



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: 8102)

**RESULTS ANNOUNCEMENT  
FOR THE HALF-YEAR ENDED 30 JUNE 2012**

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*\* For identification purpose only*

## HALF-YEAR RESULTS (UNAUDITED)

The board of directors ("Board") of Shanghai Fudan Microelectronics Group Company Limited ("Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the half-year ended 30 June 2012 together with the comparative figures for the corresponding period in 2011 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Half-year ended 30 June		Three months ended 30 June	
		2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
<b>REVENUE</b>	2	<b>294,684</b>	261,880	<b>177,270</b>	137,185
Cost of sales		<u>(153,460)</u>	<u>(157,842)</u>	<u>(87,637)</u>	<u>(80,950)</u>
Gross profit		<b>141,224</b>	104,038	<b>89,633</b>	56,235
Other income and gains	2	<b>27,220</b>	12,656	<b>11,422</b>	6,809
Selling and distribution costs		<b>(18,112)</b>	(13,448)	<b>(9,292)</b>	(6,398)
Administrative expenses		<b>(23,208)</b>	(19,040)	<b>(8,280)</b>	(7,589)
Other expenses		<b>(83,955)</b>	(52,083)	<b>(47,651)</b>	(27,856)
Share of loss of an associate		<b>(90)</b>	-	<b>(90)</b>	-
<b>PROFIT BEFORE TAX</b>	4	<b>43,079</b>	32,123	<b>35,742</b>	21,201
Income tax expense	5	<b>(3,764)</b>	(2,685)	<b>(2,417)</b>	(1,670)
<b>PROFIT FOR THE PERIOD</b>		<b>39,315</b>	29,438	<b>33,325</b>	19,531
<b>OTHER COMPREHENSIVE INCOME</b>					
Exchange differences on translation of foreign operations		<b>33</b>	(166)	<b>63</b>	(91)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>39,348</b>	29,272	<b>33,388</b>	19,440
<b>Profit attributable to:</b>					
Owners of the parent		<b>38,365</b>	28,468	<b>32,946</b>	18,706
Non-controlling interests		<b>950</b>	970	<b>379</b>	825
		<b>39,315</b>	29,438	<b>33,325</b>	19,531

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(continued)

