency, significantly reduced standby power consumption and significantly smaller chip area than competitors, reflecting the leading chip design capabilities of the Company.

# Management Discussion and Analysis

## (II) CORE TECHNOLOGY AND RESEARCH AND DEVELOPMENT PROGRESS

(Continued)

### 1. Core Technology and its Leading Edges and Changes during the Reporting Period

(Continued)

#### d) FPGA chips

The Company's FPGA chips focus on SRAM FPGAs, and there are three main product types: ten-million gate FPGA chips, hundred-million gate FPGA chips and embedded programmable device PSoC. In terms of ten-million gate FPGA chips, the Company released ten-million gate FPGA products using 65nm process technology in 2016, and the products include logic units with a capacity of approximately 50k.

In terms of hundred-million gate FPGA chips, the Company released hundred-million gate FPGA products using 28nm process technology in 2018. The products include logic units with a capacity of approximately 700k, and the SerDes module supports up to 13.1Gbps.

In terms of embedded Programmable System on Chip (PSoC) products, the Qinglong series of Fudan Microelectronics is undergoing sample testing, which is the first embedded programmable PSoC product launched to the market in China. The product adopts 28nm process technology with large-capacity own eFPGA module embedded, and is equipped with APU and multiple AI acceleration engines, which can be widely used in high-speed communication, signal processing, image processing, industrial control and other application fields

### 2. Results of research and development

During the reporting period, the Company applied for 23 invention patents, obtained 14 invention patents, 5 utility model patents and 7 software copyright certification, applied for 11 integrated circuit layout designs and obtained 6 integrated circuit layout design registration certificates. As of the end of the reporting period, the Company had 192 domestic and foreign invention patents (including 4 U.S. patents), 12 utility model patents, 3 design patents, 166 integrated circuit layout design registration certificates, and 220 computer software copyrights. The Company is applying for 225 invention patents, and the Company established a complete independent intellectual property system.

List of intellectual property rights obtained during the reporting period

	Increase during the period		Accumulative number	
	Number of applications	Number of rights obtained	Number of applications	Number of rights obtained
Invention patent	23	14	225	192
Utility patent	–	5	–	12
Design patent	–	–	–	3
Software copyright	–	7	–	220
Others	11	6	5	166
Total	34	32	230	596

# Management Discussion and Analysis

## (II) CORE TECHNOLOGY AND RESEARCH AND DEVELOPMENT PROGRESS

(Continued)

### 3. Analysis of R&D expenses

	Half-year ended 30 June		RMB'0,000
	2021	2020	Change (%)
Expensed R&D expenses	<b>27,116.74</b>	18,665.81	45.27
Capitalized R&D expenses	<b>5,511.17</b>	3,321.80	65.91
Total R&D expenses	<b>32,627.91</b>	21,987.61	48.39
Total R&D expenses as a percentage of revenue (%)	<b>28.91</b>	30.40	(4.61)
Capitalized Percentage of R&D expenses	<b>16.89</b>	15.67	7.47

During the reporting period, the Company constantly increases its investment in research and development, especially the investment in research and development of products with advanced manufacturing process, corresponding materials, processing expenses, employee salaries and amortization of intangible assets have been increasing. Meanwhile, the bases of employee salaries last year were relatively lower resulting from reduction or waiver of social security expenses due to the pandemic.

### 4. R&D projects

No.	Name of project	Expected total investment size	Investment amount for the period	Total investment amount	Progress or milestone achievements	Proposed objects	Technology level	RMB'0,000
								Specific application prospects
1	Smart card and security chips	24,159.54	3,127.60	17,085.79	For small capacity security authentication chips which support international and state secret algorithms, marketing and pilot production have been commenced which support international and state secret algorithms and SWP communication interface, engineering sample test has been completed and prepared for marketing and mass production.	To develop a series of security control and security authentication chips with high security and low power consumption, covering different storage capacities, security algorithms and communication interfaces, which are used for security master control and security authentication applications of IoT equipment.	Domestic advancement level.	IoT equipment.

# Management Discussion and Analysis

## (II) CORE TECHNOLOGY AND RESEARCH AND DEVELOPMENT PROGRESS

(Continued)

### 4. R&D projects (Continued)

No.	Name of project	Expected total investment size	Investment amount for the period	Total investment amount	Progress or milestone achievements	Proposed objects	Technology level	Specific application prospects
2	RFID and storage card chips	8,794.47	1,339.91	6,792.99	The security tag chips with PUF and algorithm encryption function and with featherweight algorithm encryption function have been under mass production and application; and the low-cost security tag chips with built-in featherweight algorithm for off-line forgery detection are under development. The dual frequency three-interface tag chips integrating high-precision temperature sensor have been under mass production and application. The upgrade of NFC high frequency dual interface access chips was completed and commenced mass promotion. UHF tag chips and reader chips are under development.	To develop security NFC tag chips for the application fields with authentication requirements such as anti-counterfeiting and traceability based on the security identification, sensing, connection and other requirements at the bottom of the IoT; to develop RFID tag chips integrating temperature sensor for the application fields of identification, temperature measurement and recording; to develop UHF and HF dual interface access chips with safety algorithm to add a safe air interface for MCU in the equipment so as to meet its contactless and long-distance connection requirements; to develop UHF tag chips and reader chips in line with international and domestic communication agreements to provide integrated chip solutions for UHF RFID applications.	The main products are at the international advanced level.	Identity identification, electronic shelf, NFC mobile phone standard tag, logistics management, anti-counterfeiting traceability, vehicle management, etc.
3	Smart identification IC equipment chips	10,852.58	1,461.79	8,939.73	The R&D and marketing of high-performance financial POS application chips for high-frequency 13.56MHz contactless reader and writer were completed and entered the stage of large-scale mass production. The tag chip with RF amplification has been developed and entered the stage of certification in small batches. The capacitive touch control key chips have been developed and have been applied in batches in the market.	To mainly complete the development of chips for sensing, identification and connection in IoT related applications: including 13.56MHz contactless reader chips, forming a complete solution for contactless application with the Company's RFID chips; tag chips with RF amplification provides solutions for application scenarios with poor RF performance due to poor surrounding RF; to develop of capacitive touch control key chips to provide solutions for touch control requirements in related products.	The high-performance contactless reader chips and tag chips with RF amplification applicable to financial POS are at the international advanced level; and capacitive touch control chips are at the leading level in China.	Door lock, access control, contactless card reader, OBU, financial POS, subway gate, public bicycle system, etc.

# Management Discussion and Analysis

## (II) CORE TECHNOLOGY AND RESEARCH AND DEVELOPMENT PROGRESS

(Continued)

### 4. R&D projects (Continued)

No.	Name of project	Expected total investment size	Investment amount for the period	Total investment amount	Progress or milestone achievements	Proposed objects	Technology level	Specific application prospects
4	EEPROM	2,721.70	1,085.84	2,056.68	The design of a new generation wide voltage (ultra-low voltage) EEPROM memory design platform was completed, and the first platform-based product is under R&D.	To further optimize the existing design platform, develop a new generation of I2C serial interface EEPROM memory series with wide working voltage range, achieve the goal of smaller area than products with the same capacity in the industry, and applicable to various low-voltage and low-power application fields.	Domestic leadership level.	Mobile phone module, smart meter, communication, home appliances, display, LCD panel, automotive electronics, computer memory strip, medical instruments, industrial control instruments, Bluetooth module, password lock, etc.
5	NOR Flash	22,223.12	2,131.91	17,392.64	In terms of SPI NOR Flash with wide working voltage range, several products are under R&D with some products completed the verification in small batches and enter the small batch production stage; The design of NOR Flash of large capacity and wide temperature sequence interface is under R&D.	To develop multi capacity SPI NOR Flash with wide working voltage range and compatible functions for general mainstream products in the market; to develop SPI serial/parallel interface multi capacity NOR Flash series products to expand the temperature range and can be used with FPGA products.	Domestic advanced products, and some indicators have reached the domestic leading level.	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, chip sealing, industrial control instruments, Bluetooth module, high reliability, etc.
6	SLC NAND Flash	8,391.33	1,689.80	5,615.37	The design of a new generation of wide voltage SPI SLC NAND Flash products is coming to an end. The products of temperature range widen SPI serial/ONFI NAND Flash series have been completed test and verification, and entered the stage of small batch production.	SPI SLC NAND Flash products with wide working voltage range, optimize the cost, expand the working voltage range and apply them to various application fields including the IoT, such as PON, security, toys, etc.; large capacity SPI serial/ONFI SLC NAND Flash series to expand the temperature range and can be used with FPGA products	Domestic advanced level, and some products with broaden temperature range have reached the domestic leading level.	Network communication, security monitoring, on-board box, automotive electronics, medical instruments, etc.

# Management Discussion and Analysis

## (II) CORE TECHNOLOGY AND RESEARCH AND DEVELOPMENT PROGRESS

(Continued)

### 4. R&D projects (Continued)

No.	Name of project	Expected total investment size	Investment amount for the period	Total investment amount	Progress or milestone achievements	Proposed objects	Technology level	Specific application prospects
7	Smart Meter chips	16,285.93	3,198.71	11,086.05	The main control MCU of a new generation of 32-bit high-capacity and low-power smart meter based on embedded flash technology has entered the stage of mass production. The ultra-low power 32-bit mixed signal MCU applicable to smart water and gas meter and IoT has entered the stage of mass production. The new generation of high-performance master MCU is in the research and development stage	To develop ultra-low power MCU with rich peripheral functions to provide customers with more cost-effective and competitive products.	Domestic leadership level.	Smart electricity meter, smart water meter/heat meter/gas meter, IoT related meters and communication modules, smoke alarm and sensor modules, smart home, display panel control, etc.
8	FPGA chips	64,847.09	10,206.31	37,860.34	FPGA chips with new scale and performance are under development. Some products have reached the engineering sample stage, and the supporting software has been significantly improved	Based on the existing product line and the needs of FPGA chips in different application fields, to enrich product types, develop FPGA series chips with different sizes and performance, and further improve their supporting development software, so as to expand the application field and market of FPGA chips	Domestic leadership	Applicable to 5G communication, artificial intelligence, data center, high reliability and other high-performance, large bandwidth and large-scale applications
9	Embedded programmable design PSoC chips	45,698.79	5,344.06	29,710.74	Under the product test and small batch production stage. Also, in order to continuously optimize product performance and improve product quality, further carry out a series of design, R&D and optimization	As for the acceleration requirements of artificial intelligence, data signal processing and other computing, a series of embedded programmable P S o C c h i p s a r e developed with the fusion architecture of CPU + FPGA + AI to meet the market requirements of rapid deployment, dynamic reconstruction and convenient upgrading of low-cost and energy-efficient intelligent accelerated computing applications	International leadership	Applicable to video, industrial control, security, AI, high reliability and other applications

# Management Discussion and Analysis

## (II) CORE TECHNOLOGY AND RESEARCH AND DEVELOPMENT PROGRESS

(Continued)

### 4. R&D projects (Continued)

No.	Name of project	Expected total investment size	Investment amount for the period	Total investment amount	Progress or milestone achievements	Proposed objects	Technology level	Specific application prospects
10	Smart electrical chips	4,216.95	653.02	2,986.85	The design and verification and Tapeout procedure of A-type residual current protection chips with self-inspection function were completed; Type B residual current protection chips and module are in the sample verification stage; fault arc detection chips and modules have been shipped in small quantities; the research and development of a new generation of fault arc detection chips was commence.	To develop new AC-type, A-type and B-type residual current protection chips and modules with self-inspection function in the low-voltage electrical appliance industry, to develop fault arc detection chips and modules with higher sensitivity and higher anti-interference ability, and high-precision, low-power, low delay smart sensing chips and smart master chips related to low-voltage electrical appliances in the industrial IoT, etc.	Domestic advancement	Applicable to leakage protector
11	R&D and technology upgrade of integrated circuit test service	9,175.60	2,388.97	4,220.44	Completed the research and development of key technologies for chip testing, and further upgraded the relevant testing technologies for chip production and manufacturing.	To improve the test business capability and technical level for high-end chip products	Domestic leadership	Testing services for chips in 5G communication, artificial intelligence, IoT and other fields
Total		217,367.10	32,627.92	143,747.62				



# Management Discussion and Analysis

## (II) CORE TECHNOLOGY AND RESEARCH AND DEVELOPMENT PROGRESS

(Continued)

### 5. R&D Staff

RMB'0,000

#### Basic information

	Half-year ended 30 June	
	2021	2020
Number of R&D Staff of the Company	856	775
Number of R&D staff as a percentage of the total workforce of the Company (%)	55.84	58.76
<b>Total compensation of R&amp;D staff</b>	<b>20,768.12</b>	15,403.53
<b>Average compensation of R&amp;D staff</b>	<b>24.26</b>	19.88

#### Education level

Education level	Number of persons	Percentage (%)
Doctorate	18	2.10
Master	431	50.35
Bachelor	337	39.37
Junior college and below	70	8.18
<b>Total</b>	856	100.00

#### Age structure

Age group	Number of persons	Percentage (%)
Aged above 50	24	2.80
Aged 40-49	147	17.17
Aged 30-39	345	40.30
Aged 20-29	340	39.73
<b>Total</b>	856	100.00

# Management Discussion and Analysis

## (III) ANALYSIS ON THE CORE COMPETITIVENESS

As a light-asset enterprise under Fabless mode, the Company builds its core competitiveness centering on the design and R&D business of integrated circuits. In order to ensure the Company's continuous innovation ability, the Company continues to invest in product research and development, talent team construction, quality and services, domestic and foreign markets and consolidating the supply chain, to strengthen the Company's operation base and build a moat for corporate development.

### 1. Multi-level product research and development system and profound technology accumulation have formed a rich product line

Since its establishment, the Company has continued to focus on integrated circuit design and R&D. With more than 20 years of development, the Company has accumulated rich industry experience and technology. The Company has strong technical and R&D advantages in the fields of safety and identification chips, nonvolatile memory chips, smart meter chips, FPGA chips and integrated circuit test services. The products of the Company are widely used in various fields such as finance, social security, urban public transport, electronic licenses, mobile payment, anti-counterfeiting and traceability, smart phones, security monitoring, industrial control, signal processing, intelligent computing.

### 2. Perfect talent training mechanism and incentive mechanism have formed a R&D team with profound professional background

Integrated circuit design is a technology intensive industry. The Company attaches great importance to the construction of talent echelon. At present, a diversified and multi-level R&D talent echelon has been formed, with digital circuit, analog circuit design talents and system design talents. By the end of the reporting period, the Company had 856 R&D personnel, accounting for 55.84% of the total number of employees. Besides, the Company attaches great importance to the incentive of R&D talents. The Company grants incentives to R&D personnel through the employees' shareholding platform, so as to combine the personal interests of employees with the long-term interests of the Company's development; R&D personnel are encouraged to conduct forward-looking exploration and research. By formulating reasonable appraisal indicators, the Company stimulates the R&D personnel's innovation vitality and research enthusiasm, which effectively guarantees the competitiveness of the Company.

### 3. Perfect quality control system

The Company attaches great importance to the quality control of products from R&D to delivery, and has established a perfect quality control system. The Company has passed ISO9001 quality control system certification and participated in the formulation of a number of national and industrial standards. After years of market verification, the Company's products have been recognized by numerous well-known manufacturers at home and abroad, and the market share of many products ranks in the forefront of the industry.

### 4. Business expansion mode with both localization and internationalization

While continuing to promote the rapid development of domestic business, the Company takes initiative to participate in international market with the development goal of building a platform with international competitiveness. The Company was successfully listed in Hong Kong in 2000, with international information disclosure channels and rich experience in communication with international investors. In addition, the Company has also set up subsidiaries and branches in the United States, Singapore, Hong Kong, Taiwan and other countries and regions to strengthen the linkage with international industry giants, in-depth understand the development trends of cutting-edge technologies in the industry, and cultivate and enhance the Company's international market influence and brand awareness.

# Management Discussion and Analysis

## (III) ANALYSIS ON THE CORE COMPETITIVENESS *(Continued)*

### 5. Deep supply chain collaboration model

The outsourcing suppliers selected by the Company are mainly global well-known companies and domestic leading listed companies with advanced process standards and sufficient capacity reserves, mainly including GLOBAL FOUNDRIES, the wafer foundry, Shanghai Huahong (Group) Co., Ltd., SMIC, and JCET and Huatian Technology, the packaging and testing factories, etc. As a large-scale integrated circuit design enterprise, the Company has diversified products and a wide range of application fields, and has strong ability to resist periodic fluctuations, which can continuously and stably generate the needs of tape-out, packaging and testing, effectively guarantee the operation efficiency and benefits of upstream and downstream enterprises, and improve the Company's position in the industrial chain.

## (IV) MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATION

In the first half of 2021, in view of the turnaround of domestic economic situation, the rebound of the industry and the increasing demand for downstream application market, the Group continued to increase investment in product R&D and promoted the optimization of product structure with technological innovation, so as to respond to the technical needs of IoT, financial payment, industry and consumer electronics, high reliable and other application fields in the new era and support the stable growth of the Company's business performance.

In the first half of 2021, the Group achieved an operating revenue of approximately RMB1,128.66 million, representing an increase of approximately 56.05% over the same period in 2020, and a net profit attributable to shareholders of the parent of RMB194.34 million, representing an increase of approximately 221.16% over the same period in 2020. A net profit attributable to owners of the parent after deducting non-recurring profit or loss amounted to RMB161.73 million, representing an increase of 670.90% over the corresponding period last year. The operation of various product lines of the Group in the first half of 2021 is reported as follows:

For security and Identification IC Chips, the sales of this category of products increased by 44.20% compared to the same period last year. In the first half of 2021, customer demand has fully recovered. During the reporting period, sales and gross profit have achieved large increases. Among them, non-contact CPU card chips and high-frequency logic encryption chips have increased significantly. In addition to maintaining market share in pure finance, third-generation social security, public transportation and campus card, the security and identification series products have actively expanded new application areas and made breakthroughs in many areas such as libraries, smart dishes, and anti-counterfeiting traceability.

For Non-volatile Memory Chips, the sales of this category of products increased by 65.37% compared to the same period last year. In the first half of 2021, the three product lines of SLC NAND FLASH, NOR FLASH and EEPROM were in strong market demand with increasing prices, and the gross profit margin increased accordingly.

For smart meter chip, the sales of this category of products increased by 14.47% compared to the same period last year. As a result of price increases and sales growth of non-electric meter MCUs, sales recorded a growth. The Group's first-standard single-phase meter accounted for more than 60% of the State Grid and is the leading enterprise in the industry, many users in overseas markets have large applications in batches and more products will be introduced continuously.

# Management Discussion and Analysis

## (IV) MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATION *(Continued)*

For FPGA and other chips, the sales of this category of products increased by 132.72% compared to the same period last year, mainly because the current technology of billion-gate FPGA chip has matured to meet the expectations of end customers, and the demand has increased significantly. Because this product requires a large R&D investment, high process and technical requirements, it has a higher gross profit margin than other products.

For IC testing services, sales of this category of products increased by 56.20% compared to the same period last year. With the rapid development of the domestic IC industry, the demand for independent third-party chip testing has been promoted. The Company continued to optimize technology and services, strengthened market development in key industries, and further improved its market position in the high-end integrated circuit testing business, achieved steady growth in sales and profitability.

On 4 August 2021, the Company completed its listing on the Science and Technology Innovation Board of the Shanghai Stock Exchange with issuance of 120 million RMB ordinary shares to the public at a price of RMB6.23 per share, with a net raised funds of RMB680.28 million. After the issuance, the Company's net assets will grow. In the early stage when the raised funds are in place, the Company's return on net assets will decline to a certain extent in the short term due to the inability to show the benefits of investment items, however, the Company's capital structure has been further optimized and its development momentum has been further strengthened. The Company will take the opportunity of the implementation of the projects invested by the raised funds to accelerate the pace of optimizing the product structure, continue to consolidate its position in the existing market, increase penetration into the core market, and strengthen the Company's brand promotion capabilities and market development ability and after-sales service capabilities to enhance the Company's core competitiveness.

## (V) RISK FACTORS

### 1. Risk analysis of macro-environmental factors

#### *a) Industry chain risks brought about by the uncertainty of the international trade environment*

In recent years, the uncertainty of the international trade environment has increased, and some countries have adopted trade protection measures, and the development of some industries in China has been affected to a certain extent. The integrated circuit industry is characterized by a typical global division of labor and cooperation. Although the Company has maintained a good cooperative relationship with relevant suppliers for a long time, however, if there are major unfavorable changes in the international trade environment in the future, such as escalating trade frictions, shortages in the supply of foundry, IP technology authorization, high-end testing equipment and other products, sharp increases in prices, import restrictions, the procurement of the Company will be affected accordingly, which will cause the Company's normal production and operation activities to be adversely affected.

# Management Discussion and Analysis

## (V) RISK FACTORS *(Continued)*

### 1. Risk analysis of macro-environmental factors *(Continued)*

#### b) *The impact of the COVID-19 on the industrial chain has not completely subsided*

If COVID-19 rebounds in China or continues to break out in other countries in the world, and it cannot be effectively controlled, it may have a serious impact on the global semiconductor industry chain, resulting in a shortage of supply capacity of the upstream wafer foundries, packaging and testing plants, and weakening of downstream customer demand, which may have a direct impact on the supply, sales, and payment collection of the Company.

### 2. Risk analysis of industry factors

#### a) *Operational risks brought by latecomer disadvantages and scale disadvantages*

Although the Company has been in the field of integrated circuits for more than 20 years, it still has certain latecomer disadvantages and scale disadvantages compared with international giants such as NXP (恩智浦), STMicroelectronics (意法半導體), Winbond Electronics (華邦電子), Macronix (旺宏電子), Xilinx (賽靈思). The above-mentioned international giants developed earlier, have a strong technical accumulation and talent reserve, and have occupied a large number of market shares. In contrast, the launch of some new products of the Company often needs a long process, which objectively has a certain negative impact on the speed of business development.

#### b) *Risks of intensified industry competition*

With the increase in the number of companies in the same industry and the expansion of business scale, market competition will become increasingly fierce, and the supply-demand relationship of the industry may change, leading to the risk of a decline in the overall profit rate of the industry. Besides, in case of the technological progress, labor and raw material prices, and the decline in the Company's product bargaining power in the future, and the Company cannot take effective measures to consolidate and enhance product competitiveness, the average sales price and comprehensive gross profit rate of the Company's main products will also face the risk of continued decline, which will cause the Company to be at a disadvantage in the fierce market competition and reduce its sustained profitability.

