



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)



THIRD QUARTERLY REPORT
2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Shanghai Fudan Microelectronics Group Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

THIRD QUARTERLY 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 nine months and three months ended 30 September 2012 together with the comparative figures for the corresponding periods in 2011 as follows:

	<i>Notes</i>	Nine months ended		Three months ended	
		2012	2011	2012	2011
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	501,217	420,201	206,533	158,321
Cost of sales		<u>(260,097)</u>	(246,877)	<u>(106,637)</u>	(89,035)
Gross profit		241,120	173,324	99, 896	69,286
Other income and gains	2	31,784	20,592	4,564	7,936
Selling and distribution costs		<u>(27,671)</u>	(21,285)	<u>(9,559)</u>	(7,837)
Administrative expenses		<u>(42,111)</u>	(33,925)	<u>(18,903)</u>	(14,885)
Other operating expenses		<u>(109,109)</u>	(76,710)	<u>(25,154)</u>	(24,627)
Share of loss of an associate		<u>(272)</u>	–	<u>(182)</u>	–
Profit before tax		93,741	61,996	50,662	29,873
Income tax expenses	3	<u>(13,492)</u>	(6,510)	<u>(9,728)</u>	(3,825)
Profit for the period		80,249	55,486	40,934	26,048
Other comprehensive income					
Exchange differences on translation of foreign operations		<u>53</u>	(305)	<u>20</u>	(139)
Total comprehensive income for the period		<u>80,302</u>	55,181	<u>40,954</u>	25,909
Profit attributable to:					
Owners of the parent		<u>78,725</u>	53,963	<u>40,360</u>	25,495
Non-controlling interests		<u>1,524</u>	1,523	<u>574</u>	553
		<u>80,249</u>	55,486	<u>40,934</u>	26,048
Total comprehensive income attributable to:					
Owners of the parent		<u>78,778</u>	53,658	<u>40,380</u>	25,356
Non-controlling interests		<u>1,524</u>	1,523	<u>574</u>	553
		<u>80,302</u>	55,181	<u>40,954</u>	25,909
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Earnings per share attributable to ordinary equity holders of the parent					
Basic					
– For profit for the period	5	<u>12.75 cents</u>	8.74 cents	<u>6.54 cents</u>	4.13 cents

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in compliance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and in accordance with the applicable disclosure provisions 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 allowances for returns and trade discounts, and the value of services rendered.

3. INCOME TAX

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).

	Nine months ended 30 September		Three months ended 30 September	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
– Mainland China	12,737	6,628	9,520	3,783
– Hong Kong	–	–	–	–
Deferred	755	(118)	208	42
Total tax charge for the period	<u>13,492</u>	<u>6,510</u>	<u>9,728</u>	<u>3,825</u>

4. RESERVES

Details of movements in the reserves of the Group during the nine months ended 30 September 2012 together with the comparative figures for the corresponding period in 2011 are set out below:

	Share premium	Statutory surplus fund	Exchange fluctuation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	168,486	38,383	(3,215)	200,660	404,314
Net profit for the period	–	–	–	78,725	78,725
Exchange differences on translation of foreign operations	–	–	53	–	53
Total comprehensive income for the period	168,486	38,383	(3,162)	279,385	483,092
Transfer from retained profits	–	7,429	–	(7,429)	–
At 30 September 2012	<u>168,486</u>	<u>45,812</u>	<u>(3,162)</u>	<u>271,956</u>	<u>483,092</u>

	Share premium <i>RMB'000</i>	Statutory surplus fund <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2011	168,486	27,016	(2,887)	155,041	347,656
Net profit for the period	-	-	-	55,486	55,486
Exchange differences on translation of foreign operations	-	-	(305)	-	(305)
Total comprehensive income for the period	168,486	27,016	(3,192)	210,527	402,837
Transfer from retained profits	-	5,180	-	(5,180)	-
At 30 September 2011	<u>168,486</u>	<u>32,196</u>	<u>(3,192)</u>	<u>205,347</u>	<u>402,837</u>

5. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share for the nine months and three months ended 30 September 2012 and the comparative periods are based on the unaudited net profit attributable to ordinary equity holders of the parent of approximately RMB78,725,000 and RMB40,360,000 respectively (2011: RMB53,963,000 and RMB25,495,000) and the weighted average number of 617,330,000 (2011: 617,330,000) ordinary shares in issue during these periods.

