



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 YEAR ENDED 31 DECEMBER 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 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.**

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This announcement, 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 announcement 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 document misleading.

## **HIGHLIGHTS**

The turnover of the Group for the year ended 31 December 2012 was approximately RMB704,064,000 (2011: RMB609,544,000), a rise of approximately 16% as compared to the previous year.

The Group recorded a net profit attributable to owners of the parent for the year ended 31 December 2012 amounted to approximately RMB140,068,000 (2011: RMB106,372,000) and the basic earnings per share was RMB22.69 cents (2011: RMB17.23 cents), representing an increase of approximately 32% over the last year.

The Directors recommend the payment of a final dividend of RMB8 cents (2011: RMB8 cents) per ordinary share for the year ended 31 December 2012.

## AUDITED RESULTS

The board of directors of Shanghai Fudan Microelectronics Group Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2012 along with the comparative audited figures of the Group for the year ended 31 December 2011 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
<b>REVENUE</b>	3	<b>704,064</b>	609,544
Cost of sales		<u>(367,919)</u>	<u>(343,284)</u>
Gross profit		<b>336,145</b>	266,260
Other income and gains	3	<b>105,277</b>	59,390
Selling and distribution costs		<b>(36,861)</b>	(31,303)
Administrative expenses		<b>(58,168)</b>	(40,523)
Other expenses		<b>(183,380)</b>	(131,818)
Share of losses of an associate		<u>(376)</u>	<u>-</u>
<b>PROFIT BEFORE TAX</b>	4	<b>162,637</b>	122,006
Tax	5	<u>(19,049)</u>	<u>(14,665)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>143,588</b></u>	<u>107,341</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Exchange differences on translation of foreign operations		<u>(3)</u>	<u>(328)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<u><b>(3)</b></u>	<u>(328)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>143,585</b></u>	<u>107,013</u>

Profit attributable to:		
Owners of the parent	<b>140,068</b>	106,372
Non-controlling interests	<b>3,520</b>	969
	<u><b>143,588</b></u>	<u>107,341</u>

Total comprehensive income attributable to:		
Owners of the parent	<b>140,065</b>	106,044
Non-controlling interests	<b>3,520</b>	969
	<u><b>143,585</b></u>	<u>107,013</u>

**EARNINGS PER SHARE ATTRIBUTABLE TO  
ORDINARY EQUITY HOLDERS  
OF THE PARENT**

Basic		
- For profit for the year	7	<u><b>22.69 cents</b></u>
		<u>17.23 cents</u>

Details of the dividend proposed for the year are disclosed in note 6.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		136,017	125,161
Intangible assets		35,651	29,956
Investment in an associate		494	870
Available-for-sale investments		500	500
Deferred tax assets		13,724	10,329
Total non-current assets		186,386	166,816
<b>CURRENT ASSETS</b>			
Inventories		146,659	136,205
Trade and bills receivables	8	155,234	142,473
Prepayments, deposits and other receivables		13,012	28,858
Cash and cash equivalents		345,577	256,017
Total current assets		660,482	563,553
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	53,378	64,403
Accruals, other payables and deferred income		110,637	97,894
Tax payable		21,826	17,638
Total current liabilities		185,841	179,935
<b>NET CURRENT ASSETS</b>		474,641	383,618
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		661,027	550,434
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		1	41
Deferred income		18,610	-
Total non-current liabilities		18,611	41
Net assets		642,416	550,393
<b>EQUITY</b>			
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>			
Issued capital		61,733	61,733
Reserves	10	494,993	404,314
Proposed final dividend	6	49,386	49,386
<b>NON-CONTROLLING INTERESTS</b>		606,112	515,433
Total equity		36,304	34,960
		642,416	550,393

Notes:

## 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

### 1.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

### 1.2 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied any new standards, interpretations and amendments of HKFRSs that is issued but not yet effective.

## 2. SEGMENT INFORMATION

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

- the design, development and sale of IC products segment (“Design, development and sale of IC products”); and
- the provision of testing services for IC products segment (“Testing services for IC products”).