	Half-year ended		Three months ended	
	30 June		30 June	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	RMB'000	RMB'000	RMB'000	RMB'000
<b>Total comprehensive income</b>				
<b>attributable to:</b>				
Owners of the parent	38,398	28,302	33,009	18,615
Non-controlling interests	950	970	379	825
	<b>39,348</b>	29,272	<b>33,388</b>	19,440
	RMB	RMB	RMB	RMB
<b>EARNINGS PER SHARE</b>				
<b>ATTRIBUTABLE TO</b>				
<b>ORDINARY EQUITY</b>				
<b>HOLDERS OF THE PARENT</b>				
Basic				
- For profit for the period	6 <b>6.21 cents</b>	4.61 cents	<b>5.33 cents</b>	3.03 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	140,212	125,161
Intangible assets		36,531	29,956
Investment in an associate		779	870
Available-for-sale investments	8	500	500
Deferred tax assets		9,741	10,329
		<u>187,763</u>	<u>166,816</u>
<b>TOTAL non-current assets</b>			
		<u>187,763</u>	<u>166,816</u>
<b>CURRENT ASSETS</b>			
Inventories		166,609	136,205
Trade and bills receivables	9	141,338	142,473
Prepayments, deposits and other receivables		16,203	28,858
Cash and cash equivalents	14	294,852	256,017
		<u>619,002</u>	<u>563,553</u>
<b>TOTAL current assets</b>			
		<u>619,002</u>	<u>563,553</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	80,070	64,403
Other payables and accruals		125,149	97,894
Dividend payable		49,386	-
Tax payable		6,380	17,638
		<u>260,985</u>	<u>179,935</u>
<b>TOTAL current liabilities</b>			
		<u>260,985</u>	<u>179,935</u>
<b>NET CURRENT ASSETS</b>			
		<u>358,017</u>	<u>383,618</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>545,780</u>	<u>550,434</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term payables		7,601	-
Deferred tax liabilities		-	41
		<u>7,601</u>	<u>41</u>
<b>TOTAL non-current liabilities</b>			
		<u>7,601</u>	<u>41</u>
<b>NET ASSETS</b>			
		<u>538,179</u>	<u>550,393</u>
<b>EQUITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		61,733	61,733
Reserves	11	442,712	404,314
Proposed final dividend		-	49,386
		<u>504,445</u>	<u>515,433</u>
<b>Non-controlling interests</b>			
		<u>33,734</u>	<u>34,960</u>
<b>TOTAL EQUITY</b>			
		<u>538,179</u>	<u>550,393</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent						Total	Non-controlling interests	Total equity
	Issued share capital	Share premium	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	61,733	168,486	38,383	(3,215)	200,660	49,386	515,433	34,960	550,393
Profit for the period	-	-	-	-	38,365	-	38,365	950	39,315
Exchange differences on translation of foreign operations	-	-	-	33	-	-	33	-	33
Total comprehensive income for the period	-	-	-	33	38,365	-	38,398	950	39,348
2011 final dividend declared	-	-	-	-	-	(49,386)	(49,386)	-	(49,386)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(2,176)	(2,176)
Transfer from retained profits	-	-	3,743	-	(3,743)	-	-	-	-
<b>At 30 June 2012</b>	<b>61,733</b>	<b>168,486</b>	<b>* 42,126 *</b>	<b>(3,182) *</b>	<b>235,282 *</b>	<b>-</b>	<b>504,445</b>	<b>33,734</b>	<b>538,179</b>
At 1 January 2011	61,733	168,486	27,016	(2,887)	155,041	30,867	440,256	33,991	474,247
Profit for the period	-	-	-	-	28,468	-	28,468	970	29,438
Exchange differences on translation of foreign operations	-	-	-	(166)	-	-	(166)	-	(166)
Total comprehensive income for the period	-	-	-	(166)	28,468	-	28,302	970	29,272
2010 final dividend paid	-	-	-	-	-	(30,867)	(30,867)	-	(30,867)
Transfer from retained profits	-	-	2,726	-	(2,726)	-	-	-	-
At 30 June 2011	61,733	168,486	29,742	(3,053)	180,783	-	437,691	34,961	472,652

\* These reserve accounts comprise the consolidated reserves of RMB442,712,000 (31 December 2011: RMB404,314,000) in the condensed consolidated statement of financial position.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		<b>For the half-year ended 30 June</b>	
		<b>2012</b>	2011
		<b>(Unaudited)</b>	(Unaudited)
Note		<b>RMB'000</b>	RMB'000
	Net cash flows from operating activities	72,271	50,743
	Net cash flows used in investing activities	(96,615)	(25,443)
	Net cash flows used in financing activities	<u>(2,176)</u>	<u>(30,867)</u>
	<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(26,520)</b>	<b>(5,567)</b>
	Cash and cash equivalents at beginning of period	147,981	120,887
	Effect of foreign exchange rate changes, net	<u>33</u>	<u>(166)</u>
	<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>121,494</u></b>	<b><u>115,154</u></b>
	<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
	Cash and bank balances	116,994	102,154
	Time deposits with original maturity of less than three months when acquired	<u>4,500</u>	<u>13,000</u>
		<b><u>121,494</u></b>	<b><u>115,154</u></b>

Notes:

## 1. Basis of presentation

These financial statements have been prepared in compliance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and in accordance with the applicable disclosure provision of the GEM Listing Rules on the Stock Exchange. They have been prepared under the historical cost convention.

The accounting policies adopted in preparing these unaudited consolidated results are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 December 2011. The Group has adopted the new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are effective for the financial year beginning on or after 1 January 2012. The adoption of these new and revised standards, amendments and interpretations did not have any significant impact on the operating results and financial position of the Group.