### 3. Risk analysis of technological development

#### a) *New product research and development and technical repetitive computing risks*

The integrated circuit design industry in which the Company operated in is a typical technology-intensive industry. Technology upgrades and product iterations at a high speed, while chip products have higher technical barriers and obvious advantages of first-mover. If the Company makes mistakes in its judgment of market demand or slow development progress in the follow-up R&D process, it will face the risk of being grabbed for market share by competitors. In addition, the R&D of high-end chips has the characteristics of long development cycle, large capital investment, and high R&D risk. During the research and development process, there is a risk that certain key technologies cannot be broken through or product performance, parameters, and yield rates cannot meet market needs, leading to R&D failure and falling behind the new generation of technology.

# Management Discussion and Analysis

## (V) RISK FACTORS *(Continued)*

### 3. Risk analysis of technological development *(Continued)*

#### *b) Risks of attracting talents and maintaining innovative capabilities*

At present, the domestic chip design industry is developing rapidly, and the competition among enterprises for R&D talents is very fierce. If the Company cannot formulate a good talent incentive policy, or human resource management cannot meet the needs of rapid development, it will face the risk of core talent loss, and it may also fall into a situation where it is difficult to attract talents to join, resulting in the Company's failure to maintain continuous innovation ability.

### 4. Risk analysis in our own operation

#### *a) Risks caused by fluctuations in the production capacity, sales price and gross profit margin of each product line*

The Company's main income comes from Security and Identification IC Chips, non-volatile memory, Smart meter chips and others. Product sales are closely related to industry development, market competition, and customer needs. Affected by factors such as intensified industry competition, rapid technological repetition, and changes in product structure, product prices and gross profit margin fluctuations have an impact on the Company's profitability. The Company's FPGA production capacity needs to be coordinated with wafer foundries and packaging and testing plants. If timely and sufficient supply is not available, it may face the risk of insufficient production capacity.

#### *b) Risks of high supplier concentration and raw material price fluctuations*

Wafer manufacturing, packaging and testing are both capital and technology-intensive industries, and their industry concentration is relatively high. Accordingly, the concentration of Company suppliers is also relatively high. If the wafer market price and the price of outsourcing processing fees rise sharply, or the Company's product production is affected due to wafer supply shortages, insufficient supplier capacity, poor production management standards, etc., it will adversely affect the Company's profitability and product shipments.

#### *c) Reliance on government subsidies and continuing risks*

The Company's integrated circuit design and integrated circuit testing related businesses are encouraged and supported by national industrial policies. The Company has strong scientific research capabilities and obtained more subsidies for scientific research projects during the reporting period, which can make up for the company's R&D investment to a certain extent. If the government's support policies for related industries and technology research and development directions change, the sustainability of the company's receipt of government subsidies will be affected, and it may have an adverse impact on the company's current operating results.

For other risk factors that may be faced in the operations of the Company, investors can refer to the "Section 4 Risk Factors" of the "Intention Letter of Initial Public Offering and Listing on the Science and Technology Innovation Board" disclosed by the Company on 15 July 2021.

# Management Discussion and Analysis

## (VI) MAIN BUSINESS SITUATION

### Main business analysis

#### 1. Analysis of Changes in Financial Statements Related Subjects

Item	Half-year ended 30 June		RMB
	2021	2020	Change (%)
Operating income	<b>1,128,663,994.43</b>	723,273,949.38	56.05%
Operating costs	<b>505,351,672.93</b>	385,723,752.04	31.01%
Sales expense	<b>71,929,138.58</b>	45,416,903.91	58.38%
R&D expenses	<b>306,010,449.01</b>	215,482,154.35	42.01%
Financial expenses	<b>59,476.11</b>	(2,572,632.22)	N/A
Other gains	<b>43,497,630.51</b>	51,300,368.02	(15.21%)
Investment loss	<b>(2,500,004.75)</b>	(1,167,272.99)	114.17%
Asset impairment loss	<b>(15,358,562.81)</b>	(1,903,339.91)	706.93%
Income tax expense	<b>6,290,738.75</b>	3,672,688.44	71.28%
Net cash flow from operating activities	<b>235,732,498.87</b>	72,342,645.54	225.86%
Net cash flows from investing activities	<b>(348,473,034.71)</b>	(39,933,747.53)	772.63%
Net cash flow from financing activities	<b>42,477,890.77</b>	(15,638.15)	N/A

Reasons for changes in operating income: mainly due to the substantial increase in operating income during the reporting period caused by the strong demand in the downstream application market, and the Company's continuous investment in research and development, and the launch of new products.

Reasons for changes in operating costs: mainly due to the increase in operating income during the reporting period which led to the increase in operating costs.

Reasons for changes in selling and distribution expenses: mainly due to the expansion of the Company's business scale and increased market development during the reporting period, which led to an increase in related expenses; besides, in the first half of last year, some social insurance premiums were waived due to the pandemic, and sales staff reduced their outing work, resulted in a lower cost base in the previous period.

Reasons for changes in R&D expenses: mainly due to the continuous increase in R&D investment during the reporting period, especially the increase in R&D of advanced process products, corresponding materials, processing fees, and employee salaries; increase in amortization of intangible assets; besides, social insurance was reduced and exempted due to the pandemic in the first half of last year, resulted in a low base of employee compensation.

Reasons for changes in financial expenses: mainly due to the increase in exchange losses and decrease in interest income during the reporting period.

Reasons for changes in other income: mainly due to the decrease in revenue from government subsidies for proprietary projects recognized during the reporting period.

# Management Discussion and Analysis

## (VI) MAIN BUSINESS SITUATION (Continued)

### Main business analysis (Continued)

#### 1. Analysis of Changes in Financial Statements Related Subjects (Continued)

Reasons for changes in investment income: mainly due to the increase in losses of associates during the reporting period.

Reasons for changes in asset impairment losses: mainly due to the increase in intangible asset impairment losses and inventory depreciation losses during the reporting period.

Reasons for changes in income tax expenses: mainly due to the increase in income tax expenses due to the increase in total profits during the reporting period.

Reasons for changes in net cash flow from operating activities: mainly due to the substantial increase in cash received from the company's sales of goods during the reporting period, which led to an increase in cash flow received.

Reasons for changes in net cash flow from investment activities: mainly due to the expansion of the Company's business scale during the reporting period, and the substantial increase in cash paid for the purchase and construction of fixed assets, construction in progress, and intangible assets etc., leading to an increase in payment-related cash flow.

Reasons for changes in net cash flow from financing activities: mainly due to the increase in the Company's demand for working capital during the reporting period and the acquisition of bank borrowings, which led to an increase in related cash flows.

#### 2. Assets and liabilities

##### Status of assets and liabilities

Item	Balance as at the end of the Reporting Period	Reporting Period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total asset (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of the corresponding period of last year (%)	Explanation	RMB
Monetary funds	395,112,863.82	13	440,699,680.21	16.45	(10.34)	Mainly due to the increase in production and operation investment during the reporting period, which resulted in a decrease in working capital.	
Accounts receivable	490,723,348.31	16.15	439,477,415.11	16.41	11.66	Mainly due to the increase in sales during the reporting period, which resulted in an increase in accounts receivable.	



# Management Discussion and Analysis

## (VI) MAIN BUSINESS SITUATION (Continued)

### Main business analysis (Continued)

#### 2. Assets and liabilities (Continued)

##### Status of assets and liabilities (Continued)

Item	Balance as at the end of the Reporting Period	Balance as at the end of the Reporting Period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total asset (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Inventory	745,988,025.87	24.55	610,597,557.24	22.8	22.17	Mainly due to the tight upstream supply chain during the reporting period, which caused the Company to increase inventory, which led to an increase in inventory.
Other current assets	5,672,475.00	0.19	3,153,289.62	0.12	79.89	Mainly due to the increase in purchases during the reporting period, which led to an increase in input tax to be deducted.
Construction in progress	220,065,552.32	7.24	49,269,882.49	1.84	346.65	Mainly due to the Company's purchase of office buildings and machinery and equipment during the reporting period, which led to an increase in construction in progress.
Right-of-use asset	54,216,557.21	1.78	47,676,306.58	1.78	13.72	Mainly due to the expansion of the business scale during the reporting period and the increase in office space leases, which led to an increase in the right to use assets.
Intangible assets	133,256,552.82	4.39	117,162,424.24	4.37	13.74	Mainly due to the increase in software usage rights purchased during the reporting period and the transfer of proprietary technology after project completion, which led to an increase in intangible assets.
Long-term prepaid expenses	34,370,045.51	1.13	29,039,916.72	1.08	18.35	Mainly due to the completion of the renovation project during the reporting period, which led to an increase in long-term deferred expenses.
Other non-current assets	2,971,764.00	0.1	6,284,030.00	0.23	(52.71)	Mainly due to the decrease in prepayments for equipment during the reporting period, which led to a decrease in other non-current assets.
Short-term loan	49,937,669.72	1.64	-	-	N/A	Mainly due to the expansion of the business scale during the reporting period, the increase in working capital requirements, and new short-term borrowings.

# Management Discussion and Analysis

## (VI) MAIN BUSINESS SITUATION (Continued)

### Main business analysis (Continued)

#### 2. Assets and liabilities (Continued)

##### Status of assets and liabilities (Continued)

Item	Balance as at the end of the Reporting Period	Balance as at the end of the Reporting Period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total asset (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Contract liabilities	141,687,773.72	4.66	25,704,513.56	0.96	451.22	Mainly due to the increase in orders from the downstream application market during the reporting period, which led to an increase in contract liabilities.
Taxes payable	14,833,771.28	0.49	18,431,196.66	0.69	(19.52)	Mainly due to the increase in VAT input tax during the reporting period, which led to a decrease in VAT payable.
Non-current liabilities due within one year	13,081,378.99	0.43	9,999,817.43	0.37	30.82	Mainly due to the increase in office space leases during the reporting period, resulting in an increase in non-current liabilities due within one year.
Lease liability	44,982,370.81	1.48	40,681,893.47	1.52	10.57	Mainly due to the expansion of the business scale during the reporting period and the increase in office space leasing.
Deferred income	28,754,057.76	0.95	44,086,888.09	1.65	(34.78)	Mainly due to that the government subsidies for some proprietary projects during the reporting period were recognized as other income, which led to a decrease in deferred income.

### Outlook and prospects

In the first half of 2021, the domestic economic situation has improved, the industry prosperity has rebounded, and demand in downstream application market has recovered. The Group continued to increase investment in product research and development, and promoted product structure optimization through technological innovation, so as to adapt to the technical needs of the Internet of Things, financial payment, industry, consumer electronics and other application fields in the new era., and to support the Company's steady growth in operating performance. On 4 August 2021, the Company completed its listing on the Science and Technology Innovation Board of the Shanghai Stock Exchange, and publicly issued 120 million RMB ordinary shares to the public, and raised a net proceed of RMB680.28 million, which further optimized the Company's capital structure and increased development funds. In the second half of the year, the Company will accelerate the pace of optimizing product structure, continue to consolidate its position in the existing market, increase penetration into the core market, strengthen brand promotion capabilities, market development capabilities and after-sales service capabilities, and enhance the our core competitiveness. The Board expects that the business of the Group will continue to develop steadily in the second half of the year.

# Management Discussion and Analysis

## (VI) MAIN BUSINESS SITUATION *(Continued)*

### **Others Information**

#### *Subsequent events after the reporting period*

##### *Completion of issuance of A shares*

The Company has completed the issuance of A shares which was listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange on 4 August 2021. The Company's initial public offering of 120,000,000 ordinary shares of A shares was issued at a price of RMB6.23 per share, and the total amount of funds raised was RMB747.60 million and a net proceed of RMB680.28 million after deducting relevant expenses.

##### *Proposal to change overseas auditor*

Due to the changes in accounting standards, the Board resolved on 16 August 2021 to propose to change the Company's overseas auditor from Ernst & Young to Ernst & Young Hua Ming LLP, subject to the approval by shareholders at the general meeting.

##### *Proposal for change of use of proceeds*

The board of the Company resolved in the board meeting held on 27 August 2021 to propose for change of use of proceed amounted to RMB24,000,000 raised from issuance of A shares for permanent replenishment of working capital. The proposal will be subject to shareholders' approval at the general meeting.

# Consolidated Balance Sheet (Unaudited)

30 June 2021

Item	Note	RMB	
		30 June 2021 (unaudited)	31 December 2020 (restated)
<b>Current assets:</b>			
Cash	25	395,112,863.82	440,699,680.21
Bill receivables	26	322,420,683.16	296,716,865.58
Trade receivables	27	490,723,348.31	439,477,415.11
Prepayments	28	68,180,087.24	64,097,974.58
Other receivables	29	12,118,329.93	11,752,036.80
Inventories	30	745,988,025.87	610,597,557.24
Other current assets	31	5,672,475.00	3,153,289.62
Total current assets		2,040,215,813.33	1,866,494,819.14
<b>Non-current assets:</b>			
Long-term investments	32	67,795,719.31	70,295,724.52
Investment in other equity instruments	33	30,798,898.14	30,863,697.93
Fixed assets	34	338,099,114.44	347,588,297.16
Construction in progress	35	220,065,552.32	49,269,882.49
Right-of-use assets	36	54,216,557.21	47,676,306.58
Intangible assets	37	133,256,552.82	117,162,424.24
Development expenses	38	107,700,698.29	104,875,536.15
Long-term deferred expenses	39	34,370,045.51	29,039,916.72
Deferred income tax assets	40	8,940,378.18	9,052,382.30
Other non-current assets	41	2,971,764.00	6,284,030.00
Total non-current assets		998,215,280.22	812,108,198.09
Total assets		3,038,431,093.55	2,678,603,017.23
<b>Current liabilities:</b>			
Short-term borrowings	42	49,937,669.72	–
Trade payables	43	160,449,705.72	159,595,143.92
Contract liabilities	44	141,687,773.72	25,704,513.56
Employee remuneration payables	45	112,993,257.47	114,420,274.19
Tax and levy payables	46	14,833,771.28	18,431,196.66
Other payables	47	45,242,516.18	49,819,848.75
Non-current liabilities due within one year	48	13,081,378.99	9,999,817.43
Other current liabilities	49	98,664,723.58	100,160,988.54
Total current liabilities		636,890,796.66	478,131,783.05

# Consolidated Balance Sheet (Unaudited)

30 June 2021

Item	Note	RMB	
		30 June 2021 (unaudited)	31 December 2020 (restated)
<b>Non-current liabilities:</b>			
Lease liabilities	50	44,982,370.81	40,681,893.47
Deferred income	51	28,754,057.76	44,086,888.09
Deferred income tax liabilities	40	3,651,178.69	3,651,182.41
Total non-current liabilities		77,387,607.26	88,419,963.97
Total liabilities		714,278,403.92	566,551,747.02
<b>Owners' equity (or shareholders' equity):</b>			
Paid-in capital (or share capital)	52	69,450,200.00	69,450,200.00
Capital reserve	53	577,513,282.28	576,858,667.16
Other comprehensive income	54	9,091,038.95	9,336,778.97
Surplus reserve	55	35,478,142.63	35,478,142.63
Undistributed profit	56	1,433,471,862.49	1,239,128,570.38
Total owners' equity attributable to Parent Company (or shareholders' equity)		2,125,004,526.35	1,930,252,359.14
Minority interest		199,148,163.28	181,798,911.07
Total owners' equity (or shareholders' equity)		2,324,152,689.63	2,112,051,270.21
Total liabilities and owners' equity (or shareholders' equity)		3,038,431,093.55	2,678,603,017.23

# Balance Sheet of the Parent Company (Unaudited)

30 June 2021

Item	Note	RMB	
		30 June 2021 (unaudited)	31 December 2020 (restated)
<b>Current assets:</b>			
Cash		163,301,718.76	181,937,338.37
Bill receivables		292,009,467.43	248,205,927.63
Trade receivables	81.1	468,819,624.92	448,495,816.99
Prepayments		66,256,162.71	63,617,208.14
Other receivables	81.2	9,488,524.19	8,948,048.14
Inventories		748,107,489.59	610,052,123.67
Other current assets		5,598,772.61	1,927,985.38
Total current assets		1,753,581,760.21	1,563,184,448.32
<b>Non-current assets:</b>			
Long-term receivables	81.3	103,248,918.75	105,748,923.50
Investment in other equity instruments		24,338,819.01	24,338,819.01
Fixed assets		252,448,224.29	239,295,172.66
Construction in progress		129,508,304.47	8,788,972.01
Right-of-use assets		20,107,769.08	17,619,682.25
Intangible assets		133,256,552.82	117,162,424.24
Development expenses		107,700,698.29	104,875,536.15
Long-term deferred expenses		11,513,479.94	12,203,719.37
Other non-current assets		2,971,764.00	6,284,030.00
Total non-current assets		785,094,530.65	636,317,279.19
Total assets		2,538,676,290.86	2,199,501,727.51
<b>Current liabilities:</b>			
Short-term borrowings		49,937,669.72	–
Trade payables		164,745,381.44	162,960,222.16
Contract liabilities		137,497,908.78	22,108,959.16
Employee remuneration payables		105,516,356.22	103,945,615.41
Tax and levy payables		9,863,850.10	12,269,671.87
Other payables		43,100,912.84	32,629,623.89
Non-current liabilities due within one year		6,095,911.35	4,347,535.49
Other current liabilities		65,925,956.69	70,255,888.54
Total current liabilities		582,683,947.14	408,517,516.52

# Balance Sheet of the Parent Company (Unaudited)

30 June 2021

Item	Note	RMB	
		30 June 2021 (unaudited)	31 December 2020 (restated)
<b>Non-current liabilities:</b>			
Lease liabilities		14,535,514.76	13,629,796.31
Deferred income		9,626,978.22	18,779,972.99
Deferred income tax liabilities		3,650,822.85	3,650,822.85
Total non-current liabilities		27,813,315.83	36,060,592.15
Total liabilities		610,497,262.97	444,578,108.67
<b>Owners' equity (or shareholders' equity):</b>			
Paid-in capital (or share capital)		69,450,200.00	69,450,200.00
Capital reserve		566,598,676.97	565,944,061.85
Other comprehensive income		12,188,894.76	12,188,894.76
Surplus reserve		35,478,142.63	35,478,142.63
Undistributed profit		1,244,463,113.53	1,071,862,319.60
Total owners' equity (or shareholders' equity)		1,928,179,027.89	1,754,923,618.84
Total liabilities and owners' equity (or shareholders' equity)		2,538,676,290.86	2,199,501,727.51

# Consolidated Income Statement (Unaudited)

For the period from 1 January 2021 to 30 June 2021

Item	Note	RMB	
		Half-year ended 30 June 2021 (unaudited)	2020 (unaudited)
<b>Total operating income</b>	57	<b>1,128,663,994.43</b>	723,273,949.38
Including: Operating income		<b>1,128,663,994.43</b>	723,273,949.38
Total operating costs		<b>934,452,973.79</b>	697,332,607.44
Including: Operating costs		<b>505,351,672.93</b>	385,723,752.04
Business taxes and surcharges	58	<b>3,933,875.18</b>	3,994,154.22
Distribution costs	59	<b>71,929,138.58</b>	45,416,903.91
Administrative expenses	60	<b>47,168,361.98</b>	49,288,275.14
Research and development expenses	61	<b>306,010,449.01</b>	215,482,154.35
Finance costs	62	<b>59,476.11</b>	(2,572,632.22)
Including: Interest expenses		<b>266,336.21</b>	15,638.15
Interest income		<b>3,057,453.39</b>	3,631,202.98
Add: Other income	63	<b>43,497,630.51</b>	51,300,368.02
Investment income	64	<b>(2,500,004.75)</b>	(1,167,272.99)
Including: Investment income from associates and joint venture		<b>(2,500,004.75)</b>	(1,167,272.99)
Impairment loss on credit	65	<b>(2,041,851.76)</b>	(1,914,805.04)
Impairment loss on assets	66	<b>(15,358,562.81)</b>	(1,903,339.91)
Gain on disposal of assets	67	<b>177,025.39</b>	19,900.17
<b>Operating profits</b>		<b>217,985,257.22</b>	72,276,192.19
Less: Non-operating expenses	68	<b>1,974.35</b>	–
<b>Total profits</b>		<b>217,983,282.87</b>	72,276,192.19
Less: Income tax expenses	69	<b>6,290,738.75</b>	3,672,688.44
<b>Net profits</b>		<b>211,692,544.12</b>	68,603,503.75



# Consolidated Income Statement (Unaudited)

For the period from 1 January 2021 to 30 June 2021

Item	Note	RMB	
		Half-year ended 30 June 2021 (unaudited)	2020 (unaudited)
Net profits attributable to shareholders of the Parent Company		194,343,292.11	60,512,426.43
Gain or loss of minority interests		17,349,252.01	8,091,077.32
<b>Net other comprehensive income after tax</b>		<b>(245,740.02)</b>	<b>(1,194,810.91)</b>
Net other comprehensive income after tax attributable to owners of the Parent Company		(245,740.02)	(1,194,810.91)
Other comprehensive income that may not be reclassified to profit or loss		–	(1,605,978.20)
Other comprehensive income that will be reclassified to profit or loss		(245,740.02)	411,167.29
Exchange differences arising from translation of foreign currency denominated financial statements		(245,740.02)	411,167.29
<b>Total comprehensive income</b>		<b>211,446,804.10</b>	<b>67,408,692.84</b>
Total comprehensive income attributable to owners of the parent company		194,097,552.09	59,317,615.52
Total comprehensive income attributable to minority interests		17,349,252.01	8,091,077.32
<b>Earnings per share:</b>			
Basic earnings per share (RMB/share)		0.28	0.09
Diluted earnings per share (RMB/share)		N/A	N/A

# Income Statement of the Parent Company (Unaudited)

For the period from 1 January 2021 to 30 June 2021

Item	Note	RMB	
		Half-year ended 30 June 2021 (unaudited)	2020 (unaudited)
<b>Operating income</b>	81.4	<b>1,010,969,423.49</b>	650,737,544.94
Less: Operating costs	81.4	<b>467,589,672.31</b>	351,160,833.40
Business taxes and surcharges		<b>3,820,898.07</b>	3,959,477.02
Distribution costs		<b>67,552,356.06</b>	42,420,584.17
Administrative expenses		<b>32,295,177.60</b>	34,309,737.37
Research and development expenses		<b>282,631,480.49</b>	203,995,660.21
Finance costs		<b>634,189.27</b>	(2,045,607.33)
Including: Interest expenses		<b>266,336.21</b>	15,638.15
Interest income		<b>1,432,420.35</b>	2,143,774.23
Add: Other income		<b>34,962,499.22</b>	40,330,381.57
Investment loss		<b>(2,500,004.75)</b>	(1,167,272.99)
Including: Investment loss from associates and joint venture	81.4	<b>(2,500,004.75)</b>	(1,167,272.99)
Impairment loss on credit		<b>(1,125,812.81)</b>	(1,289,451.69)
Impairment loss on assets		<b>(15,358,562.81)</b>	(1,903,339.91)
Gain on disposal of assets		<b>177,025.39</b>	19,900.17
<b>Operating profits</b>		<b>172,600,793.93</b>	52,927,077.25
<b>Total profits</b>		<b>172,600,793.93</b>	52,927,077.25
<b>Net profits</b>		<b>172,600,793.93</b>	52,927,077.25
Net other comprehensive income after tax		–	(1,605,978.20)
Other comprehensive income that may not be reclassified to profit or loss		–	(1,605,978.20)
Changes in fair value of investments in other equity instruments		–	(1,605,978.20)
<b>Total comprehensive income</b>		<b>172,600,793.93</b>	51,321,099.05