<b>Year ended</b> <b>31 December 2012</b>	<b>Design, development and sale of IC products</b> <b>RMB'000</b>	<b>Testing services for IC products</b> <b>RMB'000</b>	<b>Total</b> <b>RMB'000</b>
<b>Segment revenue:</b>			
Sales to external customers	<b>665,434</b>	<b>38,630</b>	<b>704,064</b>
Intersegment sales	<u>-</u>	<u>33,661</u>	<u>33,661</u>
	<b>665,434</b>	<b>72,291</b>	<u><b>737,725</b></u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(33,661)</u>
Revenue			<u><u>704,064</u></u>
<b>Segment results</b>	<b>126,569</b>	<b>20,100</b>	<b>146,669</b>
<i>Reconciliation:</i>			
Elimination of intersegment results			(1,040)
Interest income			5,299
Unallocated other income and gains			<u>11,709</u>
Profit before tax			<u><u>162,637</u></u>
<b>Segment assets</b>	<b>708,930</b>	<b>127,758</b>	<b>836,688</b>
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(4,538)
Corporate and other unallocated assets			<u>14,718</u>
Total assets			<u><u>846,868</u></u>
<b>Segment liabilities</b>	<b>149,585</b>	<b>59,404</b>	<b>208,989</b>
<i>Reconciliation:</i>			
Elimination of intersegment Payables			(4,538)
Corporate and other unallocated assets			<u>1</u>
Total liabilities			<u><u>204,452</u></u>
<b>Other segment information:</b>			
Share of losses of an associate	<b>376</b>	-	<b>376</b>
Impairment loss recognised in the income statement	<b>7,466</b>	<b>162</b>	<b>7,628</b>
Depreciation	<b>9,183</b>	<b>13,220</b>	<b>22,403</b>
Amortisation of intangible assets	<b>6,486</b>	-	<b>6,486</b>
Investment in an associate	<b>494</b>	-	<b>494</b>
Capital expenditure	<u><b>28,417</b></u>	<u><b>18,451</b></u>	<u><b>46,868*</b></u>

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

<b>Year ended 31 December 2011</b>	Design, development and sale of IC products RMB'000	Testing services for IC products RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	584,935	24,609	609,544
Intersegment sales	<u>-</u>	<u>23,813</u>	<u>23,813</u>
	584,935	48,422	633,357
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(23,813)</u>
Revenue			<u>609,544</u>
Segment results	99,466	10,129	109,595
<i>Reconciliation:</i>			
Elimination of intersegment results			226
Interest income			4,939
Unallocated other income and gains			<u>7,246</u>
Profit before tax			<u>122,006</u>
Segment assets	606,279	114,260	720,539
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(1,869)
Corporate and other unallocated assets			<u>11,699</u>
Total assets			<u>730,369</u>
Segment liabilities	124,470	57,334	181,804
<i>Reconciliation:</i>			
Elimination of intersegment payables			(1,869)
Corporate and other unallocated liabilities			<u>41</u>
Total liabilities			<u>179,976</u>
 Other segment information:			
Impairment losses recognised in the income statement	2,196	14	2,210
Depreciation	7,176	7,536	14,712
Amortisation of intangible assets	3,502	-	3,502
Investment in an associate	870	-	870
Capital expenditure	<u>26,557</u>	<u>33,796</u>	<u>60,353*</u>

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



## Geographical information

### (a) Revenue from external customers

	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Mainland China	<b>677,294</b>	543,630
Asia Pacific (excluding Mainland China)	<b>19,900</b>	51,495
Others	<b>6,870</b>	14,419
	<b><u>704,064</u></b>	<u>609,544</u>

The revenue information above is based on the locations of the customers.

### (b) Non-current assets

	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Mainland China	<b>171,653</b>	155,095
Asia Pacific (excluding Mainland China)	<b>15</b>	22
	<b><u>171,668</u></b>	<u>155,117</u>

The non-current asset information above is based on the locations of the assets and excludes an investment in an associate, available-for-sale investments and deferred tax assets.

## Information about a major customer

Revenue of approximately RMB68,723,000 (2011: RMB35,205,000) was derived from sales by the design, development and sale of IC products segment to a single customer.