All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

## 2. Revenue, other income and gains

Revenue, which is also the Group’s turnover, represents the net invoiced value of goods sold, after allowance for returns and trade discounts and the value of services rendered.

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

	Half-year ended		Three months ended	
	30 June		30 June	
	2012	2011	2012	2011
	RMB’000	RMB’000	RMB’000	RMB’000
<b>Revenue</b>				
Sale of goods	<b>280,394</b>	252,277	<b>167,018</b>	132,444
Services rendered	<b>14,290</b>	9,603	<b>10,252</b>	4,741
	<b><u>294,684</u></b>	<u>261,880</u>	<b><u>177,270</u></b>	<u>137,185</u>
<b>Other income and gains</b>				
Interest income	<b>2,482</b>	1,516	<b>1,108</b>	741
Government grants received for research activities	<b>5,115</b>	10,319	<b>470</b>	5,926
Subsidy income	<b>14,417</b>	-	<b>5,580</b>	-
Others	<b>5,206</b>	821	<b>4,264</b>	142
	<b><u>27,220</u></b>	<u>12,656</u>	<b><u>11,422</u></b>	<u>6,809</u>

### 3. Operating Segment information

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments being the design, development and sale of IC products segment (“Design, development and sale of IC products”) and the provision of testing services for IC products segment (“Testing services for IC products”).

For the half year ended 30 June 2012	Design, development and selling of IC products RMB’000	Testing services of IC products RMB’000	Total RMB’000
<b>Segment revenue</b>			
Sales to external customers	280,394	14,290	294,684
Intersegment sales	-	11,696	11,696
	<u>280,394</u>	<u>25,986</u>	<u>306,380</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(11,696)</u>
Revenue			<u><u>294,684</u></u>
<b>Segment results</b>	27,531	7,007	34,538
<i>Reconciliation:</i>			
Elimination of segment results			943
Interest income			2,482
Unallocated gains			<u>5,116</u>
Profit before tax			<u><u>43,079</u></u>
<b>Segment assets</b>	664,050	136,411	800,461
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(3,437)
Corporate and other unallocated assets			<u>9,741</u>
Total assets			<u><u>806,765</u></u>
<b>Segment liabilities</b>	144,101	78,536	222,637
<i>Reconciliation:</i>			
Elimination of intersegment payables			(3,437)
Corporate and other unallocated liabilities			<u>49,386</u>
Total liabilities			<u><u>268,586</u></u>
<b>Other segment information</b>			
Impairment losses (written back)/recognised in income statement	(100)	86	14
Depreciation	3,263	6,407	9,670
Amortisation of intangible assets	1,602	-	1,602
Capital expenditure	<u>19,597</u>	<u>23,355</u>	<u>42,952*</u>

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



### 3. Operating Segment information *(continued)*

For the half year ended 30 June 2011	Design, development and selling of IC products RMB'000	Testing services of IC products RMB'000	Total RMB'000
<b>Segment revenue</b>			
Sales to external customers	252,317	9,563	261,880
Intersegment sales	-	9,752	9,752
	<u>252,317</u>	<u>19,315</u>	<u>271,632</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(9,752)</u>
Revenue			<u><u>261,880</u></u>
<b>Segment results</b>	27,534	2,797	30,331
<i>Reconciliation:</i>			
Elimination of segment results			(17)
Interest income			1,516
Unallocated gains			<u>293</u>
Profit before tax			<u><u>32,123</u></u>
<b>Segment assets</b>	562,984	102,234	665,218
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(5,050)
Corporate and other unallocated assets			<u>8,326</u>
Total assets			<u><u>668,494</u></u>
<b>Segment liabilities</b>	147,837	52,628	200,465
<i>Reconciliation:</i>			
Elimination of intersegment payables			(5,050)
Corporate and other unallocated liabilities			<u>427</u>
Total liabilities			<u><u>195,842</u></u>
<b>Other segment information</b>			
Impairment losses recognised in income statement	497	24	521
Depreciation	2,820	3,257	6,077
Amortisation of intangible assets	1,602	-	1,602
Capital expenditure	<u>7,587</u>	<u>17,482</u>	<u>25,069*</u>