# Consolidated Cash Flows Statement (Unaudited)

For the period from 1 January 2021 to 30 June 2021

Item	Note	RMB	
		Half-year ended 30 June 2021 (unaudited)	2020 (unaudited)
<b>Cash flow generated from operating activities:</b>			
Cash received from sale of goods and rendering of services		1,291,822,753.85	779,454,059.91
Refund of taxes and levies received		6,178,249.39	5,507,883.60
Other cash received relating to operating activities	71	22,646,213.51	36,315,762.89
Sub-total of cash inflow from operating activities		1,320,647,216.75	821,277,706.40
Cash paid for purchase of goods and services received		637,192,051.86	416,646,895.60
Cash paid to and on behalf of employees		314,508,276.13	241,099,263.07
Payments of all types of taxes and levies		42,392,808.12	24,304,539.82
Other cash paid relating to operating activities	71	90,821,581.77	66,884,362.37
Sub-total of cash outflow from operating activities		1,084,914,717.88	748,935,060.86
Net cash flow generated from operating activities		235,732,498.87	72,342,645.54
<b>Net cash flow generated from operating activities</b>			
Net cash flow generated from operating activities		–	67,189,145.54
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets		223,361.29	55,327.35
Other cash received relating to investment activities	71	2,352,004.37	2,674,574.69
Sub-total of cash inflow from investment activities		2,575,365.66	69,919,047.58
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		325,143,816.57	109,852,795.11
Cash paid for investments		25,904,583.80	–
Sub-total of cash outflow from investment activities		351,048,400.37	109,852,795.11
Net cash flow generated from investment activities		(348,473,034.71)	(39,933,747.53)

# Consolidated Cash Flows Statement (Unaudited)

For the period from 1 January 2021 to 30 June 2021

Item	Note	RMB	
		Half-year ended 30 June 2021 (unaudited)	2020 (unaudited)
<b>Cash flow generated from financing activities:</b>			
Cash received from loans obtained		49,937,669.72	–
Sub-total of cash inflow from financing activities		49,937,669.72	–
Cash paid for distribution of dividends, profit or interest expenses		266,336.21	15,638.15
Other cash paid relating to financing activities	71	7,193,442.74	–
Sub-total of cash outflow from financing activities		7,459,778.95	15,638.15
Net cash flow generated from financing activities		42,477,890.77	(15,638.15)
Effect of changes in foreign exchange rate on cash and cash equivalents		(1,228,755.12)	411,167.29
Net increase in cash and cash equivalents		(71,491,400.19)	32,804,427.15
Add: Balance of cash and cash equivalents at the beginning of the period		279,369,367.09	268,055,358.23
Balance of cash and cash equivalents at the end of the period		207,877,966.90	300,859,785.38

# Cash Flows Statement of the Parent Company (Unaudited)

For the period from 1 January 2021 to 30 June 2021

Item	RMB	
	Half-year ended 30 June 2021 (unaudited)	2020 (unaudited)
<b>Cash flow generated from operating activities:</b>		
Cash received from sale of goods and rendering of services	1,178,651,981.88	716,258,181.88
Refund of tax and levies received	6,178,249.39	5,507,883.60
Other cash received relating to operating activities	20,153,404.03	27,449,089.34
Sub-total of cash inflow from operating activities	1,204,983,635.30	749,215,154.82
Cash paid for purchase of goods and services received	636,774,479.19	421,717,852.25
Cash paid to and on behalf of employees	272,437,753.12	196,327,655.93
Payments of all types of taxes and levies	34,103,202.17	21,822,096.08
Other cash paid relating to operating activities	53,577,008.16	54,920,772.61
Sub-total of cash outflow from operating activities	996,892,442.64	694,788,376.87
Net cash flow generated from operating activities	208,091,192.66	54,426,777.95
<b>Cash flow generated from investment activities:</b>		
Cash received from recovery of investments	–	67,450,445.08
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets	223,361.29	35,427.18
Other cash received relating to investment activities	859,780.82	1,477,025.86
Sub-total of cash inflow from investment activities	1,083,142.11	68,962,898.12
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets	273,164,747.25	57,783,331.99
Cash paid for investments	1,624,676.03	–
Sub-total of cash outflow from investment activities	274,789,423.28	57,783,331.99
Net cash flow generated from investment activities	(273,706,281.17)	11,179,566.13

# Cash Flows Statement of the Parent Company (Unaudited)

For the period from 1 January 2021 to 30 June 2021

Item	RMB	
	Half-year ended 30 June 2021 (unaudited)	2020 (unaudited)
<b>Cash flow generated from financing activities:</b>		
Cash received from loans obtained	49,937,669.72	–
Sub-total of cash inflow from financing activities	49,937,669.72	–
Cash paid for distribution of dividends, profit or interest expenses	266,336.21	15,638.15
Other cash paid relating to financing activities	3,198,627.05	–
Sub-total of cash outflow from financing activities	3,464,963.26	15,638.15
Net cash flow generated from financing activities	46,472,706.46	(15,638.15)
Effect of changes in foreign exchange rate on cash and cash equivalents	(1,117,913.59)	–
Net increase in cash and cash equivalents	(20,260,295.64)	65,590,705.93
Add: Balance of cash and cash equivalents at the beginning of the period	141,551,283.58	150,056,773.28
Balance of cash and cash equivalents at the end of the period	121,290,987.94	215,647,479.21

# Consolidated Statement of Changes in Owners' Equity (Unaudited)

From 1 January 2021 to 30 June 2021

RMB

Item	Half-year of 2021								
	Owners' equity attributable to the Parent Company							Minority interest	Total owners' equity
	Paid-in capital (or share capital)	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profit	Subtotal			
At 31 December 2020 and at 1 January 2021	69,450,200.00	576,858,667.16	9,336,778.97	35,478,142.63	1,239,128,570.38	1,930,252,359.14	181,798,911.07	2,112,051,270.21	
Increase/decrease in the current period	-	654,615.12	(245,740.02)	-	194,343,292.11	194,752,167.21	17,349,252.21	212,101,419.42	
Total comprehensive income	-	-	(245,740.02)	-	194,343,292.11	194,097,552.09	17,349,252.21	211,446,804.30	
Capital contribution and reduction by owners	-	654,615.12	-	-	-	654,615.12	-	654,615.12	
Amount of share-based payment included in owners' equity	-	654,615.12	-	-	-	654,615.12	-	654,615.12	
At 30 June 2021	69,450,200.00	577,513,282.28	9,091,038.95	35,478,142.63	1,433,471,862.49	2,125,004,526.35	199,148,163.28	2,324,152,689.63	

For the period from 1 January 2020 to 30 June 2020

RMB

Item	Half-year of 2020								
	Owners' equity attributable to the Parent Company							Minority interest	Total owners' equity
	Paid-in capital (or share capital)	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed Profit Others	Subtotal			
At 31 December 2019 and at 1 January 2020	69,450,200.00	561,815,220.40	11,719,225.68	35,478,142.63	1,106,260,647.27	1,784,723,435.98	154,384,804.16	1,939,108,240.14	
Increase/decrease in the current period	-	14,388,831.64	(1,194,810.91)	-	60,512,426.43	73,706,447.16	8,091,077.32	81,797,524.48	
Total comprehensive income	-	-	(1,194,810.91)	-	60,512,426.43	59,317,615.52	8,091,077.32	67,408,692.84	
Capital contribution and reduction by owners	-	14,388,831.64	-	-	-	14,388,831.64	-	14,388,831.64	
Amount of share-based payment included in owners' equity	-	654,615.12	-	-	-	654,615.12	-	654,615.12	
Others	-	13,734,216.52	-	-	-	13,734,216.52	-	13,734,216.52	
At 30 June 2020	69,450,200.00	576,204,052.04	10,524,414.77	35,478,142.63	1,166,773,073.70	1,858,429,883.14	162,475,881.48	2,020,905,764.62	

# Statement of Changes in Owners' Equity of the Parent Company (Unaudited)

For the period from 1 January 2021 to 30 June 2021

RMB

Item	Paid-in capital (or share capital)	Capital reserve	Half-year of 2021			Total owners' equity
			Other comprehensive income	Surplus reserve	Undistributed profit	
At 31 December 2020 and at 1 January 2021	69,450,200.00	565,944,061.85	12,188,894.76	35,478,142.63	1,071,862,319.60	1,754,923,618.84
Increase/decrease in the current period	-	654,615.12	-	-	172,600,793.93	173,255,409.05
Total comprehensive income	-	-	-	-	172,600,793.93	172,600,793.93
Capital contribution and reduction by owners	-	654,615.12	-	-	-	654,615.12
Amount of share-based payment included in owners' equity	-	654,615.12	-	-	-	654,615.12
At 30 June 2021	69,450,200.00	566,598,676.97	12,188,894.76	35,478,142.63	1,244,463,113.53	1,928,179,027.89

For the period from 1 January 2020 to 30 June 2020

RMB

Item	Paid-in capital (or share capital)	Capital reserve	Half-year of 2020			Subtotal
			Other comprehensive income	Surplus reserve	Undistributed Profit Others	
At 31 December 2019 and at 1 January 2020	69,450,200.00	550,900,615.09	12,789,308.08	35,478,142.63	971,619,309.16	1,640,237,574.96
Increase/decrease in the current period	-	14,388,831.64	(1,605,978.20)	-	52,927,077.25	65,709,930.69
Total comprehensive income	-	-	(1,605,978.20)	-	52,927,077.25	51,321,099.05
Capital contribution and reduction by owners	-	14,388,831.64	-	-	-	14,388,831.64
Amount of share-based payment included in owners' equity	-	654,615.12	-	-	-	654,615.12
Others	-	13,734,216.52	-	-	-	13,734,216.52
At 30 June 2020	69,450,200.00	565,289,446.73	11,183,329.88	35,478,142.63	1,024,546,386.41	1,705,947,505.65



# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (1) BASIC INFORMATION ON THE COMPANY

### Company overview

Shanghai Fudan Microelectronics Group Company Limited (hereinafter referred to as the “Company”, formerly known as Shanghai Fudan Microelectronics Company Limited), upon approval of the Shanghai Municipal People’s Government on 4 June 1998 (Hu Fu Ti Gai Shen [1998] No. 050), was established by way of promotion. The promoters include Shanghai Commercial and Invest (Group) Corporation, Shanghai Fudan High Tech Company, Shanghai Pacific Commercial Trust Company Limited, Shanghai Gaozhan Business Consultancy Company Limited, Ningbo Lirong Co., Ltd., the Staff Shareholding Association of Shanghai Fudan Microelectronics Company Limited, and natural persons Jiang Guoxing and Shi Lei. The Company was registered with the Shanghai Administration for Industry and Commerce on 10 July 1998, and obtained the business license with the number of 3100001005424. Its registered capital was RMB10,000,000.00.

On 4 August 2000, the Company was listed on the GEM of The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Stock Exchange”). H shares issued by the Company commenced trading on the Main Board of the Stock Exchange commenced on 8 January 2014.

The unified social credit code of the business license currently held by the Company is 91310000631137409B and its registered capital is RMB69,450,200.00, comprising 694,502,000 shares of RMB0.1 each in aggregate.

The Company operates in the integrated circuit (“IC”) industry. Its main business activities are the design, development and sales of IC products. The service provided is mainly to conduct testing services for IC products.

### Scope of consolidated financial statements

The Company included 5 subsidiaries, namely Sino IC Technology Co., Ltd., Shanghai Fudan Microelectronics (Hong Kong) Limited, Shenzhen Fudan Microelectronics Company Limited, Beijing Fudan Microelectronics Technology Co., Ltd. and Fudan Microelectronics (USA) Inc., in the scope of consolidated financial statements during the reporting period.

## (2) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### Basis of preparation

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

### Going concern

There is no event or circumstance of the Company which casts material doubts to the going concern abilities for the 12 months from the end of the reporting period.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (3) PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company are in accordance with the requirements of the Accounting Standards for Business Enterprises (the “ASBE”), and gives a true and complete view on information including the financial position, the operating results, changes in shareholders’ equity and cash flows of the Company.

### Accounting period

An accounting year runs with the Gregorian calendar which lasts from 1 January to 31 December.

### Functional currency

The functional currency of the Company is Renminbi.

### Accounting treatment for business combinations under and not under common control

#### 1. *Accounting treatment for business combinations under common control*

Assets and liabilities obtained by the Company in business combinations are measured at the carrying amounts attributable to the combined party as recorded in the consolidated financial statement of the ultimate controlling party at the date of the combination. The difference between the carrying amount of owners’ equity attributable to the combined party as recorded in the consolidated financial statements of the ultimate controlling party and the carrying amount of the consideration paid for the combination or the aggregate nominal values of the shares issued is adjusted against the capital reserve of the Company. If the capital reserve is insufficient to offset the difference, any excess is adjusted against retained earnings.

#### 2. *Accounting treatment for business combinations not under common control*

The excess of the cost of combination over the fair value of the attributable net identifiable assets of the acquiree acquired in the combination at the combination date is recognized as goodwill. Where the cost of combination is less than the fair value of the attributable net identifiable assets of the acquiree, the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities of the acquiree acquired and of the cost of combination shall be reassess first. If the cost of combination is still less than the fair value of the acquiree’s identifiable net assets acquired in the combination upon reassessment, the difference is included in profit or loss for the current period.

### Preparation basis of the consolidated financial statements

The Company includes all subsidiaries under its control in the consolidation scope of the consolidated financial statements, which are prepared by the Company pursuant to ASBE No. 33 — Consolidated financial statements based on the financial statements of the Company and its subsidiaries and other relevant information.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (3) PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### **Classification of joint venture arrangements and accounting methods for joint operations**

1. The joint venture arrangement is divided into joint operation and joint venture.
2. The Company recognises the following items related to the share of interest in the joint operation when it is a joint venture party in joint operation:
  - (a) recognition of assets held separately and recognition of assets held jointly by their shares;
  - (b) recognition of liabilities assumed separately and recognition of liabilities jointly assumed by their share;
  - (c) recognition of the proceeds from the sale of the share of the common operating output that the it enjoys;
  - (d) recognition of the income generated by the joint operation as a result of the sale of the output based on its share;
  - (e) recognition of the expenses incurred separately and recognition of the expenses incurred in the joint operation according to their shares.

### **Criteria for determining cash and cash equivalents**

Cash and cash equivalents refer to the cash held by the enterprise with a short maturity (usually due within three months from the date of purchase), strong liquidity, easy conversion to a known amount, and the investment with a small risk of change in value.

### **Foreign currency business and translation of foreign currency financial statements**

#### *1. Foreign currency translation*

Upon initial recognition, foreign currency transactions are translated into Renminbi amounts using the spot exchange rate at the dates of the transactions. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. The translation differences arising from different exchange rates, except those relating to the principle of and interests on the foreign currency borrowings for the acquisition, construction or production of assets eligible for capitalization, are recognised in current profit or loss. Also at the balance sheet date, foreign currency non-monetary items measured at historical cost continue to be translated using the spot exchange rate at the dates of the transactions and it does not change their carrying amount in Renminbi. Foreign currency non-monetary items measured at fair value are translated using the spot exchange rate at the fair value recognition dates. The differences arising from the above translations are recognised in current profit or loss or other comprehensive income.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (3) PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### Foreign currency business and translation of foreign currency financial statements

*(Continued)*

#### 2. Translation of foreign currency financial statements

Assets and liabilities in the balance sheet are translated at the spot exchange rate on the balance sheet date; except for the “undistributed profit” under owner’s equity, and other items are converted at the spot exchange rate at the transaction date. Income and expense in the income statement are translated at the spot exchange rate on the transaction date. The translation difference of foreign currency financial statement arising from the above conversion is included in other comprehensive income.

### Financial instruments

#### 1. Classification of financial assets and financial liabilities

Financial assets are classified into the following three categories at initial recognition: (1) financial assets measured at amortized cost; (2) financial assets measured at fair value through other comprehensive income (“FVOCI”); (3) financial assets at fair value through profit or loss (“FVTPL”).

Financial liabilities are classified into the following four categories at initial recognition: (1) financial liabilities at FVTPL; (2) financial liabilities arising from the transfer of financial assets that do not qualify for the derecognition criteria or continue to be involved in the financial assets being transferred; (3) financial guarantee contracts that are not classified as category (1) or (2) above, as well as loan commitments with a lower-than-market interest rate that are not classified as category (1) above; and (4) financial liabilities measured at amortized cost.

#### 2. Basis of recognition, measurement and conditions of derecognition of financial assets and financial liabilities

##### (a) Basis of recognition and initial measurement of financial assets and financial liabilities

The Company recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument. Financial assets or financial liabilities are measured at fair value upon initial recognition. For financial assets or financial liabilities at FVTPL, the relevant transaction costs are directly included in the current profit or loss; for other categories of financial assets or financial liabilities, the relevant transaction costs are included in their initial recognition amount. However, where trade receivables without significant financing component are initially recognized or the financing components less than one year of trade receivables are not considered by the Company, such trade receivables shall be initially measured at the transaction price defined by the ASBE No.14 — Revenue.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (3) PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### **Financial instruments** *(Continued)*

#### 2. *Basis of recognition, measurement and conditions of derecognition of financial assets and financial liabilities (Continued)*

##### *(b) Subsequent measurement of financial assets*

##### i) Financial assets measured at amortized cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortized cost and is not part of a hedge relationship shall be recognized in profit or loss for the current period, where such financial asset is derecognized, reclassified, amortized using the effective interest method, or recognized for impairment.

##### ii) Investments in debt instruments at FVOCI

These assets are subsequently measured at fair value. Interest calculated using the effective interest method, and impairment losses or gains and foreign exchange gains and losses are recognized in the current profit or loss. Other net gains or losses are recognized in other comprehensive income. On derecognition, gains or losses accumulated in other comprehensive income are transferred from other comprehensive income to the current profit or loss.

##### iii) Investments in equity instruments at FVOCI

These assets are subsequently measured at fair value. Dividends (other than the portion of investment costs recovered) are recognised in profit or loss for the current period. Other gains or losses are recognised in other comprehensive income. On derecognition, gains or losses accumulated in other comprehensive income are transferred from other comprehensive income to retained earnings.

##### iv) Financial assets at FVTPL

These assets are subsequently measured at fair value. Gains or losses generated, including any interest or dividend income, are recognized in the current profit or loss unless the financial assets are part of a hedge relationship.

#### 3. *Subsequent measurement of financial liabilities*

##### *(a) Financial liabilities at FVTPL*

Financial liabilities under this category comprise held-for-trading financial liabilities (including derivative financial liabilities) and financial liabilities designated as FVTPL. Financial liabilities under this category are subsequently measured at fair value. Changes in fair value of financial liabilities designated at FVTPL due to changes in the Company's own credit risk are included in other comprehensive income, unless such accounting treatment will result in or augment an accounting mismatch. Other gains or losses incurred by these financial liabilities, including any interest expense (other than changes in air value due to changes in the Company's own credit risks), are recognized in the current profit or loss, unless such financial liabilities are part of a hedge relationship. On derecognition, gains or losses accumulated in other comprehensive income are transferred from other comprehensive income to retained earnings.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (3) PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### **Financial instruments** *(Continued)*

#### 3. *Subsequent measurement of financial liabilities (Continued)*

- (b) Financial liabilities arising from the transfer of financial assets that do not qualify for the derecognition criteria or continue to be involved in the financial assets being transferred. These liabilities are measured according to the requirements of ASBE No. 23 – Transfer of Financial Assets.
- (c) *Financial guarantee contracts that are not classified as category 1) or 2) above and loan commitments with a lower-than-market interest rate that are not classified as category 1) above*  
Upon initial recognition, these liabilities are subsequently measured at the higher of: ① the loss allowance determined in accordance with impairment policies of financial instruments; ② the balance of the amount initially recognized less the cumulative amortization amount as determined pursuant to ASBE 14 – Revenue.
- (d) *Financial liabilities measured at amortized cost*  
These liabilities are measured at amortised cost using the effective interest method. Gains or losses on a financial liability that is measured at amortized cost and is not part of a hedge relationship shall be recognized in profit or loss for the current period, when such financial liability is derecognized and amortized using the effective interest method.

#### 4. *Derecognition of financial assets and financial liabilities*

- (a) *Financial assets are derecognised when one of the following conditions is met:*
  - i) the contractual right to the cash flows from such financial assets has expired;
  - ii) such financial assets have been transferred, which meets the requirements of ASBE No. 23 – Transfer of Financial Assets in relation to derecognition of financial assets.
- (b) A financial liability (or part of it) is derecognized accordingly where its present obligation (or part of it) is discharged.
- (c) *Basis of recognition and measurement of transfer of financial assets*  
A financial asset is derecognized when the Company has transferred substantially all the risks and rewards associated with the ownership of a financial asset, and the rights and obligations arising from or retained in such transfer shall be separately recognized as assets or liabilities. A transferred financial asset will remain recognized if the Company retains substantially all the risks and rewards associated with the ownership of such financial asset. Where the Company has neither transferred nor retained substantially all the risks and rewards associated with the ownership of the financial asset, it may either (1) derecognize the financial asset if control of the financial asset has not been retained, and the rights and obligations arising from or retained in the transfer shall be separately recognized as assets or liabilities; (2) recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize associated liability accordingly if control has been retained.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (3) PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### **Financial instruments** *(Continued)*

#### 4. *Derecognition of financial assets and financial liabilities (Continued)*

##### *(c) Basis of recognition and measurement of transfer of financial assets (Continued)*

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred on the date of derecognition and (2) the sum of the consideration received from the transferred financial asset and the amount (which involves investments in debt instruments at FVTPL being the transferred financial assets) for derecognition of the cumulative changes in fair value directly included in other comprehensive income, is recognized in the current profit or loss. If a partial transfer of a financial asset as a whole qualifies for derecognition, the carrying amount of the financial asset prior to such transfer is allocated between the part that subject to derecognition and the part subject to recognition, in proportion to the respective fair values of those parts on the date of transfer. The difference between (1) the carrying amount of the part derecognized and (2) the sum of the consideration of the part derecognized and the amount (which involves investments in debt instruments at FVTPL being the transferred financial assets) for derecognition of the cumulative changes in fair value for the part derecognized which has been previously included in other comprehensive income, is included in the current profit or loss.