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2012 (2011: Nil).

BUSINESS REVIEW

The Group recorded a turnover of approximately RMB501,217,000 for the nine months period ended 30 September 2012 (2011: RMB420,201,000), representing an increase of approximately 19% over the same period in last year. Unaudited profit attributable to owners of the parent amounted to approximately RMB78,725,000 (2011: RMB53,963,000), an increase of approximately 46% when compared with the corresponding period in last year. Earnings per share attributable to ordinary equity holders of the parent was RMB12.75 cents (2011: RMB8.74 cents).

During the period under review, the Group recorded a satisfactory increase in total revenue. The increase in turnover was due to the significant increases in sales of IC smart card and power electronics chips recorded during the period. There were information security IC chips launched during the period and together with the participation in upgrading and development of smart public transportation system, the IC card chips which constituted a large proportion of the total sales have achieved a growth of approximately 21% in sales. Moreover, the smart electronics meter IC chips launched in last year were still received by the market and recorded with an approximately 75% growth in sales. However, the slow sales of consumer electronics chips have an offsetting effect on the range of growth in overall sales. As a result of ideal pricing on new products and the replacement of existing low profit products, the overall profit margin of the Group was improved by a rise from approximately 41% in the last corresponding period to approximately 48% in the current period.

Other revenue and gains increased significantly when compared with the same period in last year as certain government projects were completed and settled during the period with subsidies and related government grants being recognised. Selling and distribution costs increased as compared with the last corresponding period due to increases in turnover and marketing activities during the period. The increase in administrative expenses was mainly because of increases in headcount and related salary expenses as well as the adverse consequence of price inflation. Other operating expenses were sharply higher than the same period in last year as a result of the continuity in applying substantial resources to research and development projects in order to secure continuous product supplies to the market, and in addition, the provision in doubtful debts was also increased during the period as compared with the corresponding period. Income tax expenses also increased in relation to the profit growth during the period.

FUTURE PROSPECTS

Even though there is a sign of slow growth in the economy of Mainland China, as the Group's products have early been developed into diversification, the Directors believe that based on the current sales trend, the Group is able to achieve its sales budget for the year. As there are rooms for sales growth, therefore, it is expected that the business in the coming quarter will still keep growing and the Group's results for the year remain optimistic.

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

As at 30 September 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 Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in domestic shares of the Company:

	Number of issued shares held, capacity and nature of interest					Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust (Note)			
Directors							
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	
	<u>14,420,000</u>	<u>–</u>	<u>–</u>	<u>45,290,530</u>	<u>59,710,530</u>	<u>9.67</u>	
Supervisors							
Mr. Li Wei	–	–	–	6,057,690	6,057,690	0.98	
Mr. Wei Ran	–	–	–	288,460	288,460	0.05	
	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,346,150</u>	<u>6,346,150</u>	<u>1.03</u>	

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 (“SCT”), 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 associated corporation:

	Name of associated corporation	Relationship with the Company	Shares	Numbers of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Directors						
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
Supervisor						
Mr. Li Wei	Doublepoint	Company's associate	Ordinary shares	100,000	Directly beneficially owned	2.64

Save as disclosed above, as at 30 September 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 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 September 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 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 the Company's of 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 Shanghai 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 September 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 period, none of the Directors had an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

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. At the date of this report, the audit committee comprises two independent non-executive directors, namely Mr. Cheung Wing Keung and Mr. Guo Li and the non-executive director Mr. Shen Xiaozu. The Group's unaudited consolidated financial statements for the nine months ended 30 September 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.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

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

Shanghai, the PRC, 9 November 2012

As at the date of this report, the executive directors of the Company 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 report will remain on the GEM website at www.hkgem.com on the "Latest Company Announcement" pages for at least 7 days from the day of its posting and publish on the Company's website at www.fmsh.com.

* For identification purpose only