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

### 3. Operating Segment information *(continued)*

#### Geographical information

##### a) Revenue from external customers

	Half-year ended 30 June	
	2012 RMB'000	2011 RMB'000
Mainland China	282,584	240,310
Asia Pacific (excluding Mainland China)	8,186	12,588
Others	3,914	8,982
	<u>294,684</u>	<u>261,880</u>

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

##### b) Non-current assets

	Half-year ended 30 June	
	2012 RMB'000	2011 RMB'000
Mainland China	178,000	129,439
Asia Pacific (excluding Mainland China)	22	27
	<u>178,022</u>	<u>129,466</u>

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

#### Information about a major customer

During the period, no revenue was derived from any single customer that was 10% or more of the Group's total sales revenue (2011: nil).

#### 4. Profit before tax

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

	Half-year ended		Three months ended	
	30 June		30 June	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation	9,670	6,077	5,638	3,360
Share of loss of an associate	90	-	90	-
Provision for doubtful debts	245	463	(77)	293
Payments under operating leases in respect of land and buildings	2,940	2,054	1,528	1,082
Amortisation of deferred development costs*	2,563	1,602	1,772	801
Provision for impairment of inventories	231	58	231	58
Interest income	(2,482)	(1,516)	(1,108)	(741)
Subsidy income	(14,417)	(528)	(5,580)	-
Government grants received for research activities**	(5,115)	(10,319)	(470)	(5,926)

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

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

## 5. Income tax expenses

Under the PRC Corporate Income Tax Law (the “CIT Law”), which became effective on 1 January 2008, the Company is subject to income tax at a base rate of 25%. The Company is eligible to a preferential income tax rate of 15% as a High New Technology Enterprise (“HNT Enterprise”). For the financial year ended 31 December 2012, income taxes on assessable income of the Company are provided at the rate of 15% (2011: 15%).

Under the CIT Law, the Company’s subsidiary, Sino IC Technology Co., Ltd. (“Sino IC”) is subject to income tax at a base rate of 25%. Sino IC is entitled to a preferential income tax rate of 15% as a HNT Enterprise. For the financial year ended 31 December 2012, income taxes on assessable income of Sino IC are provided at the rate of 15% (2011: 15%).

Under the CIT Law, the Company’s subsidiary, Shanghai Fukong Hualong Micro-system Technology Co., Ltd. (“Fukong Hualong”) is subject to income tax at a base rate of 25%. In the meantime, pursuant to an approval document dated 15 May 2009 issued by the Shanghai Pu Dong New Area Tax Bureau, with effect from 1 January 2008, Fukong Hualong is exempted from corporate income tax for its first two profit making years and is entitled to a 50% tax reduction for the succeeding three years. Fukong Hualong is in its fifth profit making year and is entitled to a 50% concession on income tax. For the financial year ended 31 December 2012, income taxes on assessable income of Fukong Hualong are provided at the rate of 12.5% (2011: 12.5%).

Under the CIT Law, two of the Company’s subsidiaries, Shenzhen Fudan Microelectronics Company Limited and Beijing Fudan Microelectronics Technology Company Limited are subject to income taxes at a base rate of 25%. For the financial year ended 31 December 2012, income taxes on assessable income of these subsidiaries are provided at the rate of 25% (2011: 25%).

No Hong Kong profits tax has been provided for the period as the estimated assessable profits arising during the period can be offset by the tax losses of the Hong Kong subsidiary (2011: nil).