##### *(d) Determination of fair value of financial assets and financial liabilities*

The Company adopts valuation techniques that are appropriate under the circumstances and supported by sufficient data and other information available to determine the fair value of the relevant financial assets and financial liabilities. The Company classifies the inputs used by the valuation techniques into the following hierarchies, and applies in the following sequence:

- (1) Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the date of measurement;
- (2) Level 2 inputs are direct or indirect observable inputs for the relevant asset or liability other than Level 1 inputs, including: quoted price for similar assets or liabilities in an active market; quoted price for the same or similar assets or liabilities in an inactive market; other observable inputs excluding quoted price, such as interest rates and yield curves observable at commonly quoted intervals; inputs that are evidenced in market, etc.;
- (3) Level 3 inputs are unobservable inputs for the relevant asset or liability, including interest rates, stock volatility, future cash flows from the disposal obligations assumed in a business combination, financial forecast using internal data that are not directly observable or can not be verified by observable market data.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (3) PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### **Financial instruments** *(Continued)*

#### 5. *Impairment of financial instruments*

##### *Impairment measurement and accounting treatment of financial instruments*

Based on the expected credit losses (“ECLs”), the Company impairs and recognizes the loss allowance with respect to financial assets measured at amortized cost, investments in debt instruments at FVOCI, contract assets, lease receivables, loan commitments other than financial liabilities at FVTPL for the current period, financial liabilities that disqualify for those at FVTPL for the current period or financial guarantee contracts for financial liabilities not arising from the transfer of financial assets that do not qualify for the derecognition criteria or continue to be involved in the financial assets being transferred.

ECLs are the weighted average of credit losses of financial instrument with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows receivable according to the contract and discounted at the original effective interest rate and all cash flows expected to be received, that is, the present value of all cash shortfalls. For purchased or originated credit-impaired financial assets, the ECLs are discounted at the credit-adjusted effective interest rate of such financial assets.

For purchased or originated credit-impaired financial assets, the Company only recognizes the cumulative change in lifetime ECLs after initial recognition on the balance sheet date as loss provision.

For trade receivables and contract assets without significant financing components or financing components in contracts less than one year that are not considered by the Company arising from transactions regulated by ASBE No.14 – Revenue, the Company measures loss provision based on the amount of lifetime ECLs by using a simplified measurement method.

For financial assets other than those measured by the aforesaid measurement method, the Company assesses whether its credit risk has increased significantly since the initial recognition on each balance sheet date. If the credit risk has increased significantly since the initial recognition, the Company measures loss provision based on the amount of lifetime ECLs; if the credit risk has not increased significantly since the initial recognition, the Company measures the loss provision based on the amount of next 12-month ECLs.

To assess whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument on the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition through reasonable and supportable information, including forward-looking information available.

As at the balance sheet date, the Company assumes that credit risk of the financial instrument has not increased significantly since initial recognition when the Company determines that the financial instrument is only exposed to low credit risk.



# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (3) PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### **Financial instruments** *(Continued)*

#### 5. *Impairment of financial instruments (Continued)*

##### *Impairment measurement and accounting treatment of financial instruments (Continued)*

The Company assesses expected credit risk and measures ECLs on either an individual basis or a collective basis of financial instruments. When the assessment is performed on a collective basis, the financial instruments are classified into various groups by the Company based on shared risk characteristics.

The Company re-measures the ECLs on each balance sheet date, and the increase or reversal of the loss provision resulted therefrom is recognized as an impairment loss or gain in the current profit or loss. For financial assets measured at amortized cost, the loss provision is offset against their carrying amounts in the balance sheet. For debt investments at FVOCI, the Company recognizes the loss provision in other comprehensive income and does not deduct the carrying amount of the financial assets.

#### 6. *Offset of financial assets and financial liabilities*

Financial assets and financial liabilities are presented separately in the balance sheet, and are not offset. However, if the following conditions are met, the net amount offset by each other is presented in the balance sheet: (1) the Company has a statutory right to offset the recognised amount, and such legal right is currently enforceable; (2) the Company plans to settle in net amount or to realise the financial assets and liquidate the financial liabilities at the same time.

For transferred financial assets not qualify for derecognition, the Company will not offset the transferred financial assets against related liabilities.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (4) BILL RECEIVABLES

### Determination and accounting treatment of the ECLs of bill receivables

#### 1) *Specific combination and approach of measuring the ECLs*

Item	Determine the basis for the combination	Approach for measuring ECLs
Bank acceptance receivables	Bill type	The Company calculates ECLs by using exposure at default and lifetime ECL rates with reference to historical credit loss experience, in combination with the current situation and forecasts of future economic conditions
Trade acceptance receivables	Aging	The Company calculates ECLs by preparing the reconciliation table of the aging of trading receivables and lifetime ECL rates with reference to historical credit loss experience, in combination with the current situation and forecasts of future economic conditions

#### 2) *Reconciliation table of the aging of bill receivables – portfolio of trade acceptance and the lifetime ECL rates*

Aging	ECL rate (%)
1 to 3 months (inclusive, same below)	0.00
3 to 12 months	0.00
1 to 2 years	10.00
2 to 3 years	10.00
3 to 5 years	10.00
Over 5 years	100.00

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (5) TRADE RECEIVABLES

### Determination and accounting treatment of the ECLs of trade receivables

#### 1) *Specific combination and method of measuring the ECLs*

Item	Determine the basis for the combination	Approach for measuring ECLs
Trade receivables – Sales proceeds from industrial products	Aging	The Company calculates ECLs by preparing the reconciliation table of the aging of trading receivables and lifetime ECL rates with reference to historical credit loss experience, in combination with the current situation and forecasts of future economic conditions
Trade receivables – Sales proceeds from highly reliable products		
Trade receivables – Proceeds from testing services		
Trade receivables – Portfolio of related parties within the scope of consolidation	Related parties within the scope of consolidation	The Company calculates ECLs by using exposure at default and lifetime ECL rates with reference to historical credit loss experience, in combination with the current situation and forecasts of future economic conditions

#### 2) *Reconciliation table of the aging of trade receivables – portfolio of sales proceeds from highly reliable products and the lifetime ECL rates*

Aging	ECL rate (%)
1 to 3 months (inclusive, same below)	0.00
3 to 12 months	0.00
1 to 2 years	10.00
2 to 3 years	10.00
3 to 5 years	10.00
Over 5 years	100.00

#### 3) *Reconciliation table of the aging of trade receivables – portfolio of sales proceeds from industrial products and the lifetime ECL rates*

Aging	ECL rate (%)
1 to 6 months (inclusive, same below)	0.00
6 to 9 months	10.00
9 to 12 months	20.00
1 to 2 years	50.00
Over 2 years	100.00

#### 4) *Reconciliation table of the aging of trade receivables – portfolio of proceeds from testing services and the lifetime ECL rates*

Aging	ECL rate (%)
Within 1 year (inclusive, same below)	3.00
1 to 2 years	5.00
2 to 3 years	10.00
3 to 4 years	50.00
4 to 5 years	80.00
Over 5 years	100.00

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (6) OTHER RECEIVABLES

### Determination and accounting treatment of the ECLs of trade receivables

Item	Determine the basis for the combination	Approach for measuring ECLs
Other receivables – Interest receivable	Nature of payment	The Company calculates ECLs by using exposure at default and 12-month or lifetime ECL rates with reference to historical credit loss experience, in combination with the current situation and forecasts of future economic conditions
Other receivables – Deposits		
Other receivables – Reserve funds		
Other receivables – Suspense payment		
Other receivables – Intermediary service fees		

## (7) INVENTORIES

### 1. Classifications of inventories

Inventories include finished goods or merchandise held for sale during the ordinary course of business, or work in progress in the process of production, or materials or supplies consumed in the production process or in the process of rendering of services.

### 2. Cost of inventories transferred out

Cost of inventories transferred out is determined using the weighted average method at the end of each month.

### 3. Basis for determination of net realizable value of inventories

The inventories are measured at the lower of cost and net realizable value. Provision for impairment is made for the excess of the cost over the net realizable value of inventory category. For inventories for immediate sale, net realizable value is determined as the estimated selling price of the inventories less the estimated costs of sales and relevant taxes and levies in the ordinary course of business. For inventories that require processing, net realizable value is determined as the amount of the estimated selling price of the finished goods produced less the estimated costs to completion, the estimated costs of sales and relevant taxes and levies in the ordinary course of business. At the balance sheet date, where part of an inventory item is subject to an agreed contractual price while the remainder is not, their net realizable values are determined separately and compared with their respective costs to determine the amount of provision for impairment made or reversed.

### 4. Inventory-taking system

Our inventory-taking system is a perpetual inventory-taking system.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (7) INVENTORIES *(Continued)*

### 5. Amortization methods for low-value consumables and packaging materials

#### (a) *Low-value consumables*

One-off amortization method shall apply.

#### (b) *Packaging materials*

One-off amortization method shall apply.

## (8) LONG-TERM EQUITY INVESTMENT

### 1. Determination of joint control or significant influence

Joint control is determined as the common control over an arrangement according to a related agreement, where the decisions on the activities relating to the arrangement require the unanimous consent of the participating parties sharing the control. Significant influence is determined as the power to participate in the decisions governing the financial and operating policies of the investee but is not able to exercise control or exercise common control with other participating parties over the formulation of those policies.

### 2. Determination of investment cost

- (1) The initial investment cost of a long-term equity investment obtained through a business combination under common control is the carrying amount of owners' equity attributable to the combined party in the consolidated financial statements of the ultimate controlling party at the date of combination, if the consideration from the combining party is settled in cash, by way of transfer of non-cash assets, assumption of liabilities or issuance of equity securities. The difference between the initial investment cost of the long-term equity investment and the carrying amount of the consideration paid for the combination or the aggregate nominal values of the shares issued is adjusted against the capital reserve. If the capital reserve is insufficient to offset the difference, any excess is adjusted against the retained earnings.

A long-term equity investment derived from a business combination under common control which achieved by phases through multiple transactions, is determined whether it constitutes a "Package Deal" or not. If it constitutes a "Package Deal", the Company conducts accounting treatment for all transactions as if it is a transaction that obtained control. If a long-term equity investment does not constitute a "Package Deal", its initial investment cost is determined as the carrying amount of the net asset attributable to the combined party as recorded in the consolidated financial statements of the ultimate controlling party upon combination at the combination date. The difference between the initial investment cost of the long-term equity investment at combination date and the sum of the carrying amount of the long-term equity investment before combination and the carrying amount of new consideration paid for obtaining further shares at combination date is adjusted against the capital reserve. If the capital reserve is insufficient to offset the difference, any excess is adjusted against the retained earnings.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (8) LONG-TERM EQUITY INVESTMENT *(Continued)*

### 2. Determination of investment cost *(Continued)*

- (2) For a long-term equity investment derived from a business combination not under common control, the initial investment cost is the fair value of the consideration paid for the combination at the acquisition date.

For a long-term equity investment derived from a business combination not under common control which achieved by phases through multiple transactions, the relevant accounting treatments are conducted separately in individual financial statements and the consolidated financial statements:

- a) In the individual financial statements, the carrying amount of equity investments originally held is extended by the addition of new investment costs as the initial investment cost and accounted for under the cost method instead.
- b) In the consolidated financial statements, it is determined whether it constitutes a “Package Deal” or not. If it constitutes a “Package Deal”, the Company conducts accounting treatment for all transactions as if it is a transaction that obtained control. If a long-term equity investment does not constitute a “Package Deal”, the equity in the acquiree held before the acquisition date is remeasured at fair value of the equity on the acquisition date. The difference between the fair value and the carrying amount is included in gain on investment for the current period. If other comprehensive income as accounted for under the equity method is involved in the equity in the acquiree held prior to the acquisition date, the relevant comprehensive income shall be stated as the gain for the current period of the acquisition date. However, it excludes the other comprehensive income due to the remeasurement of changes in net liability or net asset of defined benefit scheme by the investee.
- (3) For a long-term equity investment derived otherwise than by a business combination, if it is acquired by cash payment, its initial investment cost is the effective acquisition consideration paid; if the investment is acquired by issuance of equity securities, its initial investment cost is the fair value of the equity securities issued; if it is acquired by debt restructuring, its initial investment cost is determined in accordance with ASBE No. 12 – Debt Restructuring; if it is acquired by non-monetary assets exchange, its initial investment cost is determined in accordance with ASBE No. 7 – Non-monetary Assets Exchange.

### 3. Subsequent measurement and recognition of profit or loss

A long-term equity investment with control over the investee is accounted for under the cost method. A long-term equity investment in associates and joint ventures are accounted for under the equity method.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (8) LONG-TERM EQUITY INVESTMENT *(Continued)*

### 4. Accounting treatment of a disposal of investment in a subsidiary by phases through multiple transactions until the control on the investee has been lost

#### (1) *Individual financial statements*

For the equity interest being disposed of, the difference between its carrying amount and actual proceeds obtained is included in profit or loss for the current period. For the remaining equity interest, if it still exercises significant influence on or, in conjunction with other parties, has a joint control in the investee, it is accounted for using the equity method instead; or it is accounted for in accordance with ASBE No. 22 – Recognition and Measurement of Financial Instrument if it can no longer exercise control, joint control or significant influence on the investee.

#### (2) *Consolidated financial statements*

##### i) *Disposal of investments in a subsidiary by phases through multiple transactions until the control on the investee has been lost, which does not constitute a “Package Deal”*

Prior to the loss of control, the differences between the proceeds from the disposal and the subsidiary’s net assets attributable to the disposed long-term equity investment since acquisition date or combination date are adjusted against the capital reserve (capital premium). If the capital reserve is insufficient to offset the difference, any excess is adjusted against the retained earnings.

When the control over the former subsidiary is lost, the remaining equity interest is remeasured at its fair value at the date when control over the subsidiary has been lost. The difference between the sum of consideration received from the disposal of the equity interest and the fair value of the remaining equity interest less the net assets in the former subsidiary as calculated by the previous percentage of shareholding since acquisition date or combination date is included in investment income during the period in which the control on the investee was lost, offsetting the goodwill at the same time. Other comprehensive income associated with the investment in equity interest in the former subsidiary is transferred to investment income for the period when the control on the investee was lost.

##### ii) *Disposal of investment in a subsidiary by phases through multiple transactions until the control on the investee has been lost, which constitutes a “Package Deal”*

All transactions are collectively accounted for as a transaction for the disposal of a subsidiary in which the control on the investee is lost. Nonetheless, prior to the loss of control, the difference between each of the amounts of the disposal proceeds and the corresponding amounts of the subsidiary’s net assets attributable to the investment being disposed of is recognized as other comprehensive income in the consolidated financial statements, and is transferred collectively to profit or loss during the period when the control on the investee has been lost.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (9) FIXED ASSETS

### 1. Recognition conditions

Fixed assets represent the tangible assets held for production of goods or supply of services, lease or operation and administrative purposes with useful lives over one accounting year. Fixed assets are recognized when they simultaneously satisfy the conditions that it is probable that its economic benefits may flow to the Company and the cost can be measured reliably.

### 2. Depreciation methods

Category	Depreciation methods	Depreciation period (years)	Residual value rate	Annual depreciation rate (%)
Buildings and structures	Straight-line-method	50	5	1.9
Machinery and equipment	Straight-line-method	3-5	0-5	19-33.33
Motor vehicles	Straight-line-method	3-5	4-5	19-32
Electronics and other Equipment	Straight-line-method	3-5	0-5	19-33.33

## (10) CONSTRUCTION IN PROGRESS

- Construction in progress is recognized when the inflow of economic benefits is probable and the cost can be reliably measured, and is measured at the actual cost for construction of such asset incurred until it is ready for intended use.
- Construction in progress is transferred into fixed assets at its actual cost when it is ready for its intended use. For those ready for intended use but have not completed the final completion audit, the asset is transferred into fixed assets based on the estimated value. After the completion of the final completion audit, the Company makes adjustment to the previous estimated value on the basis of the actual cost, but will not adjust the depreciation retrospectively.

## (11) BORROWING COSTS

### 1. Principle for recognition of capitalization of borrowing costs

Borrowing costs incurred by the Company directly attributable to the acquisition, construction or production of assets qualified for capitalization are capitalized as the cost of such assets. Other borrowing costs are recognized as expense and charged to profit or loss for the current period as incurred.



# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (11) BORROWING COSTS *(Continued)*

### 2. Period for borrowing costs capitalization

- (a) Borrowing costs begin to be capitalized when all of the following conditions are met 1) capital expenditures have been incurred, 2) borrowing costs have been incurred, and 3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.
- (b) Capitalization of borrowing costs is suspended if abnormal interruption has lasted for more than three months during the process of acquisition, construction or production of assets qualified for capitalization. The borrowing costs incurred during interruption are recognized as expenses for the current period until the acquisition, construction or production activities resume.
- (c) Capitalization of borrowing costs ceases when the assets qualified for capitalization have been acquired, constructed or produced and are ready for their intended use or sale.

### 3. Capitalization rate and capitalized amount of borrowing costs

For specific borrowings borrowed to acquire, construct or produce assets qualified for capitalization, the interests to be capitalized is recognized by deducting any interest earned from depositing the unutilized borrowings in the bank or any investment income from temporary investment of those borrowings from the amount of interest expenses (including amortization of discount or premium determined using the effective interest method) actually incurred on such specific borrowings for the period. For general borrowings used to acquire, construct or produce assets qualified for capitalization, the capitalized amount of interests on general borrowings shall be determined on the basis of the weighted average (of the excess of cumulative assets expenditures over the assets expenditures of specific borrowings) times the capitalization rate (of used general borrowings).

## (12) RIGHT-OF-USE ASSETS

### 1. Recognition conditions of right-of-use assets

The right-of-use assets are defined as the right to use the underlying assets in the lease term for the Company as a lessee. The Company recognizes right-of-use assets in relation to the lease as at the commencement date of the lease. Right-of-use assets are recognized when it is probable that economic benefits will flow to the Company and the costs can be measured reliably.

### 2. Initial measurement of right-of-use assets

Right-of-use assets are initially measured at cost, which consists of: (1) the amount of the initial measurement of the lease liability; (2) any lease payments made on or before the commencement date of the lease less any lease incentives received if any; (3) initial direct expenses incurred by the lessee; and (4) costs expected to be incurred by the lessee in dismantling and removing a leased asset, restoring the site on which it is located or restoring the leased assets to the condition required by the terms and conditions of the lease.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (12) RIGHT-OF-USE ASSETS *(Continued)*

### 3. Subsequent measurement of right-of-use assets

- (a) The Company adopts the cost model for subsequent measurement of right-of-use assets.
- (b) Provision for depreciation is made on right-of-use assets by the Company. Right-of-use assets in which the Company is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated over the remaining useful life of the leased assets. Otherwise, right-of-use assets are depreciated over the shorter of the lease term and its remaining useful life. The specific depreciation methods for various right-of-use assets are as follows:

Category	Depreciation methods	Depreciation period (years)	Residual value rate (%)	Depreciation rate (%)
Buildings and structures	Straight-line-method	2-7	–	14.29-50.00

- (c) When the Company re-measures the lease liability based on the present value of the changed lease payments and adjusts the carrying amount of the right-of-use asset accordingly, if the carrying amount of the right-of-use asset has been reduced to zero but the lease liability still needs to be further reduced, the Company accounts for the remaining amount in the current profit or loss.

## (13) INTANGIBLE ASSETS

### (1) Measurement, useful life and impairment test

- (a) Intangible assets, including software, patent technologies and copyright, are initially measured at cost.
- (b) Intangible assets with definite useful lives are systematically and reasonably amortized over their useful lives based on the pattern of expected realization of the economic benefits relating to the intangible assets, or otherwise are amortized on a straight-line basis over the following specific amortization period if the pattern of the expected realization cannot be reliably determined:

Item	Amortization period (years)
Software use right	Expected useful life or authorised period, which is the shorter
Patent technologies	3 years

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (13) INTANGIBLE ASSETS *(Continued)*

### (2) Accounting policies for internal research and development

Expenditure incurred during the research stage of internal research and development projects is included in profit or loss for the current period as incurred. Expenditure incurred during the development stage of internal research and development projects that simultaneously satisfy the following conditions are recognized as intangible assets: (1) it is technically feasible to complete the intangible asset so that it will be available for use or sale; (2) there is the intention to complete the intangible asset for use or sales; (3) how the intangible asset will generate economic benefits, including the evidence indicating that market exist for the products using the intangible asset to produce or the intangible asset itself has a market; if the intangible asset is for internal use, the evidence indicating its usability; (4) the availability of adequate technical, financial and other resources to support the completion of the development and the ability to use or sell the intangible assets; and (5) the expenditure attributable to the development stage of the intangible asset can be reliably measured.

Specific criteria for dividing expenditure incurred during the research stage and development stage of internal research and development projects:

Research stage: The stage of original planned investigation and research activities to acquire and understand new scientific or technical knowledge.

Development stage: The stage of activities that apply research results or other knowledge to a plan or design to produce new or substantially improved products, etc. before commercial production or use.

## (14) IMPAIRMENT OF LONG-TERM ASSETS

For long-term assets such as long-term equity investments, fixed assets, construction in progress, right-of-use assets and intangible assets with limited useful lives, the Company estimates its recoverable amount when there is evidence at the balance sheet date that the intangible assets are impaired. Goodwill arising from a business combination and an intangible asset with an indefinite useful life shall be subject to an impairment test each year, irrespective of whether there is any indication of impairment. Impairment test is carried out on goodwill together with the related asset group or asset group portfolio.

If the recoverable amount of such long-term assets is less than its carrying amount, a provision for asset impairment is made at the difference and included in profit or loss for the current period.

## (15) LONG-TERM DEFERRED EXPENSES

Long-term deferred expenses are accounted for in respect of various expenses which have been incurred but with an amortization period of more than one year (excluding one year). Long-term deferred expenses are measured at actual amount and amortized evenly over the beneficial or required period. If the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the full unamortized balance is then transferred to profit or loss for the current period.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (16) CONTRACT LIABILITIES

### Recognition method of contract liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The Company presents contract assets and contract liabilities under the same contract as net amount after they offset each other.