### 3. 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.

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

	2012 RMB'000	2011 RMB'000
<b>Revenue</b>		
Sale of goods	665,434	584,935
Rendering of services	<u>38,630</u>	<u>24,609</u>
	<u><b>704,064</b></u>	<u><b>609,544</b></u>
<b>Other income</b>		
Bank interest income	5,299	4,939
Government grants received for research activities	87,893	47,205
Other government grants	<u>3,731</u>	<u>3,542</u>
	<u><b>96,923</b></u>	<u><b>55,686</b></u>
<b>Gains</b>		
Gain on disposal of a subsidiary	-	365
Others	<u>8,354</u>	<u>3,339</u>
	<u><b>8,354</b></u>	<u><b>3,704</b></u>
	<u><b>105,277</b></u>	<u><b>59,390</b></u>

#### 4. PROFIT BEFORE TAX

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

	2012 RMB'000	2011 RMB'000
Cost of inventories sold	342,303	330,346
Cost of services provided	25,616	12,938
Depreciation	22,403	14,712
Research and development costs:		
Deferred development costs amortised*	6,486	3,502
Current year expenditure	172,219	121,849
Less: Government grants received for research activities	<u>(87,893)</u>	<u>(47,205)</u>
	<u>90,812</u>	<u>78,146</u>
Minimum lease payments under operating leases:		
Land and buildings	5,461	5,805
Auditors' remuneration	1,075	1,075
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	107,596	80,425
Pension scheme contributions	<u>13,773</u>	<u>8,064</u>
	121,369	88,489
Less: Amounts capitalised as development costs	<u>(9,658)</u>	<u>(7,142)</u>
	<u>111,711</u>	<u>81,347</u>
Foreign exchange differences, net	75	1,831
Impairment of trade and bills receivables	2,276	1,706
Provision for inventories to net realisable value	5,352	504
Loss on disposal of items of property, plant and equipment	27	71
Bank interest income	(5,299)	(4,939)
Other government grants	(3,731)	(3,542)
Government grants received for research activities**	(87,893)	(47,205)
Gain on disposal of a subsidiary	<u>-</u>	<u>(365)</u>

\* The amortisation of deferred development costs for the year is included in "Other expenses" on the face of the consolidated statement of comprehensive income.

\*\* Various government grants have been received for setting up research activities in Shanghai, Mainland China, to support domestic technology development. The government grants received for certain research activities have been recognised as other income. Conditions or contingencies relating to these grants are fulfilled 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 "accruals, other payables and deferred income" in the consolidated statement of financial position.

## 5. 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 have been 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 an HNT Enterprise. For the financial year ended 31 December 2012, income taxes on assessable income of Sino IC have been 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 was still in its fifth profit making year and was entitled to a 50% concession on income tax. For the financial year ended 31 December 2012, income taxes on assessable income of Fukong Hualong have been 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 (“SZFM”) and Beijing Fudan Microelectronics Technology Company Limited (“BJFM”), 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 have been provided at the rate of 25% (2011: 25%).

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	<b>2012</b>	2011
	<b>RMB’000</b>	RMB’000
Current - Hong Kong		
Charge for the year	<b>291</b>	-
Current - Mainland China		
Charge for the year	<b>23,536</b>	18,122
Overprovision in prior years	<b>(1,343)</b>	(908)
Deferred	<u><b>(3,435)</b></u>	<u>(2,549)</u>
Total tax charge for the year	<u><b>19,049</b></u>	<u>14,665</u>

## 6. DIVIDEND

	<b>2012</b>	2011
	<b>RMB’000</b>	RMB’000
Proposed final – RMB8 cents		
(2011: RMB8 cents) per ordinary share	<u><b>49,386</b></u>	<u>49,386</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 617,330,000 (2011: 617,330,000) in issue during the year.

The calculation of basic earnings per share is based on:

	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u><b>140,068</b></u>	<u>106,372</u>
	<u>Number of shares '000</u>	
	<b>2012</b>	2011
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u><b>617,330</b></u>	<u>617,330</u>

The Group had no potentially dilutive ordinary shares in issue during the two years ended 31 December 2012 and 2011.