	Half-year ended		Three months ended	
	30 June		30 June	
	2012	2011	2012	2011
	RMB’000	RMB’000	RMB’000	RMB’000
Current period				
- PRC	3,217	2,845	2,643	1,771
- Hong Kong	-	-	-	(54)
Deferred	547	(160)	(226)	(47)
Total tax charge for the period	<u>3,764</u>	<u>2,685</u>	<u>2,417</u>	<u>1,670</u>

## 6. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share for the half-year and three months ended 30 June 2012 are based on the unaudited net profit attributable to ordinary equity holders of the parent of approximately RMB38,365,000 and RMB32,946,000 respectively (half-year and three months ended 30 June 2011: RMB28,468,000 and RMB18,706,000 respectively) and the weighted average number of 617,330,000 (2011: 617,330,000) ordinary shares in issue during the periods.

No adjustment has been made to the basic earnings per share amounts presented for the half years ended 30 June 2012 and 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

## 7. Property, plant and equipment

During the half-year ended 30 June 2012, the Group acquired machinery and office equipment amounted to approximately RMB24,721,000 (31 December 2011: RMB48,825,000).

## 8. Available-for-sale investments

	<b>30 June 2012</b> <b>RMB'000</b>	31 December 2011 RMB'000
Unlisted equity investments, at cost	<b>13,943</b>	13,943
Impairment provision	<b>(13,443)</b>	(13,443)
	<b>500</b>	500

## 9. Trade and bills receivables

The Group's trading terms with its customers are mainly on credit and the credit period is generally up to 90 days. An ageing analysis of trade and bills receivables at 30 June 2012 is as follows:

	<b>30 June 2012</b> <b>RMB'000</b>	31 December 2011 RMB'000
Within 3 months	<b>116,750</b>	117,525
3 to 6 months	<b>17,778</b>	16,745
6 to 12 months	<b>5,853</b>	5,346
Over 12 months	<b>957</b>	2,857
	<b>141,338</b>	142,473

## 10. Trade and bills payables

An ageing analysis of trade and bills payables at 30 June 2012 is as follows:

	<b>30 June 2012</b> RMB'000	31 December 2011 RMB'000
Within 3 months	<b>71,155</b>	64,070
3 to 6 months	<b>3,663</b>	-
6 to 12 months	<b>2,021</b>	-
Over 12 months	<b>3,231</b>	333
	<u><b>80,070</b></u>	<u>64,403</u>

## 11. Reserves

Other than the comprehensive income, statutory surplus reserve and exchange fluctuation reserve for the periods as disclosed in the condensed consolidated statement of changes in equity, there were no significant movements in the reserves of the Group for the relevant periods in 2012 and 2011.

## 12. Commitments

The Group had the following commitments at the reporting date:

	<b>30 June 2012</b> RMB'000	31 December 2011 RMB'000
(a) Capital commitments		
Contracted, but not provided for:		
Property, plant and equipment	<u>-</u>	<u>1,299</u>

(b) Commitments under operating leases

At 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2012</b>	31 December 2011
	<b>RMB'000</b>	RMB'000
Within one year	<b>6,766</b>	5,533
In the second to fifth years, inclusive	<b>3,022</b>	8,334
	<b><u>9,788</u></b>	<u>13,867</u>

### 13. Related party transactions

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

Name of related party	Relationship with the Group	Nature of transaction	Half-year ended 30 June	
			2012	2011
			RMB'000	RMB'000
Shanghai Fudan University	Owner of a substantial shareholder	Technical and equipment support fee	<b>180</b>	200
Fukong Hualong	A subsidiary and is connected with a substantial shareholder	Purchases of raw materials	<b>21</b>	1,130
		Sales of goods	-	1,232
		Share of profit on project	<b>1,965</b>	-

In the opinion of the independent non-executive directors, the above related party transactions were entered into in the ordinary and usual course of the Group's business on normal commercial terms and were in accordance with the terms of the arrangements governing the transactions that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