The Company presents the right of the Company to charge consideration from the customer unconditionally (i.e. only depends on the passage of time) as a receivable, while the consideration that the Company has the right (and this right depends on factors other than passage of time) to receive for goods transferred to customers is presented as a contract assets.

The Company presents the portion of the obligation to transfer goods to customers for consideration received or receivable from customers as a contract liability.

## (17) EMPLOYEE REMUNERATION

### (1) Accounting treatment for short-term remuneration

Short-term remuneration actually incurred is recognized as liabilities and included in profit or loss for the current period or cost of related assets during the accounting period in which an employee renders services to the Company.

### (2) Accounting treatment for post-employment benefits

Post-employment benefits are classified into a defined contribution scheme and a defined benefit scheme.

- (a) The contributions payable as calculated according to the defined contribution scheme are recognized during the accounting period in which the employee renders services to the Company as liabilities and are included in profit or loss for the current period or cost of relevant assets.
- (b) Accounting treatment for the defined benefit scheme normally includes the following steps:
  - i) The obligations arising from the defined benefit scheme are measured by using the projected unit credit method to estimate the relevant demographic statistical variables and financial variables with unbiased and consistent actuarial assumptions, and the period in which the obligations incurred is determined accordingly. Whereas the obligations arising from the defined benefit scheme are discounted to determine the present value and service costs for the defined benefit scheme;
  - ii) For the defined benefit scheme which has assets, the deficits or surplus arrived by netting off the fair value of assets of the defined benefit scheme from the present value of the defined benefit scheme are recognized as a net liability or net asset of a defined benefit scheme. Where the defined benefit scheme has surplus, the net asset of the defined benefit scheme is measured at the lower of the surplus or maximum assets limit of the defined benefit scheme;

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (17) EMPLOYEE REMUNERATION *(Continued)*

### (2) Accounting treatment for post-employment benefits *(Continued)*

(b) Accounting treatment for the defined benefit scheme normally includes the following steps:  
(Continued)

- iii) At the end of the period, employee remuneration costs arising from the defined benefit scheme are recognized as three elements, namely, service costs, net interest of net liabilities or net assets of the defined benefit scheme, and changes arising from re-measurement of net liabilities or net assets of the defined benefit scheme. In particular, the service costs and net interest of net liabilities or net assets of the defined benefit scheme are included in profit or loss for the current period or costs of relevant assets, changes arising from re-measurement of net liabilities or net assets of the defined benefit scheme are included in other comprehensive income. These amounts recognized in other comprehensive income are irreversible to profit or loss in subsequent accounting period, but is transferrable within equity.

### (3) Accounting treatment for termination benefits

For termination benefits provided to employees, employee remuneration liabilities incurred by termination benefits are recognized at the earlier date of the following and charged from profit or loss for the current period: (a) when the Company may not unilaterally revoke the termination benefits provided pursuant to a labour relationship dismissal scheme or redundancy proposal; and (b) the Company recognizes the costs or expenses related to a reorganization involving the payment of termination benefit.

### (4) Accounting treatment for other long-term employee benefits

Where other long-term benefits provided to employees satisfy the conditions of the defined contribution scheme, the accounting treatment is applied for such benefits according to the relevant requirements of the defined contribution scheme. Other long-term benefits other than this are treated according to the relevant requirements of the defined benefit scheme. In order to simplify the related accounting treatments, the Company recognizes the costs of employee remuneration arising thereof as service costs, the total net amount including net interest of net liabilities or net assets of other long-term employee benefits and changes arising from re-measurement of net liabilities or net assets of other long-term employee benefits is charged from profit or loss for the current period or cost of related assets.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (18) LEASE LIABILITIES

At the commencement date of lease term, the Company measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and low-value asset leasing. When calculating the present value of the lease payment, the Group adopts the interest rate implicit in lease as the discount rate; if the interest rate implicit in lease cannot be determined, the lessee's incremental borrowing rate is adopted as the discount rate. The Group calculates the interest expense of the lease liability for each period of the lease term based on the fixed periodic interest rate and recognises it in profit or loss for the current period, except those in the costs of the related asset as required. The variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss when incurred, except those in the costs of the related asset as required.

After the commencement date of lease term, the Group remeasures the lease liability to reflect changes to the lease payments, if there is a change in fixed payments, amounts expected to be payable under residual value guarantees, an index or a rate used to determine lease payments, and assessment result or exercise of purchase option, extension option or termination option.

## (19) SHARE-BASED PAYMENTS

### 1. Type of share-based payments

It comprises of equity-settled share-based payments and cash-settled share-based payments.

### 2. Relevant accounting treatment for implementation, amendment and termination of share-based payment plan

#### (a) *Equity-settled share-based payments*

As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments should, on the date of grant, stated as the relevant cost or expense and the capital reserves should be adjusted accordingly. As to an equity-settled share-based payment in return for services of employees, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period should, based on the best estimate of the number of vested equity instruments, be stated as relevant costs or expenses at the fair value of the equity instruments on the date of grant and the capital reserves should be adjusted accordingly.

Regarding equity-settled share-based payment in return for services of other parties, if the fair value of the service of any other party can be measured reliably, the equity-settled share-based payment should be measured as per the fair value of the service of the other party on the date of acquisition. If the fair value of the service of any other party cannot be measured reliably, but the fair value of the equity instruments can be measured reliably, the equity-settled share-based payment should be measured as per the fair value of the equity instruments on the date of the service acquisition and be stated as relevant cost or expense, and the owner's equities should be increased accordingly.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (19) SHARE-BASED PAYMENTS *(Continued)*

### 2. Relevant accounting treatment for implementation, amendment and termination of share-based payment plan *(Continued)*

#### *(b) Cash-settled share-based payment*

As to a cash-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the cash-settled share-based payment should be stated as relevant cost or expense as per the fair value of the liabilities undertaken by the Company on the date of grant, and the liabilities should be increased accordingly. For cash-settled share-based payment made in return for the rendering of employee services that cannot be exercised until the services are fully provided during vesting period or specified performance targets are met, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of the number of exercisable instruments, be recognized in relevant costs or expenses and the corresponding liabilities at the fair value of the liability incurred by the Company.

#### *(c) Revision and termination of the share-based payment plans*

If the revision leads to increase in the fair value of the equity instruments granted, the Company should recognize the increase of the services obtained according to the increase in the fair value of the equity instruments. If the revision leads to increase in the number of the equity instruments granted, the Company should recognize the fair value of the increased equity instruments as increase of the services obtained. If the Company changes the vesting conditions in a mode favourable to the employees, the Company should take into account the vesting conditions after change in dealing with the vesting conditions.

If the revision leads to decrease in the fair value of the equity instruments granted, the Company should continue to recognize the amount of the services obtained based on the fair value of the equity instruments on the date of grant, without considering the decrease in the fair value of the equity instruments. If the revision leads to decrease in the number of equity instruments, the Company should regard the decrease as cancellation of the equity instruments granted. If the Company changes the vesting conditions in a mode unfavourable to the employees, the Company may not consider the vesting conditions after change in dealing with the vesting conditions.

If the Company cancels or settles the equity instruments granted in the vesting period (except for cancellation due to failure to meet vesting conditions), the Company should speed up dealing with the exercisable right based on the cancellation or settlement and immediately recognize the amount to be recognized in the remaining vesting period.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (20) REVENUE

### 1. Principles of revenue recognition

At the inception of any contract, the Company identifies the performance obligation of each individual item as stipulated in any contract when assessing such contract, and determines whether the performance obligation of such individual item is fulfilled in a specified period of time or at a particular point of time.

The performance obligations are considered to have been fulfilled in a specified period of time when satisfying one of the following conditions, or otherwise fulfilled in a particular point of time: (a) the customer simultaneously obtains and consumes economic benefits arising from the performance by the Company of any contract as the Company performs this contract; (b) the customer is able to exercise control over goods or services in progress as the Company performs this contract; (c) no alternative can be created for the goods or services during the performance by the Company of this contract, and the Company is entitled to receive payments for the performance completed to date during the entire term of this contract.

As for the performance obligations fulfilled within a specific period of time, the Company recognizes revenue according to the performance progress over such period of time. Where the performance progress cannot be reasonably identified, the actual amount of costs incurred shall be recognized as revenue to the extent that compensation for such costs actually incurred is expected. Such recognition continues until the performance progress can be reasonably identified. As for the performance obligations fulfilled at a particular point of time, revenue is recognized at such point of time when the customer obtains the control over the relevant goods or services. In judging whether the customer has secured the control over the goods, the Company considers the following indications: (a) the Company has a present right to the payment for the goods, which means the customer has a present obligation to make payments; (b) the Company has transferred the legal title of the goods to the customers, which means the customers have the legal title to the goods; (c) the Company has transferred physical possession of the goods to customers, which means customers has owned the physical possession of the goods; (d) the Company has transferred the significant risks and rewards of the ownership to the customers, which means customers have received the significant risks and rewards of the goods; (e) the customers have accepted the goods; and (f) other indications show customers have obtained control of the goods.



# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (20) REVENUE *(Continued)*

### 2. Standard for measuring revenue

- (a) The Company recognises as revenue the amount of the transaction price that is allocated to each individual item of the performance obligations. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties and expected repayments to the customers.
- (b) For contracts with variable considerations, the Company shall, based on the expected values or the most likely amounts, determine the best estimate of the variable considerations. However, the transaction prices that include the variable considerations shall not exceed the amounts that are most unlikely to have significant reversal for accumulated recognised income when the relevant uncertainties are eliminated.
- (c) Where the contract includes significant financing component, the Company determines the transaction price based on the amount payable under the assumption that the customer pays that amount payable in cash when control of the goods or services is obtained by the customer. The difference between the transaction price and the contract consideration shall be amortised within the contract period using effective interest rate. Where the Company expects, at the inception of any contract, that the period between when the customer secures control over such goods and services and when such customer pays for that good or service will be one year or less, the significant financing component shall not be taken into consideration.
- (d) Where the contract includes two or more performance obligations, at the inception of any contract, the Company allocates the transaction price to each individual item of the performance obligations according to the relative proportion of the stand-alone selling prices of the goods or services promised by each individual item of the performance obligations.

## (21) GOVERNMENT GRANTS

- 1. Government grants are recognized when both of the following conditions are met: (1) the Company has fulfilled all the conditions attached to them; and (2) the Company has received the government grants. The monetary grant from the government is measured at the amounts received or receivable. The non-monetary grant from the government is measured at its fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## **(21) GOVERNMENT GRANTS** *(Continued)*

### **2. The basis for determining government grants relating to assets and accounting treatments**

In accordance with the requirements of government documents, the government grants obtained by purchasing or constructing or otherwise originating long-term assets are classified as government grants relating to assets. Where there are no specific requirements of government documents, judgment shall be exercised based on the basic conditions necessary for obtaining such grants. Where the long-term assets are obtained by purchasing or constructing or otherwise originating long-term assets, the grants shall be recognized as the government grants relating to assets. Government grants relating to assets are offset against the carrying amount of the relevant assets, or are recognized as deferred income. Where government grants relating to assets are recognized as deferred income, they are included in profit or loss over the expected useful life of the relevant assets in accordance with the reasonable and systematic methods. Nevertheless, government grants measured at notional value are directly included in profit or loss for the current period. Where the relevant assets are sold, transferred, decommissioned or damaged prior to the end of their useful lives, the unallocated balance of the relevant deferred income shall be treated as profit or loss of the asset disposal for the current period.

### **3. The basis for determining government grants relating to income and accounting treatments**

Government grants other than government grants relating to assets are classified as government grants relating to income. Where government grants concurrently include the portion related to assets and the portion related to income, which is difficult to differentiate these portions, such government grants shall be classified as the portion related to income. Government grants relating to income applied in compensating related costs and expenses or losses in subsequent periods are recognized as deferred income and included in profit or loss or offset against the relevant costs for the current period in which the related costs and expenses or losses are recognized. Government grants, applied in compensating related costs or losses already incurred, are directly recognized in profit or loss or offset against the relevant costs for the current period.

### **4. Where government grants involve the daily business operations of the Company, such grants shall be included to other gains or offset against the relevant costs and expenses based on the economic business nature. Government grants irrelevant to the daily business operations of the Company shall be included to non-operating income and expenses.**

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (22) DEFERRED INCOME TAX ASSETS/DEFERRED INCOME TAX LIABILITIES

1. Deferred income tax assets or deferred income tax liabilities are recognized on the basis of the difference between the carrying amounts of the assets or liabilities and their tax bases (for an item not recognized as asset or liability but for which tax base can be determined under tax laws, the difference between its tax base and its carrying amount), and are calculated by applying the tax rates applicable to the period in which the assets are expected to be recovered or the liabilities are expected to be settled.
2. Deferred income tax assets are recognized for deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. At the balance sheet date, deferred income tax assets unrecognized in prior accounting periods are recognized to the extent that there is obvious evidence that it has become probable that sufficient taxable profit will be available in subsequent periods against which the deductible temporary differences can be utilized. 3. The carrying amount of deferred income tax assets is reviewed at the balance sheet date and written down to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred income tax asset can be utilized. Such amount is written back to the extent that it has become probable that sufficient taxable profit will be available.
3. The Company's current and deferred income taxes are recognized in profit or loss for the current period as tax expense or profit, excluding income tax arising from (a) business combination; and (b) transactions or issues directly recognized in owners' equity.

## (23) LEASES

### Recognition and accounting of leases under new leases standard

#### 1. *Identification of lease*

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

#### 2. *Identification of a separate lease*

For a contract that contains multiple separate lease components, the Company separates the components of the contract and accounts for each separate lease component. The right to use an underlying asset is a separate lease component if both: 1) the lessee can benefit from use of the underlying asset either on its own or together other resources that are readily available to the lessee; and 2) the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (23) LEASES *(Continued)*

### Recognition and accounting of leases under new leases standard *(Continued)*

#### 3. *Accounting treatment for the Company as lessee*

At the commencement date of lease term, the Company recognizes a lease that has a lease term of 12 months or less as a short-term lease, which shall not contain a purchase option; the Company recognizes a lease as a lease of a low-value asset if the underlying asset is of low value when it is new. If the Company subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

For all short-term leases and leases of low-value assets, lease payments are recognized as cost or profit or loss with straight-line method over each period of the lease term.

Apart from the above-mentioned short-term leases and leases of low-value assets with simplified approach, the Company recognizes right-of-use assets and lease liabilities at the commencement date of lease term.

At the commencement date of lease term, the Company measures the lease liability at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate shall be used. Unrecognized financing expenses, calculated at the difference between the lease payment and its present value, are recognized as interest expenses over each period of the lease term using the discount rate which has been used to determine the present value of lease payment and included in profit or loss. Variable lease payments not included in the measurement of lease liabilities are included in profit or loss in the periods in which they are incurred.

After the commencement date of lease term, the Company remeasures the lease liability to reflect changes to the lease payments, if there is a change in fixed payments, amounts expected to be payable under residual value guarantees, an index or a rate used to determine lease payments, and assessment result or exercise of purchase option, extension option or termination option.

#### 4. *Accounting treatments for the Company as lessee for lease modifications*

##### (a) *A lease modification as a separate lease*

The Company accounts for a lease modification as a separate lease if both: i) the lease modification increases the scope of the lease by adding the right to use one or more leased assets; and ii) the increased consideration and the stand-alone price of the increased scope of the lease shall be equivalent following adjustments made in accordance with the contract.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (23) LEASES *(Continued)*

### Recognition and accounting of leases under new leases standard *(Continued)*

#### 4. Accounting treatments for the Company as lessee for lease modifications *(Continued)*

##### *(b) A lease modification not as a separate lease*

The Company re-determines the lease term on the effective date of the lease change and discounts the changed lease payments using the revised discount rate to re-measure the lease liability. When calculating the present value of the lease payment after the change, the Company adopts the interest rate implicit in lease of the remaining lease term as the discount rate; if the interest rate implicit in lease of the remaining lease term cannot be determined, the Company's incremental borrowing rate on the effective date of the lease change is adopted as the discount rate.

Regarding the impact of the above adjustment of lease liabilities, the Company distinguishes between the following cases for accounting treatment:

- i) If the lease change results in a narrower lease or a shorter lease term, the Company reduces the carrying value of the right-of-use asset, and recognises the gains or losses related to the partial or entire termination of the leases into the current profit and loss.
- ii) For other lease changes, the Company adjusts the carrying value of the right-of-use assets accordingly.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (24) TAXATION

### 1. Main types of taxes and corresponding tax rates

Main types of taxes and corresponding tax rates

Tax type	Tax basis	Tax rate
Value-added tax (VAT)	The output tax is calculated on the income from the sale of goods and taxable services that calculated in accordance with the provisions of the tax law. The value added tax payable is the difference between the output tax and the input tax allowed to be deducted for the period	13%, 6%
Property tax	Ad-valorem tax levied at 1.2% on the difference between initial costs of the property less 20%	1.2%
City maintenance and construction tax	Turnover tax paid	7%
Education surcharges	Turnover tax paid	3%
Local education surcharges	Turnover tax paid	2%
Corporate income tax ("CIT")	Taxable profit	29.84%, 25%, 16.5%, 15%

Information on income tax rates of taxpayers with various EIT rates:

Name of taxpayer	Income tax rate (%)
The Company	15%
Sino IC Technology Co., Ltd.	15%
Shanghai Fudan Microelectronics (Hong Kong) Limited (note 1)	16.5%
Fudan Microelectronics (USA) Inc. (note 2)	29.84%
Other taxpayers other than the above-mentioned	25%

- Notes: 1. The first HK\$2 million of assessable profits of Shanghai Fudan Microelectronics (Hong Kong) Limited is taxed at 8.25% and the remaining assessable profits are taxed at 16.5% since 2018.
2. Fudan Microelectronics (USA) Inc. is taxed at 21% of the federation enterprise income tax rate of the U.S.A. and 8.84% of the local tax rate.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (24) TAXATION (Continued)

### 2. Tax preferential benefits

- (a) On 12 November 2020, the Science and Technology Commission of Shanghai Municipality, the Shanghai Municipal Finance Bureau, the State Administration of Tax Shanghai Municipal Office reissued the High-tech Enterprise Certificate (Certificate No. GR202031002423) with a valid period of three years. Pursuant to the PRC Corporate Income Tax Law regarding the terms of tax preferential benefits for high-tech enterprises, the Company will pay enterprise income tax at the tax rate of 15% from 2020 to 2022.
- (b) On 12 November 2020, the Science and Technology Commission of Shanghai Municipality, the Shanghai Municipal Finance Bureau, the State Administration of Tax Shanghai Municipal Office reissued the High-tech Enterprise Certificate (Certificate No. GRGR202031000027) with a valid period of three years. Pursuant to the PRC Corporate Income Tax Law regarding the terms of tax preferential benefits for high-tech enterprises, Sino IC Technology Co., Ltd., a subsidiary of the Company, will pay enterprise income tax at the tax rate of 15% from 2020 to 2022.
- (c) In accordance with the requirements under the Circular of the Ministry of Finance and the State Administration of Taxation on the Value-added Tax Policy of Software Products (Cai Shui [2011] No. 100), the Company is entitled to the policies of recovery upon payment of value-added tax for software products.

## (25) CASH AT BANK AND ON HAND

Item	30 June 2021	31 December 2020
Cash on hand	14,877.47	67,930.43
Deposits with banks	395,040,708.72	440,574,472.15
Other monetary funds	57,277.63	57,277.63
Total	395,112,863.82	440,699,680.21
Including: Total overseas deposits	52,415,222.54	60,420,655.35

## (26) BILLS RECEIVABLE

### 1. Bills receivable by category

Item	30 June 2021	31 December 2020
Bank acceptance notes	247,707,510.24	233,310,367.78
Commercial acceptance notes	74,713,172.92	63,406,497.80
Total	322,420,683.16	296,716,865.58

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (26) BILLS RECEIVABLE (Continued)

### 2. Outstanding endorsed or discounted bills of the Company that had not matured at the balance sheet date

Item	30 June 2021	31 December 2020
	Amount derecognized	Amount not derecognized
Bank acceptance notes	37,445,625.95	–
<b>Total</b>	<b>37,445,625.95</b>	<b>–</b>

### 3. Disclosure under the methods of provision for bad debts by category

Category	30 June 2021				31 December 2020				
	Book balance		Provision for bad and doubtful debts		Book balance		Provision for bad and doubtful debts		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Bad debt provision made on individual basis	325,037,862.49		2,617,179.33		300,421,213.58		3,704,348.00		296,716,865.58
Of which:									
Bank acceptance notes portfolio	247,707,510.24	76.21	–		233,310,367.78	77.66	–		233,310,367.78
Commercial acceptance notes portfolio	77,330,352.25	23.79	2,617,179.33	3.38	67,110,845.80	22.34	3,704,348.00	5.52	63,406,497.80
<b>Total</b>	<b>325,037,862.49</b>		<b>2,617,179.33</b>		<b>300,421,213.58</b>		<b>3,704,348.00</b>		<b>296,716,865.58</b>

Bad debt provision made on a collective basis:

Provision item made on a collective basis: commercial acceptance notes portfolio

Name	30 June 2021		
	Notes receivable	Provision for bad and doubtful debts	Percentage of provision (%)
Commercial acceptance notes portfolio	77,330,352.25	2,617,179.33	3.38
<b>Total</b>	<b>77,330,352.25</b>	<b>2,617,179.33</b>	<b>3.38</b>

Recognition criteria and description of bad debts provision made on a collective basis:

Bad debt provision will be made on basis of ageing group provided that they have same risk credit characteristics.



# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (26) BILLS RECEIVABLE (Continued)

### 4. Provision for bad debts

Category	31 December 2020	Increase/decrease during the period Recovery or reversal	RMB
			30 June 2021
Commercial acceptance bills	3,704,348.00	1,087,168.67	<b>2,617,179.33</b>
Total	3,704,348.00	1,087,168.67	<b>2,617,179.33</b>

## (27) TRADE RECEIVABLE

### 1. By ageing

Ageing	RMB
	30 June 2021
Within 1 year	
Including: subitems within 1 year	
1 to 6 months	<b>326,317,002.33</b>
6 to 9 months	<b>28,542,057.99</b>
9 to 12 months	<b>66,992,496.07</b>
Sub-total of within 1 year	<b>421,851,556.39</b>
1 to 2 years	<b>25,433,066.80</b>
2 to 3 years	<b>24,209,907.29</b>
3 to 4 years	<b>43,136,522.01</b>
Total	<b>514,631,052.49</b>

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (27) TRADE RECEIVABLE (Continued)

### 2. Disclosure under the methods of provision for bad debts by category

Category	RMB									
	30 June 2021					31 December 2020				
	Book balance		Provision for bad and doubtful debts			Book balance		Provision for bad and doubtful debts		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	Carrying amount	Amount	Percentage (%)	Amount	Percentage of provision (%)	Carrying amount
Bad debt provision made										
on a collective basis	514,631,052.49	100.00	23,907,704.18	4.65	490,723,348.31	460,379,605.47	100.00	20,902,190.36	4.54	439,477,415.11
Of which:										
Ageing group	514,631,052.49	100.00	23,907,704.18	4.65	490,723,348.31	460,379,605.47	100.00	20,902,190.36	4.54	439,477,415.11
Total	514,631,052.49		23,907,704.18		490,723,348.31	460,379,605.47		20,902,190.36		439,477,415.11

Bad debt provision made on a collective basis:

Provision item made on a collective basis: ageing group

Name	30 June 2021		
	Trade receivable	Provision for bad and doubtful debts	Percentage of provision (%)
Ageing group	514,631,052.49	23,907,704.18	4.65
Total	514,631,052.49	23,907,704.18	4.65

Recognition criteria and description of bad debts provision made on a collective basis:

Bad debt provision will be made on basis of ageing group provided that they have same risk credit characteristics.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (27) TRADE RECEIVABLE (Continued)

### 3. Provision for bad debts

Category	At 31	Increase/decrease during the period			RMB
	December 2020 and at 1 January 2021	Provision	Recovery or reversal	Write-off or cancellation	30 June 2021
Bad debt provision made on a collective basis	20,902,190.36	3,129,020.43	306.61	123,200.00	<b>23,907,704.18</b>
<b>Total</b>	<b>20,902,190.36</b>	<b>3,129,020.43</b>	<b>306.61</b>	<b>123,200.00</b>	<b>23,907,704.18</b>

### 4. Trade receivables written off in the period

Item	RMB Amount written off
Trade receivables written off	123,200.00

### 5. Five largest trade receivable by debtor at the end of the period

Entity name	Book balance	Percentage of balance of trade receivables (%)	Provision for bad and doubtful debts	RMB
Customer 1	50,266,740.00	9.77	–	
Customer 2	38,048,149.39	5.84	266,420.59	
Customer 3	30,062,145.90	4.96	2,360,600.00	
Customer 4	25,526,000.00	4.80	–	
Customer 5	24,677,160.00	4.29	662,474.48	
<b>Total</b>	<b>168,580,195.29</b>	<b>29.66</b>	<b>3,289,495.07</b>	

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (28) PREPAYMENTS

### 1. By ageing

Ageing	RMB			
	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	68,179,962.43	99.99	63,323,232.72	98.79
1 to 2 years	–	–	774,741.86	1.21
2 to 3 years	124.81	0.01	–	–
<b>Total</b>	<b>68,180,087.24</b>	<b>100.00</b>	64,097,974.58	100.00

Reasons for delayed settlement of significant prepayments with an age of over one year:

As of 30 June 2021, there existed no delayed settlement of significant prepayments with an age of over one year.

### 2. Five largest prepayments by debtor at the end of the period

Entity name	Book balance	RMB
		Percentage of balance of prepayments (%)
Supplier 1	26,728,557.80	39.20
Supplier 2	12,645,383.44	18.55
Supplier 3	10,736,129.81	15.75
Supplier 4	3,708,248.00	5.44
Supplier 5	3,492,730.00	5.12
<b>Sub-total</b>	<b>57,311,049.05</b>	<b>84.06</b>

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (29) OTHER RECEIVABLES

Item	30 June 2021	31 December 2020
Other receivables	12,118,329.93	11,752,036.80
Total	12,118,329.93	11,752,036.80

### 1. By ageing

Ageing	RMB 30 June 2021
Within 1 year	8,620,063.41
1 to 2 years	960,918.70
2 to 3 years	14,500.52
Over 3 years	2,522,847.30
Total	12,118,329.93

### 2. By nature

Nature	30 June 2021	31 December 2020
Agency service fees	4,759,044.83	4,274,558.86
Security deposits	4,391,553.41	3,997,313.63
Others	1,984,678.26	2,986,642.36
Reserves	983,053.43	493,521.95
Total	12,118,329.93	11,752,036.80

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (29) OTHER RECEIVABLES (Continued)

### 3. Five largest other receivables by debtor at the end of the period

Entity name	Nature of the receivable	30 June 2021	Ageing	RMB
				Percentage of total other receivables at the end of the period (%)
China Securities Co., Ltd.	Agency service fees	2,830,188.68	Within 1 year	23.35
Shanghai Zhangjiang Culture Holding Co., Ltd (上海張江文化控股有限公司)	Security deposits	2,094,573.99	Within 1 year, 1 to 2 years, 2 to 3 years and over 3 years	17.28
Shanghai Public Transportation Card Corporation	Technical service fee and deposit	1,812,638.23	Within 1 year, 1 to 2 years	14.96
Pan-China Certified Public Accountants LLP	Agency service fees	943,396.23	Within 1 year	7.78
Allbright Law Offices	Agency service fees	754,716.98	Within 1 year	6.23
<b>Total</b>		<b>8,435,514.11</b>		<b>69.60</b>

## (30) INVENTORIES

### 1. Inventories by category

Item	30 June 2021			31 December 2020		
	Book balance	performance cost	Carrying amount	Book balance	performance cost	Carrying amount
Raw materials	145,838,019.04	22,425,887.92	123,412,131.12	251,526,612.46	37,401,327.79	214,125,284.67
Work-in-progress	344,619,236.64	19,387,865.75	325,231,370.89	230,033,037.61	16,309,894.86	213,723,142.75
Finished goods	337,998,571.46	40,654,047.60	297,344,523.86	206,011,872.82	23,262,743.00	182,749,129.82
<b>Total</b>	<b>828,455,827.14</b>	<b>82,467,801.27</b>	<b>745,988,025.87</b>	<b>687,571,522.89</b>	<b>76,973,965.65</b>	<b>610,597,557.24</b>

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (30) INVENTORIES (Continued)

### 2. Provision for impairment of inventory and provision for impairment of contract performance cost

Item	At 31 December 2020 and at 1 January 2021	Increase during the period Provision	Decrease during the period Write-back or write-off	RMB
				30 June 2021
Raw materials	37,401,327.79	–	14,975,439.87	<b>22,425,887.92</b>
Work-in-progress	16,309,894.86	3,077,970.89	–	<b>19,387,865.75</b>
Finished goods	23,262,743.00	19,541,303.62	2,149,999.02	<b>40,654,047.60</b>
<b>Total</b>	<b>76,973,965.65</b>	<b>22,619,274.51</b>	<b>17,125,438.89</b>	<b>82,467,801.27</b>

## (31) OTHER CURRENT ASSETS

Item	RMB	
	30 June 2021	31 December 2020
Deferred expenses	<b>2,049,856.09</b>	1,937,730.12
Credit tax available for deduction	<b>3,622,618.91</b>	753,250.27
Prepayment of corporate income tax	–	462,309.23
<b>Total</b>	<b>5,672,475.00</b>	<b>3,153,289.62</b>

## (32) LONG-TERM EQUITY INVESTMENTS

Investee	31 December 2020	Increase or decrease during the period		30 June 2021
		Investment profit and loss recognized with the equity method	Others	
Associates				
Shanghai West Hongqiao Navigation Technology Co., Ltd.	2,393,689.18	84,431.52	–	<b>2,478,120.70</b>
Shanghai Fukong Hualong Micro-system Technology Co., Ltd.	49,259,701.21	(2,448,607.49)	(0.46)	<b>46,811,093.26</b>
Shanghai Fudan Sci-Tech Park Venture Investment Co., Ltd	18,642,334.13	(135,828.78)	–	<b>18,506,505.35</b>
<b>Total</b>	<b>70,295,724.52</b>	<b>(2,500,004.75)</b>	<b>(0.46)</b>	<b>67,795,719.31</b>

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (33) OTHER EQUITY INSTRUMENT INVESTMENTS

### Other equity instrument investments

Item	RMB	
	30 June 2021	31 December 2020
Shanghai Fudan Communication Co., Ltd.	24,338,819.01	24,338,819.01
Zhejiang Jingchang Electronics Co., Ltd. (浙江京昌電子股份有限公司)	-	-
MuMec, Inc	-	-
Etopus Technology, Inc	3,230,050.00	3,262,450.00
ScaleFlux, Inc	3,230,029.13	3,262,428.92
<b>Total</b>	<b>30,798,898.14</b>	<b>30,863,697.93</b>

## (34) FIXED ASSETS

### Presentation

Item	RMB	
	30 June 2021	31 December 2020
Fixed assets	338,099,114.44	347,588,297.16
<b>Total</b>	<b>338,099,114.44</b>	<b>347,588,297.16</b>

### 1. Fixed assets

Item	RMB				Total
	Buildings and structures	Machinery and equipment	Motor vehicles	Electronics and other Equipment	
Original carrying amount:					
31 December 2020	182,635,968.86	563,442,829.60	9,380,846.21	37,836,436.93	793,296,081.60
Increase during the period	-	24,460,788.23	-	7,838,748.74	32,299,536.97
Additions	-	14,839,503.75	-	7,839,977.97	22,679,481.72
Transfer from construction in progress	-	9,621,284.48	-	-	9,621,284.48
Exchange realignment	-	-	-	(1,229.23)	(1,229.23)
Decrease during the period	-	332,959.77	840,282.08	-	1,173,241.85
Disposal or retirement	-	332,959.77	840,282.08	-	1,173,241.85
<b>30 June 2021</b>	<b>182,635,968.86</b>	<b>587,570,658.06</b>	<b>8,540,564.13</b>	<b>45,675,185.67</b>	<b>824,422,376.72</b>
Accumulated depreciation					
31 December 2020	29,139,510.31	382,065,710.73	8,146,534.05	26,356,029.35	445,707,784.44
Increase during the period	1,971,142.20	39,118,517.18	286,584.60	366,139.81	41,742,383.79
Provision	1,971,142.20	39,118,517.18	286,584.60	367,159.57	41,743,403.55
Exchange realignment	-	-	-	(1,019.76)	(1,019.76)
Decrease during the period	-	328,637.97	798,267.98	-	1,126,905.95
Disposal or retirement	-	328,637.97	798,267.98	-	1,126,905.95
<b>30 June 2021</b>	<b>31,110,652.51</b>	<b>420,855,589.94</b>	<b>7,634,850.67</b>	<b>26,722,169.16</b>	<b>486,323,262.28</b>
Carrying amount					
<b>Carrying amount at 30 June 2021</b>	<b>151,525,316.35</b>	<b>166,704,287.65</b>	<b>905,713.46</b>	<b>18,963,796.98</b>	<b>338,099,114.44</b>
Carrying amount at 31 December 2020	153,496,458.55	181,377,118.87	1,234,312.16	11,480,407.58	347,588,297.16



# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (34) FIXED ASSETS (Continued)

### Presentation (Continued)

#### 2. Fixed assets under operating leases

Item	RMB 30 June 2021
Machinery and equipment	<b>3,121,576.07</b>

## (35) CONSTRUCTION IN PROGRESS

Item	RMB 30 June 2021	31 December 2020
Construction in progress	<b>220,065,552.32</b>	49,269,882.49
Total	<b>220,065,552.32</b>	49,269,882.49

#### 1. Construction in progress

Item	30 June 2021			31 December 2020		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Improvement	4,635,481.61	-	4,635,481.61	8,803,541.24	-	8,803,541.24
Equipment to be commissioned	113,762,826.09	-	113,762,826.09	40,466,341.25	-	40,466,341.25
Office building	101,667,244.62	-	101,667,244.62	-	-	-
Total	<b>220,065,552.32</b>	-	<b>220,065,552.32</b>	49,269,882.49	-	49,269,882.49

#### 2. Changes in key construction-in-progress projects during the period

Name of item	Budget	At 31 December		Increase during the period	30 June 2021	Percentage of accumulated project investment to budget (%)	Source of capital
		2020 and at 1 January 2021	-				
Office building	210,000,000.00	-	101,667,244.62	101,667,244.62	48.41	Self-owned funds and bank loans	
Total	210,000,000.00	-	101,667,244.62	101,667,244.62			

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (36) RIGHT-OF-USE ASSETS

Item	RMB	
	Buildings and structures	Total
Original carrying amount		
31 December 2020	63,368,811.32	63,368,811.32
Increase during the period	12,847,076.53	12,847,076.53
Exchange realignment	(4,743.89)	(4,743.89)
Leases	12,851,820.42	12,851,820.42
<b>30 June 2021</b>	<b>76,215,887.85</b>	<b>76,215,887.85</b>
Accumulated depreciation		
31 December 2020	15,692,504.74	15,692,504.74
Increase during the period	6,306,825.90	6,306,825.90
Provision	6,306,825.90	6,306,825.90
<b>30 June 2021</b>	<b>21,999,330.64</b>	<b>21,999,330.64</b>
Carrying amount		
Carrying amount at 30 June 2021	<b>54,216,557.21</b>	<b>54,216,557.21</b>
Carrying amount at 31 December 2020	47,676,306.58	47,676,306.58

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (37) INTANGIBLE ASSETS

Item	Software use right	Patent technologies	RMB Total
Original carrying amount			
31 December 2020	57,446,702.63	436,523,782.02	493,970,484.65
Increase during the period	20,725,348.92	52,286,586.12	73,011,935.04
Additions	20,725,348.92	–	20,725,348.92
In-house research and development	–	52,286,586.12	52,286,586.12
<b>30 June 2021</b>	<b>78,172,051.55</b>	<b>488,810,368.14</b>	<b>566,982,419.69</b>
Accumulated amortisation			
31 December 2020	29,359,255.64	278,280,314.20	307,639,569.84
Increase during the period	14,672,616.30	34,843,017.10	49,515,633.40
Provision	14,672,616.30	34,843,017.10	49,515,633.40
<b>30 June 2021</b>	<b>44,031,871.94</b>	<b>313,123,331.30</b>	<b>357,155,203.24</b>
31 December 2020	–	69,168,490.57	69,168,490.57
Increase during the period	–	7,402,173.06	7,402,173.06
Provision	–	7,402,173.06	7,402,173.06
<b>30 June 2021</b>	<b>–</b>	<b>76,570,663.63</b>	<b>76,570,663.63</b>
Carrying amount			
Carrying amount at 30 June 2021	<b>34,140,179.61</b>	<b>99,116,373.21</b>	<b>133,256,552.82</b>
Carrying amount at 31 December 2020	28,087,446.99	89,074,977.25	117,162,424.24

At the end of the period, the intangible assets formed through in-house research and development of the Company accounted for 86.21 of the balance of intangible assets

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (38) DEVELOPMENT EXPENSES

RMB

Item	At 31 December 2020 and at 1 January 2021	Increase during the period In-house development expenses	Decrease during the period Recognized as intangible assets	30 June 2021
Security and identification IC chips	14,822,294.29	18,506,487.77	2,886,513.86	<b>30,442,268.20</b>
Non-volatile memory chips	7,313,815.95	7,295,615.99	2,973,639.03	<b>11,635,792.91</b>
Smart Meter chips	26,924,713.21	10,054,548.79	18,456,313.90	<b>18,522,948.10</b>
Other chips	55,814,712.70	19,255,095.71	27,970,119.33	<b>47,099,689.08</b>
Total	104,875,536.15	55,111,748.26	52,286,586.12	<b>107,700,698.29</b>

## (39) LONG-TERM DEFERRED EXPENSES

RMB

Item	At 31 December 2020 and at 1 January 2021	Increase during the period	Amortised during the period	30 June 2021
Improvements	29,039,916.72	9,789,561.29	4,459,432.50	<b>34,370,045.51</b>
Total	29,039,916.72	9,789,561.29	4,459,432.50	<b>34,370,045.51</b>

## (40) DEFERRED INCOME TAX ASSETS/DEFERRED INCOME TAX LIABILITIES

### 1. Deferred income tax assets un-eliminated

RMB

Item	30 June 2021		31 December 2020 and 1 January 2021	
	Deductible temporary differences	Deferred income tax Assets	Deductible temporary differences	Deferred income tax Assets
Provision for impairment	<b>1,710,671.11</b>	<b>256,600.67</b>	1,193,832.16	179,074.82
Government grants received	<b>51,237,079.54</b>	<b>7,685,561.93</b>	55,056,915.10	8,258,537.27
Outstanding expenses	<b>628,766.89</b>	<b>94,315.03</b>	155,100.00	23,265.00
Property leasing	<b>3,291,886.11</b>	<b>493,782.92</b>	2,642,834.86	396,425.23
Unrealised profits from internal transactions	<b>2,734,117.56</b>	<b>410,117.63</b>	1,300,533.19	195,079.98
Total	<b>59,602,521.21</b>	<b>8,940,378.18</b>	60,349,215.31	9,052,382.30

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (40) DEFERRED INCOME TAX ASSETS/DEFERRED INCOME TAX LIABILITIES (Continued)

### 2. Deferred income tax liabilities un-eliminated

Item	30 June 2021		31 December 2020 and 1 January 2021	
	Taxable temporary differences	Deferred income tax Liabilities	Taxable temporary differences	Deferred income tax Liabilities
Fair value change of other equity instrument investments	24,338,819.01	3,650,822.85	24,338,819.01	3,650,822.85
Depreciation of property and equipment	2,156.60	355.84	2,179.15	359.56
<b>Total</b>	<b>24,340,975.61</b>	<b>3,651,178.69</b>	<b>24,340,998.16</b>	<b>3,651,182.41</b>

### 3. Details of unrecognised deferred tax assets

Item	30 June 2021	RMB
		31 December 2020 and 1 January 2021
Deductible temporary differences	380,687,263.58	359,587,403.91
Deductible losses	679,698,921.42	672,642,092.91
<b>Total</b>	<b>1,060,386,185.00</b>	<b>1,032,229,496.82</b>

### 4. Deductible losses that have not recognized for deferred income tax assets will expire in the years as set out below

Year	30 June 2021	RMB
		31 December 2020 and 1 January 2021
2021	671,139.51	671,139.51
2022	1,377,988.63	1,377,988.63
2023	91,786,569.54	91,786,569.54
2024	385,870,689.81	385,870,689.81
2025	199,992,533.93	192,935,705.42
<b>Total</b>	<b>679,698,921.42</b>	<b>672,642,092.91</b>

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (41) OTHER NON-CURRENT ASSETS

Item	30 June 2021			31 December 2020 and 1 January 2021		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Prepayments for software and equipment	2,971,764.00	–	2,971,764.00	6,284,030.00	–	6,284,030.00
<b>Total</b>	<b>2,971,764.00</b>	<b>–</b>	<b>2,971,764.00</b>	<b>6,284,030.00</b>	<b>–</b>	<b>6,284,030.00</b>

## (42) SHORT-TERM BORROWINGS

Item	RMB	
	30 June 2021	At 31 December 2020 and at 1 January 2021
Credit borrowings	49,937,669.72	–
<b>Total</b>	<b>49,937,669.72</b>	<b>–</b>

## (43) TRADE PAYABLES

Item	RMB	
	30 June 2021	At 31 December 2020 and at 1 January 2021
Sale of goods	160,449,705.72	159,595,143.92
<b>Total</b>	<b>160,449,705.72</b>	<b>159,595,143.92</b>

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (44) CONTRACT LIABILITIES

### 1. Contract liabilities

Item	RMB	
	30 June 2021	At 31 December 2020 and at 1 January 2021
Contract payment in advance	<b>141,687,773.72</b>	25,704,513.56
Total	<b>141,687,773.72</b>	25,704,513.56

### 2. The amount of and reason for the significant change in the carrying amount during the reporting period

Item	RMB	
	Amount of change	Reason for change
Contract payment in advance	115,983,260.16	Strong demand in the downstream application market and increasing orders have led to an increase in contract liabilities.
Total	115,983,260.16	

## (45) EMPLOYEE REMUNERATION PAYABLES

### 1. Salaries payable

Item	RMB			30 June 2021
	At 31 December 2020 and at 1 January 2021	Increase during the period	Decrease during the period	
Short-term salaries	114,006,633.61	296,541,938.59	301,460,153.52	<b>109,088,418.68</b>
Post-employment – Defined contribution plan	401,640.58	23,536,870.81	20,033,672.60	<b>3,904,838.79</b>
Termination benefits	12,000.00	–	12,000.00	–
Total	114,420,274.19	320,078,809.40	321,505,826.12	<b>112,993,257.47</b>

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (45) EMPLOYEE REMUNERATION PAYABLES (Continued)

### 2. Short-term salaries

Item	At 31 December			RMB
	2020 and at 1 January 2021	Increase during the period	Decrease during the period	30 June 2021
Salary, bonus, allowances and subsidies	74,073,589.20	268,690,928.16	273,892,809.01	<b>68,871,708.35</b>
Employee welfare	–	1,052,628.57	1,052,628.57	–
Social insurance	1,875,318.33	15,919,510.05	15,716,349.22	<b>2,078,479.16</b>
Including: Medical insurance	1,750,648.82	15,271,221.97	15,162,971.09	<b>1,858,899.70</b>
Work injury	93,036.95	582,409.37	488,216.78	<b>187,229.54</b>
Maternity insurance	31,632.56	65,878.71	65,161.35	<b>32,349.92</b>
Housing fund	1,573,122.67	10,706,684.14	10,571,689.05	<b>1,708,117.76</b>
Union expenses and employees education expenses	36,484,603.41	172,187.67	226,677.67	<b>36,430,113.41</b>
<b>Total</b>	<b>114,006,633.61</b>	<b>296,541,938.59</b>	<b>301,460,153.52</b>	<b>109,088,418.68</b>

### 3. Defined contribution plan

Item				RMB
	31 December 2020	Increase during the period	Decrease during the period	30 June 2021
Basic retirement insurance	310,551.70	22,814,401.63	19,417,654.53	<b>3,707,298.80</b>
Unemployment insurance	91,088.88	722,469.18	616,018.07	<b>197,539.99</b>
<b>Total</b>	<b>401,640.58</b>	<b>23,536,870.81</b>	<b>20,033,672.60</b>	<b>3,904,838.79</b>



# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (46) TAX PAYABLE

Item	30 June 2021	RMB
		At 31 December 2020 and at 1 January 2021
Value-added tax	2,203,683.06	6,995,426.31
Enterprise income tax	3,776,589.40	5,820,370.09
Individual income tax	8,229,081.08	4,757,138.51
City maintenance and construction tax	105,884.70	489,679.84
Education surcharge	45,379.16	209,862.79
Local education surcharge	30,252.77	139,908.52
Stamp duty	30,946.40	18,810.60
Other taxes	411,954.71	–
Total	14,833,771.28	18,431,196.66

## (47) OTHER PAYABLES

Item	30 June 2021	RMB
		At 31 December 2020 and at 1 January 2021
Subproject funds to be paid	–	13,837,600.00
Expenses payable	29,768,965.64	19,223,811.81
Disability deposit	10,011,290.45	10,011,290.45
Others	5,462,260.09	6,747,146.49
Total	45,242,516.18	49,819,848.75

## (48) NON-CURRENT LIABILITIES DUE WITHIN 1 YEAR

Item	30 June 2021	RMB
		At 31 December 2020 and at 1 January 2021
Lease liabilities due within 1 year	13,081,378.99	9,999,817.43
Total	13,081,378.99	9,999,817.43

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (49) OTHER CURRENT LIABILITIES

Item	30 June 2021	RMB
		At 31 December 2020 and at 1 January 2021
Accrued expenses	<b>4,294,723.58</b>	7,950,988.54
Government funding	<b>94,370,000.00</b>	92,210,000.00
Total	<b>98,664,723.58</b>	100,160,988.54

## (50) LEASE LIABILITIES

Item	30 June 2021	RMB
		At 31 December 2020 and at 1 January 2021
House rental	<b>58,063,749.80</b>	50,681,710.90
Less: House rental due within one year	<b>(13,081,378.99)</b>	(9,999,817.43)
Total	<b>44,982,370.81</b>	40,681,893.47

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (51) DEFERRED INCOME

### Deferred income

Item	At 31 December			30 June 2021	Formation reasons
	2020 and at 1 January 2021	Increase during the period	Decrease during the period		
Government subsidy	44,086,888.09	18,864,690.57	34,197,520.90	<b>28,754,057.76</b>	Government funding
<b>Total</b>	<b>44,086,888.09</b>	<b>18,864,690.57</b>	<b>34,197,520.90</b>	<b>28,754,057.76</b>	

### Projects involving government subsidy:

Indebted projects	At 31 December			30 June 2021	Related to assets/ revenue
	2020 and at 1 January 2021	Additional grant during the Period	Amount included in other revenue in the Period		
Government project subsidies for chip design	18,779,972.99	13,750,290.57	22,903,285.34	<b>9,626,978.22</b>	Related to income and assets
Government project subsidies for testing services	25,306,915.10	–	6,179,835.56	<b>19,127,079.54</b>	Related to income
Others subsidies from Government	–	5,114,400.00	5,114,400.00	–	Related to income
<b>Total</b>	<b>44,086,888.09</b>	<b>18,864,690.57</b>	<b>34,197,520.90</b>	<b>28,754,057.76</b>	

## (52) SHARE CAPITAL

	At 31 December		30 June 2021
	2020 and at 1 January 2021	Increase or decrease in the period	
Total shares	69,450,200.00	–	<b>69,450,200.00</b>

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (53) CAPITAL RESERVE

RMB

Item	At 31 December 2020 and at 1 January 2021	Increase during the period	30 June 2021
Capital premium (share capital premium)	545,686,818.38	–	<b>545,686,818.38</b>
Other capital reserve	31,171,848.78	654,615.12	<b>31,826,463.90</b>
<b>Total</b>	<b>576,858,667.16</b>	<b>654,615.12</b>	<b>577,513,282.28</b>

During the reporting period, the capital reserve (Others capital reserve) increased by RMB654,615.12, which is due to the employee equity incentive plan confirming the expenses and others capital reserve in installments during the waiting period.