### 14. Cash and cash equivalents

	Half-year ended 30 June	
	2012	2011
	RMB'000	RMB'000
Cash and bank balances	<b>117,078</b>	102,238
Time deposits with original maturity of less than 3 months when acquired	<b>4,500</b>	13,000
Time deposits with original maturity of over than 3 months when acquired	<b><u>173,274</u></b>	<u>148,119</u>
	<b>294,852</b>	263,357
Less: Pledged deposits for banking facilities	<b>(84)</b>	(84)
Time deposits with original maturity of over than 3 months when acquired	<b><u>(173,274)</u></b>	<u>(148,119)</u>
Cash and cash equivalents	<b><u>121,494</u></b>	<u>115,154</u>

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the half-year ended 30 June 2012 (30 June 2011: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### ***BUSINESS REVIEW***

For the half-year ended 30 June 2012, the Group recorded a turnover of approximately RMB294,684,000 (30 June 2011: RMB261,880,000), an increase of approximately 13% as compared to the same period in last year. Profit attributable to owners of the parent amounted to approximately RMB38,365,000 (30 June 2011: RMB28,468,000), an increase of approximately 35% over the same period in last year.

As the recovery of global economy during the period was still slow, the Group has also suffered with its overseas sales, however, with the stable growth in domestic sales, an increase in turnover was recorded during the period. During the period, the Group has participated in the initial issuance of the PRC's national health cards operated by the Ministry of Health of the PRC and was appointed to provide national health cards to two of the four cities selected for synchronised trial. The participation in this project brought the Group with an increase in sales of its major product IC card chips and the turnover of this category during the period has increased by approximately 10% when compared with the same period in last year. The smart electric meter IC chips that was released in the second half of last year, with its specifications set to meet the standards of the State Grid Corporation of China, has gained widely adoption by many manufacturers in various districts, and a sharp increase in sales of this category of 97% over the last corresponding period was resulted during the period. Due to comparatively shorter product life, the sales of consumer electronic chips category have dropped approximately 31% when compared with the same period last year due to decreases in sales volume and prices as the existing products have been marketed for a certain period of time. With regard to the sales of other product categories of telecommunication electronics, motor and mobile electronics and other IC chips, sales of which were relatively small in proportion and have all dropped at different levels. With the effect of the common factor that new products generally have higher profit margins, the overall profit margin during the period has increased to approximately 47.9% as compared with 39.7% in last corresponding period.

During the period and as compared with the same period in last year, other income and gains have increased more than a double as some government projects were completed and settled, and as such, grants received for research activities and subsidy income increased by approximately RMB9,213,000. In addition, bank interest income has also increased due to increase in interest rates and there was a fee income of approximately RMB5,106,000 received for provision of system and technical support. Selling and distribution costs have increased by approximately 35% as a result of the Group's active exploration of new markets in the second and third tier cities as well as the enhancement in market promotion. Administrative expenses have increased in relation to increase in staff to cope with business development and inflation of prices. With a view to keep its market share and to introduce new products as from time to time, the Group has continuously applied substantial resources in research and development that resulted with an increase in other expenses of approximately 61%.



## ***FINANCIAL REVIEW***

As at 30 June 2012, net assets of the Group amounted to approximately RMB538,179,000 (31 December 2011: RMB550,393,000). Current assets amounted to approximately RMB619,002,000 (31 December 2011: RMB563,553,000), of which inventory increased as compared with that as at the end of reporting date of last year in line with sales increase and business growth, and approximately RMB294,852,000 (31 December 2011: RMB256,017,000) were cash and bank deposits. The Group keeps sufficient liquidity and is able to meet its daily operations and future development.

The Group's current liabilities as at 30 June 2012 amounted to approximately RMB260,985,000 (31 December 2011: RMB179,935,000) as accounts payable has increased due to increase in purchases and related expenses as a result of increase in sales. Non-current liabilities amounted to approximately RMB7,601,000 (31 December 2011: nil) represents government grants received for which related expenditure has not yet been undertaken during the period.

The net assets value per share was approximately RMB0.87 (31 December 2011: RMB0.89). The Group's current ratio of total current liabilities over total current assets was approximately 42.1% (31 December 2011: 31.9%) and the gearing ratio was approximately 49.9% (31 December 2011: 32.7%) on the basis of total liabilities over net assets.

The Group manages its capital structure and makes adjustments to it in light of business development and changes in economic conditions. During the half year ended 30 June 2012, the Group had a net outflow in cash and cash equivalents of approximately RMB26,520,000 (31 December 2011: RMB5,567,000). As at 30 June 2012, the Group had no bank or other borrowings (31 December 2011: nil).

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

As the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. During the period, the Group has certain concentrations of credit risk as the Group's sales are made to several major customers. The Group seeks to maintain strict control over its outstanding receivables and closely monitor the collection to minimise credit risk. The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

During the half-year ended 30 June 2012, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries.

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

As at 30 June 2012, the Group has no capital commitments (31 December 2011: RMB1,299,000 in respect of acquisition of property, plant and equipment) and did not have any material contingent liabilities (31 December 2011: nil). Besides the deposit amounted to RMB84,000 (31 December 2011: RMB84,000) pledged for project guarantee, the Group has not pledged its assets to any third parties (31 December 2011: nil).

### **EMPLOYEE INFORMATION**

As at 30 June 2012, the Group employed approximately 696 (30 June 2011: 615) staff and the total staff costs reflected in the condensed consolidated statement of comprehensive income amounted to RMB52,175,000 (30 June 2011: RMB39,146,000). The increase in staff costs was mainly due to adjustment in salaries to keep professional talents and increase in staff to meet project research and development as well as business expansion.

### **PROSPECTS**

IC card chips is the major product of the Group and its sales contribute more than a half of the Groups' turnover. As a result of the Group's active participation in the government projects in recent years, sales performance of IC card chips has been effective and it is expected that the sales of public transportation cards, social insurance cards and citizen health cards will bring a stable growth and income to this product category. The market share of the Group's power electronics chips has been increasing and is expected to have a continuous sales growth. The Group believes that the market after the first quarter has been settled down and upon the commencement of new projects, the business for the year will maintain a steady development.

### **DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

At 30 June 2012, the interests or short positions of the directors, supervisors and chief executive of the Company in the share capital and underlying shares 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 registers required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in domestic shares of the Company:

	<b>Number of issued shares held, capacity and nature of interest</b>					
	<b>Directly beneficially owned</b>	<b>Through spouse or minor children</b>	<b>Through controlled corporation</b>	<b>Beneficiary of a trust (Note)</b>	<b>Total</b>	<b>Percentage of the Company's issued share capital</b>
<b>Directors</b>						
Mr. Jiang Guoxing	7,210,000	-	-	1,442,300	8,652,300	1.40
Mr. Shi Lei	7,210,000	-	-	12,980,000	20,190,000	3.27
Mr. Yu Jun	-	-	-	10,961,530	10,961,530	1.78
Ms. Cheng Junxia	-	-	-	8,076,920	8,076,920	1.31
Mr. Wang Su	-	-	-	7,211,530	7,211,530	1.17
Ms. Zhang Qianling	-	-	-	1,733,650	1,733,650	0.28
Mr. He Lixing	-	-	-	1,442,300	1,442,300	0.23
Mr. Shen Xiaozu	-	-	-	1,442,300	1,442,300	0.23
	<b>14,420,000</b>	<b>-</b>	<b>-</b>	<b>45,290,530</b>	<b>59,710,530</b>	<b>9.67</b>

**Supervisors**

Mr. Li Wei	-	-	-	6,057,690	6,057,690	0.98
Mr. Wei Ran	-	-	-	288,460	288,460	0.05
	-	-	-	6,346,150	6,346,150	1.03

Note: These shares are held by the Staff Shareholding Association of the Company (the “SSAC”) which is constituted by members consisting of the executive and non-executive directors, the supervisors, certain employees and ex-employees, various employees of ASIC System State-Key Laboratory of Shanghai Fudan University (“University Laboratory”) and Shanghai Commerce Invest (Group) Corporation Limited (“SCI”), a substantial shareholder of the Company, as well as various individuals engaged in technological co-operation with the University Laboratory.