## (54) OTHER COMPREHENSIVE INCOME

RMB

Item	At 31 December 2020 and at 1 January 2021	Amount for the the period Amount before income tax in the period	Attributable to the Parent Company after tax	30 June 2021
Other comprehensive income that may not be reclassified to profit or loss	11,862,651.39	–	–	<b>11,862,651.39</b>
Changes in fair value of other equity instruments	11,862,651.39	–	–	<b>11,862,651.39</b>
Other comprehensive income that may be reclassified to profit or loss	(2,525,872.42)	(245,740.02)	(245,740.02)	<b>(2,771,612.44)</b>
Exchange differences arising from translation of foreign currency financial statements	(2,525,872.42)	(245,740.02)	(245,740.02)	<b>(2,771,612.44)</b>
<b>Total other comprehensive income</b>	<b>9,336,778.97</b>	<b>(245,740.02)</b>	<b>(245,740.02)</b>	<b>9,091,038.95</b>

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (55) SURPLUS RESERVE

Item	RMB	
	At 31 December 2020 and at 1 January 2021	30 June 2021
Statutory surplus reserve	35,478,142.63	<b>35,478,142.63</b>
Total	35,478,142.63	<b>35,478,142.63</b>

## (56) UNDISTRIBUTED PROFITS

Item	RMB	
	Half-year ended 30 June 2021	Year ended 31 December 2020
Closing balance of undistributed profits for the prior period before adjustment	<b>1,239,128,570.38</b>	1,106,260,647.27
Adjustment to opening balance of total undistributed profits	–	–
Opening balance of undistributed profits after adjustment	<b>1,239,128,570.38</b>	1,106,260,647.27
Add: net profits attributable to owners of the Parent Company for the current period	<b>194,343,292.11</b>	132,867,923.11
Closing balance of undistributed profits	<b>1,433,471,862.49</b>	1,239,128,570.38

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (57) OPERATING INCOME AND OPERATING COST

### 1. Operating income and operating cost

Item	Half-year ended 30 June				RMB
	2021		2020		
	Income	Cost	Income	Cost	
Principal businesses	<b>1,116,027,019.47</b>	<b>502,140,732.66</b>	716,280,066.37	383,902,407.74	
Other businesses	<b>12,636,974.96</b>	<b>3,210,940.27</b>	6,993,883.01	1,821,344.30	
<b>Total</b>	<b>1,128,663,994.43</b>	<b>505,351,672.93</b>	723,273,949.38	385,723,752.04	

### 2. Income generated from contracts

Contract classification	Design and sales of	Integrated Circuit	Total	RMB
	integrated circuits	Testing Service		
Types of product				
Security and Identification IC				
Chips	373,194,793.94	–	373,194,793.94	
Smart meter chip	99,168,332.71	–	99,168,332.71	
Non-volatile Memory Chips	363,992,488.12	–	363,992,488.12	
FPGA and other chips	171,326,102.70		171,326,102.70	
Integrated Circuit Testing Service	–	108,345,302.00	108,345,302.00	
<b>Total</b>	<b>1,007,681,717.47</b>	<b>108,345,302.00</b>	<b>1,116,027,019.47</b>	

## (58) TAX AND SURCHARGES

Item	Half-year ended 30 June		RMB
	2021	2020	
City maintenance and construction tax	<b>1,724,809.59</b>	1,418,398.68	
Education surcharge	<b>782,514.15</b>	607,885.14	
Property tax	<b>776,880.10</b>	720,324.88	
Land use tax	<b>6,950.88</b>	6,097.95	
Vehicle and vessel use tax	<b>1,680.00</b>	3,360.00	
Stamp duty	<b>150,944.60</b>	832,830.80	
Local education surcharge	<b>490,095.86</b>	405,256.77	
<b>Total</b>	<b>3,933,875.18</b>	<b>3,994,154.22</b>	

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (59) SELLING AND DISTRIBUTION EXPENSES

Item	RMB	
	Half-year ended 30 June 2021	2020
Employee remuneration	50,615,274.03	33,622,534.26
Property rental expenses	659,663.54	1,465,717.99
Consulting service fee	1,567,424.14	458,355.26
Office expenses	2,334,910.95	1,897,387.36
Sample expenses	3,175,641.96	435,383.95
Transportation and travel expenses	3,178,364.92	1,733,108.12
Business promotion expenses	17,481.13	149,235.92
Entertainment expenses	3,333,686.37	2,578,179.69
Transportation costs	4,833,468.59	2,289,059.43
Depreciation and amortization	1,977,061.86	306,734.52
Others	226,161.09	481,207.41
Total	71,929,138.58	45,416,903.91

## (60) ADMINISTRATIVE EXPENSES

Item	RMB	
	Half-year ended 30 June 2021	2020
Employee remuneration	27,063,097.64	20,814,003.78
Repairs and maintenance	2,049,641.09	1,292,590.88
Depreciation and amortization	4,564,451.84	7,515,061.41
Consulting service fee	3,278,019.72	3,652,176.66
Office expenses	5,263,558.18	8,047,505.44
Travelling expenses	1,398,338.88	741,767.17
Entertainment expenses	1,872,931.73	1,174,819.40
Security fund for the disabled	55.85	1,163,228.65
Staff union funds	–	3,675,647.38
Others	1,678,267.05	1,211,474.37
Total	47,168,361.98	49,288,275.14

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (61) RESEARCH AND DEVELOPMENT EXPENSES

Item	RMB	
	Half-year ended 30 June	
	2021	2020
Employee remuneration	165,879,578.32	133,844,214.43
Material and processing expenses	73,846,685.70	34,821,556.84
Depreciation and amortization	58,781,012.95	36,171,761.99
Technical services expenses	2,816,251.23	4,866,761.65
Office expenses	1,426,597.50	3,893,721.29
Travel expenses	654,621.73	299,239.68
Others	2,605,701.58	1,584,898.47
<b>Total</b>	<b>306,010,449.01</b>	<b>215,482,154.35</b>

## (62) FINANCIAL EXPENSES

Item	RMB	
	Half-year ended 30 June	
	2021	2020
Interest expense	266,336.21	15,638.15
Less: interest income	(3,057,453.39)	(3,631,202.98)
Exchange gains and losses	1,228,755.12	(372,101.13)
Handling fee	211,983.76	255,186.36
Interest on lease liabilities	1,409,854.41	1,159,847.38
<b>Total</b>	<b>59,476.11</b>	<b>(2,572,632.22)</b>

## (63) OTHER GAINS

Item	RMB	
	Half-year ended 30 June	
	2021	2020
Government grants (Note)	36,551,616.53	45,198,399.77
Tax return	6,178,249.39	5,507,883.60
Refund of handling fees for withholding individual income taxes	767,764.59	594,084.65
<b>Total</b>	<b>43,497,630.51</b>	<b>51,300,368.02</b>

Note: Details of government grants included in other gains are set out in notes of the financial statements.



# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (64) INVESTMENT LOSS

Item	RMB	
	Half-year ended 30 June 2021	2020
Return on long-term equity investments accounted with the equity method	(2,500,004.75)	(1,167,272.99)
Total	(2,500,004.75)	(1,167,272.99)

## (65) CREDIT IMPAIRMENT LOSS

Item	RMB	
	Half-year ended 30 June 2021	2020
Reversal of loss on bad debts of notes receivable	1,087,168.67	913,800.00
Loss on bad debts of accounts receivable	(3,129,020.43)	(2,828,605.04)
Total	(2,041,851.76)	(1,914,805.04)

## (66) ASSET IMPAIRMENT LOSS

Item	RMB	
	Half-year ended 30 June 2021	2020
Inventory depreciation loss and impairment loss on contract performance cost	(7,956,389.75)	(1,903,339.91)
Impairment loss on intangible assets	(7,402,173.06)	–
Total	(15,358,562.81)	(1,903,339.91)

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (67) GAIN ON DISPOSAL OF ASSETS

Item	RMB	
	Half-year ended 30 June 2021	2020
Gain on disposal of fixed assets	177,025.39	19,900.17
Total	177,025.39	19,900.17

## (68) NON-OPERATING INCOME

Item	RMB		
	Half-year ended 30 June 2021	2020	Amount included in current non-recurring profit or loss
Compensation and overdue fine	1,974.35	–	1,974.35
Total	1,974.35	–	1,974.35

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (69) INCOME TAX EXPENSES

### 1. Table of income tax expenses

Item	RMB	
	Half-year ended 30 June 2021	2020
Current income tax expense	<b>6,832,818.17</b>	3,831,091.64
Deferred income tax expense	<b>(542,079.42)</b>	(158,403.20)
Total	<b>6,290,738.75</b>	3,672,688.44

### 2. Reconciliation of accounting profits and income tax

Item	RMB
	Half-year ended 30 June 2021
Total profits	<b>217,983,282.87</b>
Income tax expense calculated at statutory/applicable tax rate	<b>32,697,492.43</b>
Impact of different tax rates applied to subsidiaries	<b>(745,391.99)</b>
Impact of non-deductible costs, expenses and losses	<b>2,861,537.77</b>
Effect of deductible temporary differences or deductible losses that have not recognized for deferred income tax assets during the period	<b>2,086,573.54</b>
Additional deductible expenses required by tax law	<b>(30,614,641.07)</b>
Withholding income tax on foreign income	<b>5,168.08</b>
Income tax expense	<b>6,290,738.75</b>

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (70) ITEMS IN THE CASH FLOW STATEMENT

### 1. Other cash receipts relating to operating activities

Item	RMB	
	Half-year ended 30 June 2021	2020
Subsidy received	21,940,764.49	33,882,284.50
Current interest income	705,449.02	956,628.29
Others	–	1,476,850.10
<b>Total</b>	<b>22,646,213.51</b>	<b>36,315,762.89</b>

### 2. Other cash payments relating to operating activities

Item	RMB	
	Half-year ended 30 June 2021	2020
Disbursement of sub-project funds	13,837,600.00	20,432,700.00
Cash out	76,983,981.77	46,085,975.31
Others	–	365,687.06
<b>Total</b>	<b>90,821,581.77</b>	<b>66,884,362.37</b>

### 3. Other cash receipts relating to investment activities

Item	RMB	
	Half-year ended 30 June 2021	2020
Fixed interest	2,352,004.37	2,674,574.69
<b>Total</b>	<b>2,352,004.37</b>	<b>2,674,574.69</b>

## (71) OTHER CASH PAYMENTS RELATING TO FINANCING ACTIVITIES

Item	RMB	
	Half-year ended 30 June 2021	2020
Rent and interest paid	7,193,442.74	–
<b>Total</b>	<b>7,193,442.74</b>	<b>–</b>

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (72) SUPPLEMENTARY INFORMATION OF THE CASH FLOW STATEMENT

### 1. Supplementary information of the cash flow statement

Supplementary information	RMB	
	Half-year ended 30 June 2021	2020
<b>Net profit adjusted to cash flows of operating activities:</b>		
Net profit	211,692,544.12	68,603,503.75
Add: Provision for impairment of assets	17,400,414.57	3,818,144.95
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	48,049,209.69	45,370,978.34
Amortization of intangible assets	49,515,633.40	28,545,573.57
Amortization of long-term deferred expenses	4,459,432.50	6,361,566.52
Losses from disposal of fixed assets, intangible assets and other long-term assets	(177,025.39)	(19,900.17)
Finance expenses	1,495,091.33	(2,658,936.54)
Investment losses	2,500,004.75	1,167,272.99
Decrease in deferred income tax assets	112,004.12	(158,403.20)
Increase in deferred income tax liabilities	(3.72)	–
Decrease in inventories	(135,390,468.63)	(11,071,971.79)
Decrease in operating receivables	(80,605,075.95)	(68,678,353.81)
Increase in operating payables	116,680,738.08	1,063,170.93
Net cash flows from operating activities	235,732,498.87	72,342,645.54
<b>Net changes in cash and cash equivalents:</b>		
Closing balance of cash	207,877,966.90	300,859,785.38
Less: Opening balance of cash	279,369,367.09	268,055,358.23
Net increase in cash and cash equivalents	(71,491,400.19)	32,804,427.15

### 2. Cash and cash equivalents composition

Item	RMB	
	Half-year ended 30 June 2021	2020
Cash		
Including: Cash on hand	14,877.47	67,930.43
Bank deposits readily available for payment	207,805,811.80	279,244,159.03
Other cash readily available for payment	57,277.63	57,277.63
Closing balance of cash and cash equivalents	207,877,966.90	279,369,367.09

Note: Closing balance of cash and cash equivalents in the cash flow statement at the end of June 2021 is RMB207,877,966.90, and the closing balance of monetary funds on the balance sheet is RMB395,112,863.82, with a difference of RMB187,234,896.92, which is due to the fact that the RMB187,234,896.92 of fixed deposits and interest that do not meet the definition of cash and cash equivalents were deducted from “balance of cash and cash equivalents at the end of the period” in cash flow statement.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (73) MONETARY ASSETS IN FOREIGN CURRENCY

Item	Balance in foreign currency as at 30 June 2021	Conversion rate	Dollar
			Balance converted to RMB as at 30 June 2021
Cash			
Including: USD	8,730,650.78	6.4601	56,400,877.10
Hong Kong Dollar	12,935,343.76	0.8321	10,763,240.84
Taiwan Dollar	918,590.00	0.2255	207,136.23
Singapore Dollar	32,500.83	4.8427	157,391.96
Accounts receivable			
Including: USD	8,749,452.84	6.4601	56,522,340.29
Hong Kong Dollar	5,317,721.82	0.8321	4,424,769.97
Accounts receivable			
Including: USD	4,356,102.00	6.4601	28,140,854.53
Hong Kong Dollar	187,706.24	0.8321	156,186.61

## (74) GOVERNMENT GRANTS

### Information about government grants

Category	Amount	Item presented	RMB
			Amount included in the current profit or loss
Government project subsidies for chip design	22,903,285.34	Other gains	22,903,285.34
Government project subsidies for testing services	6,179,835.56	Other gains	6,179,835.56
Other government subsidies	7,468,495.63	Other gains	7,468,495.63
Total	36,551,616.53		36,551,616.53

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (75) INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

#### (a) Composition of the Group

Name of subsidiaries	Operating place	Registered place	Business nature	Shareholding percentage (%)		
				Direct	Indirect	Manner
Beijing Fudan Microelectronics Technology Co., Ltd.	Beijing	Beijing	Technology development, software service	100.00	–	Newly established
Shenzhen Fudan Microelectronics Company Limited	Shenzhen	Shenzhen	Chip sales	100.00	–	Newly established
Shanghai Fudan Microelectronics (Hong Kong) Limited	Hong Kong	Hong Kong	Chip sales	100.00	–	Newly established
Fudan Microelectronics (USA) Inc.	USA	USA	Exploring the North American market and foreign investment	–	100.00	Newly established
Sino IC Technology Co., Ltd.	Shanghai	Shanghai	Chip test	50.29	–	Newly established

#### (b) Significant non-wholly-owned subsidiaries

Name of subsidiaries	Minority shareholders' shareholding proportion (%)	Profits and loss attributable to the minority shareholders in the current period	The dividends declared to distribute to the minority shareholders in the current period	RMB
				<b>Balance of minority interests as at 30 June 2021</b>
Sino IC Technology Co., Ltd.	49.71	17,349,252.01	–	<b>199,148,163.28</b>

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (75) INTERESTS IN OTHER ENTITIES *(Continued)*

### 1. Interests in subsidiaries *(Continued)*

#### (c) *Main financial information for significant non-wholly-owned subsidiaries*

Sino IC Technology Co., Ltd.

Item	RMB	
	30 June 2021	31 December 2020
Current assets	<b>271,391,732.30</b>	287,267,031.28
Non-current assets	<b>240,683,338.91</b>	204,047,305.46
Total assets	<b>512,075,071.21</b>	491,314,336.74
Current liabilities	<b>58,479,691.70</b>	72,053,299.93
Non-current liabilities	<b>48,940,807.06</b>	52,241,511.33
Total liabilities	<b>107,420,498.76</b>	124,294,811.26

Item	RMB	
	Half-year ended 30 June 2021	2020
Operating income	<b>128,020,918.20</b>	78,517,492.05
Net profit	<b>37,635,046.97</b>	17,062,273.45
Total comprehensive income	<b>37,635,046.97</b>	17,062,273.45
Cash flow from operating activities	<b>48,784,313.79</b>	16,372,473.20



# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (75) INTERESTS IN OTHER ENTITIES *(Continued)*

### 2. Interests in joint ventures or associates

#### (a) Significant joint ventures or associates

Name of joint venture or associated company	Place of		Nature of business	Shareholding percentage (%)		Accounting treatment method on investment in joint venture or associates
	principal operation	Place of registration		Direct	Indirect	
Associates						
Shanghai Fukong Hualong Microsystem Technology Co., Ltd.	Shanghai	Shanghai	Chip design	21.25	–	Accounting by the equity method
Shanghai West Hongqiao Navigation Technology Co., Ltd.	Shanghai	Shanghai	satellite navigation	10.00	–	Accounting by the equity method
Shanghai Fudan Sci-Tech Park Venture Investment Co., Ltd	Shanghai	Shanghai	Equity investment	20.00	–	Accounting by the equity method

The basis of holding less than 20% voting powers but with significant influence, or the basis of holding 20% or more voting powers but with insignificant influence:

According to the articles of association of Shanghai West Hongqiao Navigation Technology Co., Ltd., the Company owns one of its seven director seats and is able to participate in its major business decisions and therefore has a significant impact on it.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (75) INTERESTS IN OTHER ENTITIES *(Continued)*

### 2. Interests in joint ventures or associates *(Continued)*

#### *(b) Major financial information of significant associates*

	30 June 2021/Half-year ended 30 June 2021		31 December 2020/Half-year ended 30 June 2020	
	Shanghai Fukong Hualong Microsystem Technology Co., Ltd.	Shanghai West Hongqiao Navigation Technology Co., Ltd.	Shanghai Fukong Hualong Microsystem Technology Co., Ltd.	Shanghai West Hongqiao Navigation Technology Co., Ltd.
Current assets	95,320,516.96	51,332,409.03	112,656,387.31	64,116,178.45
Non-current assets	13,669,536.32	4,569,008.19	16,010,502.66	2,885,984.22
<b>Total assets</b>	<b>108,990,053.28</b>	<b>55,901,417.22</b>	128,666,889.97	67,002,162.67
Current liabilities	(3,714,860.89)	7,270,794.44	5,359,117.02	8,642,002.72
Non-current liabilities	9,750,000.00	23,846,103.76	8,830,000.00	34,419,956.16
<b>Total liabilities</b>	<b>6,035,139.11</b>	<b>31,116,898.20</b>	14,189,117.02	43,061,958.88
Equity attributable to shareholders of the parent company	102,954,914.17	24,784,519.02	114,477,772.95	23,940,203.79
Share of net assets calculated according to shareholding ratio	21,877,919.26	2,478,451.90	24,326,526.75	2,394,020.38
Adjustment:	–	(331.20)	–	(331.20)
– Others	–	(331.20)	–	(331.20)
Book value of equity investment in associates	21,877,919.26	2,478,120.70	24,326,526.75	2,393,689.18
Operating income	6,400,708.02	7,191,519.48	17,970,282.59	1,130,419.07
Net profit	(11,522,858.78)	844,315.23	1,461,041.16	109,744.00
Total comprehensive income	(11,522,858.78)	844,315.23	1,461,041.16	109,744.00



# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (76) RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company manages its risks with the objectives of balancing risks and return, minimizing the adverse effect of risks on the Company's operating results, and maximizing the benefits to shareholders and other equity owners. Based on such risk management objectives, the basic risk management strategies of the Company are to identify and analyze various risks the Company being exposed to, establish suitable risk tolerance limits and control the risks within a limited extent by monitoring them in a timely and reliable manner.