**Long positions in shares of an associate corporation:**

	<b>Name of associated corporation</b>	<b>Relationship with the Company</b>	<b>Shares/equity derivatives</b>	<b>Numbers of shares/equity derivatives held</b>	<b>Capacity and nature of interest</b>	<b>Percentage of the associated corporation’s issued share capital</b>
<b>Directors</b>						
Mr. Yu Jun	Shanghai Doublepoint Information Technology Co., Ltd. (「Doublepoint」)	Company’s associate	Ordinary shares	200,000	Directly beneficially owned	5.28
Mr. Wang Su	Doublepoint	Company’s associate	Ordinary shares	100,000	Directly beneficially owned	2.64
<b>Supervisor</b>						
Mr. Li Wei	Doublepoint	Company’s associate	Ordinary shares	100,000	Directly beneficially owned	2.64

Save as disclosed above, as at 30 June 2012, none of the directors, supervisors or chief executive had registered an interest or short position in 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 Rule 5.46 of the GEM Listing Rules.

**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 2012, 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 domestic shares of the Company:

Name	Notes	Capacity and nature of interest	Number of Ordinary shares held	Class of shares	Percentage of shareholding on relevant class of shares	Percentage of the Company's issued share capital
SSAC		Directly beneficially owned	144,230,000	Domestic shares	37.95	23.36
Shanghai Fudan High Tech Company	(1)	Directly beneficially owned	106,730,000	Domestic shares	28.46	17.29
Shanghai Fudan Technology Enterprise Holdings Limited	(2)	Directly beneficially owned	109,620,000	Domestic shares	29.23	17.76
SCI	(2)	Interest of corporation controlled	109,620,000	Domestic shares	29.23	17.76
Credit Suisse Group AG		Interest of corporation controlled	29,848,000	H shares	12.32	4.84

Notes:

- (1) Shanghai Fudan High Tech Company is a state-owned enterprise wholly-owned by Fudan University.
- (2) The ordinary shares are directly held by Shanghai Fudan Technology Enterprise Holdings Limited, which is 90% owned by SCI. SCI is a state-owned enterprise wholly owned by the Shanghai Municipal Government.

Save as disclosed above, as at 30 June 2012, no person, other than the directors, supervisors and chief executive of the Company, whose interests are set out in the section "Directors', supervisors' and chief executive's interests and short positions in shares and underlying shares" 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 2012, 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 GEM Listing Rules.

## CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the half-year ended 30 June 2012.

## **AUDIT COMMITTEE**

The Company has an audit committee which was established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM 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. The audit committee comprises two independent non-executive directors Mr. Cheung Wing Keung and Mr. Guo Li and the non-executive director Mr. Shen Xiaozu. The Group's unaudited financial statements for the half-year ended 30 June 2012 have been reviewed by the committee, who were of the opinion that such statements complied with the applicable accounting standards, the GEM 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 regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry to all directors, the directors have complied with such code of conduct and the required standard throughout the half-year ended 30 June 2012.

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

During the half-year ended 30 June 2012, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

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

Shanghai, PRC, 8 August 2012

As at the date of this announcement, the Company's executive directors are Mr. Jiang Guoxing, Mr. Shi Lei, Mr. Yu Jun, Ms. Cheng Junxia and Mr. Wang Su; the non-executive directors are Ms. Zhang Qianling, Mr. He Lixing and Mr. Shen Xiaozu; the independent non-executive directors are Mr. Cheung Wing Keung, Mr. Guo Li and Mr. Chen Baoying.

This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcement" pages for at least 7 days from the day of its posting and on the Company's website at [www.fmsh.com](http://www.fmsh.com).

*\* For identification purpose only*