The financial instruments of the Company are primarily subjected to credit risk, liquidity risk and market risk in daily activities. The management has reviewed and approved the policies to manage these risks, a summary of which is set out as below:

### 1. Credit Risk

Credit risk refers to the risk of financial loss incurred by a party of the financial instrument arising from the non-performance of the other party.

#### (a) *Credit risk management practices*

##### (i) *Credit risk assessment method*

The Company assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Company takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data, external credit risk rating and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Company compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative and qualitative criteria have been met:

- 1) Quantitative criteria are mainly that the probability of default of the remaining duration of the balance sheet date rises by more than a certain proportion compared with the initial recognition;
- 2) Qualitative criteria include major adverse changes in the debtor's business or financial situation, existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (76) RISKS RELATED TO FINANCIAL INSTRUMENTS *(Continued)*

### 1. Credit Risk *(Continued)*

#### (a) Credit risk management practices *(Continued)*

##### (ii) Definition of default and credit-impaired financial asset

When a financial instrument meets one or more of the following conditions, the Company considers the financial asset to be in default, and the criteria are consistent with the definition of credit-impaired assets:

- 1) Major financial difficulties occur to the debtor;
- 2) The debtor breaches the restrictive clauses on the debtor under the contract;
- 3) The debtor is likely to go bankrupt or undergo other financial restructuring;
- 4) The creditor gives the debtor concessions in no other case for economic or contractual considerations related to the debtor's financial difficulties.

#### b) Measurement of expected credit losses

The key parameters for the measurement of expected credit losses include default probability, default loss rate and default risk exposure. Considering the quantitative analysis and forward-looking information of historical statistical data (such as counterparty ratings, guarantees and collateral types, repayment methods), the Company establishes a default probability, default loss rate and default risk exposure model.

- c) For details of reconciliation of the balances of allowances for losses on financial instruments at the opening and the closing periods, please refer to notes 4,5 and 8 of the financial statements.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (76) RISKS RELATED TO FINANCIAL INSTRUMENTS *(Continued)*

### 1. Credit Risk *(Continued)*

#### d) *Credit risk exposure and credit risk concentration*

The credit risk of the Company is primarily from cash and trade receivables. The Company has adopted the following measures to control such risk.

##### (1) *Cash*

The Company will deposit its money and other cash with high-credit financial institutions, so its credit risk is very low.

##### (2) *Trade receivables*

The Company will regularly assess the credit of customers transacting in the method of credit. Based on the credit evaluation result, the Company only enters into transaction with recognized customers with good credit worthiness and adopts monitoring and control on the balance of the trade receivables, so as to ensure that the Company will not be exposed to significant bad debt risk.

As the Company's risk in respect of trade receivables are distributed among a large number of counterparties and customers, as of 30 June 2021, 34.37% (31 December 2020:26.13%) of the Company's trade receivables were derived from the five largest customers, and the Company did not have material concentrated credit risk.

The maximum credit risk exposure to the Company is the carrying amount of each financial asset presented in the balance sheet.



# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (76) RISKS RELATED TO FINANCIAL INSTRUMENTS *(Continued)*

### 3. Market Risk

Market risk refers to the risk of fluctuation in fair value or future cash flows of a financial instrument due to changes in market prices. Market risk comprises primarily of interest rate risk and exchange risk.

#### *a) Interest rate risk*

Interest rate risk refers to the risk of fluctuation in fair value or future cash flows of a financial instrument due to changes in market rates. Interest-bearing financial instruments with fixed interest rates expose the Company to fair value interest rate risk, and interest-bearing financial instruments with floating interest rates expose the Company to cash flow interest rate risk. The Company determines the ratio of fixed rate and floating-rate financial instruments according to the market environment, and maintains an appropriate portfolio of financial instruments through regular review and monitoring.

#### *b) Exchange risk*

Exchange risk refers to the risk of fluctuation of the financial instruments' fair value or future cash flow arising from changes in exchange rate. The risk of exchange rate changes faced by the Company is mainly related to the Company's foreign currency monetary assets and liabilities. The Company operates in Mainland China, and its activities are mainly denominated in RMB. Therefore, the Company's exposure to market risk of changes in exchange rate is insignificant.

For details of the Company's financial assets denominated and financial liabilities denominated in foreign currencies, please refer to note of the financial statements.



# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (77) DISCLOSURE OF FAIR VALUE

### 1. Fair value of assets and liabilities measured at fair value, at the end of the period

RMB

Item	Fair value as at 30 June 2021			Total
	Fair value measured at level 1	Fair value measured at level 2	Fair value measured at level 3	
Others equity instrument investment measured at continuous fair value				
Shanghai Fudan Communication Company Limited	–	–	24,338,819.01	24,338,819.01
Etopus Technology, Inc.	–	–	3,230,050.00	3,230,050.00
ScaleFlux, Inc.	–	–	3,230,029.13	3,230,029.13

### 2. Qualitative and quantitative data on the valuation techniques used and important parameters for continuous and non-continuous third-level fair value measurement projects

Item	Valuation technique	Unobservable inputs	Range
Shanghai Fudan Communication Company Limited	Cash flow model	Sustainable growth rate	3%
		Discount rate	14%
		Liquidity discount	30%

## (78) RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### 1. Information on the Company's joint ventures and associated enterprises

Information on other joint ventures or associated enterprises, which have made a related party transaction with the Company in the period, or previously with balances being formed, are as follows:

Name of the joint venture or associated company	Relationship with the Company
Shanghai Fukong Hualong Microsystem Technology Co., Ltd.	Associates of the Company

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (78) RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### 2. Information on other related parties

Name of other related party	Relationship between the other related party with the Company
Fudan University	Shareholders who indirectly hold more than 5% of the Company's shares
Shanghai Fudan Communication Company Limited	Company directly controlled by major shareholders
Shanghai Fudan Sci-Tech Park Venture Investment Co., Ltd	Company with related natural persons serving as its director

### 3. Information on related party transactions

#### (a) *Related party transactions on purchase or sale of goods and provision or acceptance of services*

Purchase of goods/Labour rendered

RMB

Related party	Content of related party transactions	Half-year ended 30 June	
		2021	2020
Fudan University	Labour rendered	<b>1,300,450.00</b>	29,086.76
Shanghai Fudan Sci-Tech. Park Venture Investment Co., Ltd	Labour rendered	<b>353,377.80</b>	553,788.77
Shanghai Fukong Hualong Microsystem Technology Co., Ltd.	Labour rendered	<b>1,409,284.00</b>	(1,259,264.48)

Sale of goods/Provision of labour

RMB

Related party	Content of related party transactions	Half-year ended 30 June	
		2021	2020
Fudan University	Provision of labour	<b>2,075,471.69</b>	1,297,169.81
Shanghai Fudan Communication Company Limited	Sale of goods	<b>51,782,155.73</b>	3,223,376.10
Shanghai Fukong Hualong Microsystem Technology Co., Ltd.	Sale of goods	<b>30,280.08</b>	734,230.09

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (78) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 3. Information on related party transactions (Continued)

#### (b) Leases with related parties

The Company acts as a lessee:

Name of lessor	Type of leased assets	RMB	
		Half-year ended 30 June 2021	2020
Shanghai Fudan Sci-Tech Park Venture Investment Co., Ltd	workplace	536,206.60	536,206.60

#### (c) Compensation to key management personnel

Item	RMB	
	Half-year ended 30 June 2021	2020
Compensation to key management personnel	981.45	726.47

#### (d) Amount due from related party

Items receivable

Item	Related party	30 June 2021		31 December 2020	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Bills receivable	Shanghai Fudan Communication Company Limited	13,253,256.20	-	-	-
Others receivables	Shanghai Fudan Sci-Tech Park Venture Investment Co., Ltd	116,883.49	-	328,365.98	-
Sub-total		13,370,139.69	-	328,365.98	-

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (78) RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### 3. Information on related party transactions *(Continued)*

#### (d) Amount due from related party *(Continued)*

Items payable

		RMB	
Item	Related party	30 June 2021	31 December 2020
Trade payables	Shanghai Fukong Hualong Microsystem Technology Co., Ltd.	1,375,067.50	–
Contract liabilities	Fudan University	2,570,569.80	2,075,471.69
Contract liabilities	Shanghai Fudan Communication Company Limited	33,877,068.75	2,394,825.00
Sub-total		37,822,706.05	4,470,296.69

## (79) GENERAL INFORMATION OF SHARE-BASED PAYMENT

### 1. General information of share-based payment

	RMB
Range of exercise price and remaining contract terms in respect of share options outstanding at the end of the period of the Company	237 days remaining
Range of exercise price and remaining contract terms in respect of other equity instruments outstanding at the end of the period of the Company	Nil

### 2. Equity settled share-based payments

	RMB
Method for determining the fair value as at the grant date	Nil
Basis for determining the number of equity instruments with exercisable rights	No exercise in the current period
Reasons for significant differences of estimate between the current period and the previous period	Nil
Cumulative amount of equity settled share-based payment recognized into capital reserves	3,352,642.07
Total recognized fees of share-based payment settled in equity in the current period	654,615.12

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (80) SEGMENT INFORMATION

### 1. Determining basis and accounting policies of reporting segments

The Company determines the report distribution based on the internal organizational structure and management requirements, and divides two business segments based on different products and services: the design and sales integrated circuit segment (hereinafter referred to as the design segment) and the integrated circuit testing service segment (hereinafter referred to as the test division), and evaluate the operating performance of each segment. The assets and liabilities commonly used by each segment are matched between different segments in accordance with the scale of the proportion.

### 2. Financial information of the reporting segment

Item	Design Division	Test Division	RMB	
			Eliminations among segments	Total
Income from principal businesses	1,007,681,717.47	127,928,947.75	19,583,645.75	1,116,027,019.47
Cost of principal businesses	469,081,489.58	52,642,888.83	19,583,645.75	502,140,732.66
Total assets	2,532,471,136.90	512,075,071.21	6,115,114.56	3,038,431,093.55
Total liabilities	612,973,019.72	107,420,498.76	6,115,114.56	714,278,403.92

## (81) NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

### 1. Accounts receivable

#### (a) Disclosure by aging

Account age	RMB 30 June 2021
Within one year including: Items within 1 year	
0-6 months	303,006,898.28
6-9 months	28,209,741.99
9-12 months	66,992,496.07
Sub-total of items within 1 year	398,209,136.34
1 to 2 years	25,415,930.80
2 to 3 years	23,704,907.29
3 to 4 years	43,136,522.01
Total	490,466,496.44

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (81) NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 1. Accounts receivable (Continued)

#### (b) Disclosure by allotment method of bad debt

Type	RMB									
	30 June 2021					31 December 2020				
	Carrying amount		Bad debt provision			Carrying amount		Bad debt provision		
	Percentage		Percentage			Percentage		Percentage		
	Amount	(%)	Amount	(%)	Book value	Amount	(%)	Amount	(%)	Book value
Accounts receivable with individual accrual										
Accounts receivable with accruing bad debt provision in credit risk characteristic portfolio	490,466,496.44	100.00	21,646,871.52	4.41	468,819,624.92	467,929,707.03	100.00	19,433,890.04	4.15	448,495,816.99
Including: aging portfolio	490,466,496.44	100.00	21,646,871.52	4.41	468,819,624.92	467,929,707.03	100.00	19,433,890.04	4.15	448,495,816.99
Total	490,466,496.44		21,646,871.52		468,819,624.92	467,929,707.03		19,433,890.04		448,495,816.99

Bad debt provision on group basis:

Items provided on a group basis: aging group

Item	30 June 2021		
	Accounts receivable	Bad debt provision	Provision ratio (%)
Aging group	490,466,496.44	21,646,871.52	4.41
Total	490,466,496.44	21,646,871.52	4.41

Recognition standard and description of provision for bad debts made on a group basis:

The risk and credit characteristics are the same, and provision for bad debts is made based on a group basis.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (81) NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

### 1. Accounts receivable *(Continued)*

#### (c) Bad debt provision

Category	31 December 2020	Provision	Change for the Period			30 June 2021
			Recovered or reversed	Write-off or cancellation	Other changes	
Bad debt provision on a group basis	19,433,890.04	744,681.16	-	-	-	21,646,871.52
Total	19,433,890.04	744,681.16	-	-	-	21,646,871.52

#### (d) Accounts receivable with the top five closing balances collected as per the borrowers

Name of entity	Book balance	Percentage to trade Receivables balance	
		(%)	Bad debt provision
Customer 1	50,266,740.00	10.25	-
Customer 2	38,048,149.39	7.76	-
Customer 3	30,062,145.90	6.13	266,420.59
Customer 4	25,526,000.00	5.20	2,360,600.00
Customer 5	24,677,160.00	5.03	-
Sub-total	168,580,195.29	34.37	2,627,020.59

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (81) NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

### 2. Other receivables

Item	30 June 2021	31 December 2020
Interest receivable		
Dividend receivable		
Receivables	<b>9,488,524.19</b>	8,948,048.14
<b>Total</b>	<b>9,488,524.19</b>	8,948,048.14

#### (a) *Disclosure by aging*

Age	30 June 2021
Within 1 year	<b>7,856,047.62</b>
1-2 years	<b>351,912.30</b>
2-3 years	<b>14,500.52</b>
more than 3 years	<b>1,266,063.75</b>
<b>Total</b>	<b>9,488,524.19</b>

#### (b) *Classified by the nature*

Nature	30 June 2021	31 December 2020
Agency service fee	<b>4,741,044.83</b>	4,274,558.86
Others	<b>1,711,767.10</b>	2,280,734.51
Deposit margin	<b>2,052,658.83</b>	1,899,232.82
Reserve fund	<b>983,053.43</b>	493,521.95
<b>Total</b>	<b>9,488,524.19</b>	8,948,048.14



# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (81) NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

### 2. Other receivables *(Continued)*

#### (c) Other receivables from the top five debtors by closing balance

Name of entity	Nature	30 June 2021	Age	Percentage in the balance of other receivables (%)	RMB Closing balance of bad debt provision
China Securities Co., Ltd.	Agency service fee	<b>2,830,188.68</b>	Within 1 year	29.83	–
Shanghai Public Traffic Card Co., Ltd. (上海公共交通卡股份有限公司)	Technical service fee, deposit	<b>1,812,638.23</b>	Within 1 year, 1-2 years	19.10	–
Pan China Certified Public Accountants LLP	Agency service fee	<b>943,396.23</b>	Within 1 year	9.94	–
Shanghai AllBright Law Offices	Agency service fee	<b>754,716.98</b>	Within 1 year	7.95	–
Shanghai Ganda Economic and Technological Development Co., Ltd. (上海乾達經濟技術開發有限公司)	Deposit margin	<b>737,117.50</b>	Within 1 year, 2-3 years and more than 3 years	7.77	–
<b>Total</b>		<b>7,078,057.62</b>		<b>74.59</b>	<b>–</b>

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (81) NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 3. Long-term equity investment

Item	30 June 2021			31 December 2020		
	Carrying balance	Impairment provisions	Book value	Carrying balance	Impairment provisions	Book value
Investments in subsidiaries	67,490,207.13	7,103,833.69	60,386,373.44	67,490,207.13	7,103,833.69	60,386,373.44
Investments in associates and joint ventures	42,862,545.31	-	42,862,545.31	45,362,550.06	-	45,362,550.06
Total	110,352,752.44	7,103,833.69	103,248,918.75	112,852,757.19	7,103,833.69	105,748,923.50

#### (a) Investments in subsidiaries

Investee	31 December 2020	30 June 2021	RMB
			Balance of impairment provision as at 30 June 2021
Sino IC Technology Co., Ltd.	25,146,906.64	25,146,906.64	-
Shanghai Fudan Microelectronics (Hong Kong) Limited	27,343,300.49	27,343,300.49	-
Shenzhen Fudan Microelectronics Company Limited	5,000,000.00	5,000,000.00	-
Beijing Fudan Microelectronics Technology Co., Ltd.	2,896,166.31	2,896,166.31	7,103,833.69
Total	60,386,373.44	60,386,373.44	7,103,833.69



# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (81) NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 4. Operating revenue and operating costs (Continued)

#### (b) Contract revenue

Contract classification	Design and sales of integrated circuits	RMB
		Total
Types of Product		
Security and Identification IC Chips	372,993,851.04	372,993,851.04
Smart meter chip	99,168,332.71	99,168,332.71
Non-volatile Memory Chips	354,962,102.53	354,962,102.53
FPGA and other chips	171,326,102.70	171,326,102.70
Total	998,450,388.98	998,450,388.98

#### (c) Investment loss

Item	RMB	
	Half-year ended 30 June 2021	2020
Long-term equity investment income accounted for under the equity method	2,500,004.75	1,167,272.99
Total	2,500,004.75	1,167,272.99

### 5. Supplementary information

#### (a) Non-recurring profit and loss statement of the period

Item	RMB
	Amount
Profit or loss from disposal of non-current assets	177,025.39
Government subsidies recognized in profit or loss of the period (except for government subsidies which are closely related to the Company's operations, and granted in a fixed amount or quantity in conformity with the common standards of the State)	36,551,616.53
Non-operating revenue and expense other than the above-mentioned	(1,974.35)
Other profit/loss items conforming to definition of the non-recurring profit and loss	767,764.59
Affected amount of income tax	(1,278,458.50)
Affected amount of minority interest	(3,601,289.75)
Total	32,614,683.91

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (81) NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 5. Supplementary information (Continued)

#### (b) Net return rate of assets and earnings per share

Profit generated during the reporting period	Weighted average net return rate of assets (%)	Earnings per share		RMB
		Basic earnings per share	Diluted earnings per share	
Net profit attributable to ordinary shareholders of the Company	9.59	0.28		N/A
Net profit attributable to ordinary shareholders of the Company, net of non-recurring profit or loss	7.98	0.23		N/A

#### (c) Discrepancies of accounting data under domestic and foreign accounting standards

Discrepancies in the net profit and net assets disclosed in the financial reports prepared under both the Foreign Accounting Standards and the Chinese Accounting Standards

	Net profit attributable to shareholders of the Company		Net assets attributable to shareholders of the Company		RMB
	Half-year ended 30 June		30 June 2021 31 December 2020		
	2021	2020	30 June 2021	31 December 2020	
According to Chinese Accounting Standards	194,343,292.11	60,512,426.43	2,125,004,526.35	1,930,252,359.14	
<b>Item and amount adjusted according to overseas accounting standards:</b>					
Minority shareholder gains and losses	-	(390,579.00)	-	-	
Investment income	-	134,525.46	-	-	
Others	-	39,385.11	-	1,640.86	
According to overseas accounting standards	N/A	60,295,758.00	N/A	1,930,254,000.00	

Note: For the year ended 31 December 2020, the Company's financial statements for H shares have been prepared under the Hong Kong Financial Reporting Standards. The Company has adopted the Accounting Standards for Business Enterprises with effect from the year ending 31 December 2021.

# Notes to Financial Statements

From 1 January 2021 to 30 June 2021

## (82) COMMITMENTS

The Group had the following commitments at the reporting date:

	<b>30 June 2021 (Unaudited) RMB'000</b>	31 December 2020 (Audited) RMB'000
Contracted, but not provided for:		
Property, plant and equipment	<b>130,188</b>	13,714

## (83) COMPARATIVE FIGURES

The Company has adopted the Accounting Standards for Business Enterprises with effect from the year ended 31 December 2021, and certain comparative figures in 2020 have been restated to cope with current period presentation.

# Other Information

## CONNECTED TRANSACTIONS

During the period, the Group had the following transactions with connected persons:

Name of related party/ connected persons	Relationship with the Group	Nature of transaction	Half-year ended 30 June	
			2021 (Unaudited) RMB	2020 (Unaudited) RMB
Fudan University	Owner of a substantial shareholder of the Company	Provision of technical support to the Company	<b>1,300,450.00</b>	29,086.76
		Provision of testing services to related party	<b>2,075,471.69</b>	1,297,169.81
Shanghai Fudan Communication Company Limited	An enterprise controlled by a substantial shareholder of the Company	Sales of goods to related party	<b>51,782,155.73</b>	3,223,376.10

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.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the half-year ended 30 June 2021 (2020: nil).

## Other Information

### DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2021, 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>					
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Total	Percentage of the Company's issued share capital
<b>Directors</b>					
Mr. Jiang Guoxing	7,210,000	–	–	7,210,000	1.04
Mr. Shi Lei	7,210,000	–	–	7,210,000	1.04
	14,420,000	–	–	14,420,000	
<b>Supervisor</b>					
Ms. Zhang Yanfeng	–	–	294,000	294,000	0.04

Long positions in H shares of the Company:

<u>Number of issued shares held, capacity and nature of interest</u>					
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Total	Percentage of the Company's issued share capital
<b>Supervisor</b>					
Ms. Zhang Yanfeng	–	268,000	–	268,000	0.04

Save as disclosed above, as at 30 June 2021, 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.



# Other Information

## 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 2021, 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 of shareholders	Note	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)	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)	Beneficially owned	109,620,000	Domestic shares	26.73	15.78
Shanghai Commerce and Invest (Group) Corporation ("SCI")	(2)	Interest of corporation controlled	109,620,000	Domestic shares	26.73	15.78
Bailian Group Company Limited ("Bailian Group")	(2)	Interest of corporation controlled	109,620,000	Domestic shares	26.73	15.78
Shanghai Zhengben Corporate Management Consultant Partnership Enterprise (limited partnership) ("Shanghai Zhengben")	(3)	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)	Beneficially owned	34,650,000	Domestic shares	8.45	4.99
Shanghai Shanyao Industrial Limited ("Shanghai Shanyao")	(4)	Interest of corporation controlled	34,650,000	Domestic shares	8.45	4.99
Zhou Yufeng	(4)	Interest of corporation controlled	34,650,000	Domestic shares	8.45	4.99
Shanghai Guonian Corporate Management Consultant Partnership Enterprise (limited partnership) ("Shanghai Guonian")	(5)	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

## Other Information

Name of shareholders	Note	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
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 ("Springs China")	(6)	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 2021, 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 2021, 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 2021, 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.

# Other Information

## 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 report, 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 2021 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 2021.

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

During the half-year ended 30 June 2021, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements had been approved by the twenty-fifth meeting of the eighth session of the Board on 27 August 2021 for publication.

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

Shanghai, the PRC, 27 August 2021

*As at the date of this report, 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*