## 8. TRADE AND BILLS RECEIVABLES

	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Trade and bills receivables	<b>171,490</b>	156,707
Impairment	<u><b>(16,256)</b></u>	<u>(14,234)</u>
	<u><b>155,234</b></u>	<u>142,473</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally between 30 and 90 days. The Group's sales are made to several major customers and there is concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables and closely monitors the collection to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Within 3 months	<b>130,936</b>	117,525
3 to 6 months	<b>15,727</b>	16,745
6 to 12 months	<b>7,108</b>	5,346
Over 12 months	<b><u>1,463</u></b>	<u>2,857</u>
	<b><u><u>155,234</u></u></b>	<u><u>142,473</u></u>

## **9. TRADE AND BILLS PAYABLES**

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

	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Within 3 months	<b>51,870</b>	64,070
3 to 6 months	<b>118</b>	-
6 to 12 months	<b>195</b>	-
Over 12 months	<b><u>1,195</u></b>	<u>333</u>
	<b><u><u>53,378</u></u></b>	<u><u>64,403</u></u>

The trade and bills payables are non-interest-bearing and are normally settled on 90-day terms.

## 10. RESERVES

	Share premium	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	168,486	27,106	(2,887)	155,041	347,656
Profit for the year	-	-	-	106,372	106,372
Exchange differences on translation of foreign operations	-	-	(328)	-	(328)
Total comprehensive income for the year	-	-	(328)	106,372	106,044
Proposed final 2011 dividend	-	-	-	(49,386)	(49,386)
Transfer from retained profits	-	11,367	-	(11,367)	-
At 31 December 2011 and 1 January 2012	168,486	38,383	(3,215)	200,660	404,314
Profit for the year	-	-	-	140,068	140,068
Exchange differences on translation of foreign operations	-	-	(3)	-	(3)
Total comprehensive income for the year	-	-	(3)	140,068	140,065
Proposed final 2012 dividend	-	-	-	(49,386)	(49,386)
Transfer from retained profits	-	1,266	-	(1,266)	-
<b>At 31 December 2012</b>	<b>168,486</b>	<b>39,649</b>	<b>(3,218)</b>	<b>290,076</b>	<b>494,993</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the year under review, the economy of the Mainland slowed down and led to severe market competitions. Overseas markets still under the shadow of economic recession and the PRC export market growth was decelerated by the impact of exchange fluctuation. As the Group's business was highly concentrated in the domestic market, even though suffered from different kinds of adverse factors, with new products launched into different areas during the year, the impact was limited. Besides, with various electronics automation projects, and the changes of specifications in social security, residents, finance and mobile payment projects have generated a hot demand in the electronics market.

For the year ended 31 December 2012, the Group's turnover recorded with a continuous growth over the years. Sales in the mainland China kept a good growth; on the other hand, overseas sales were substantially dropped after the Group changed its marketing policy. Through its liaison offices in Singapore and Taiwan, the Group has strengthened its communication channels with overseas buyers and took good opportunities to promote its products as well as the exploration of overseas markets..

During the year, the Group still concentrated on its core business; besides the continuation of participating in government special projects, the Group has also joined lots of large scaled activities, technical conferences and exhibitions in order to enhance market promotion so as to expand the Group's technologies and product applications to various areas and markets. Some existing products of the Group have successfully penetrated into new markets of certain provinces and cities within the PRC. At the same time, the Group also launched at a right time with several new products to cope with the electronics upgrade program of identification cards and security system led by the government authorities and financial institutions. Some of the Group's products recorded a new high in sales during the year and resulted with a considerable growth in the Group's business as a whole.

The classification of product categories has been reclassified to conform with the Group's business development and the rapid changes in product series so to reflect more realistic product performances:

#### *Security and Identification Chips*

Security and identification IC chips were developed from products of smart cards and radio frequency identification. Security and identification product line has taken shape in 3 product series as identification and memory, smart and security and identification readers based on the technologies including self-owned MCU core, EEPROM and radio frequency. The Group, having developed over 20 types of products ranging from contact/contactless/dual-interface CPU card to contactless readers, SMAP mobile payment and etc., is now one of the domestic IC chips suppliers that provides a complete series. Products are widely adopted in areas of transportation, medical insurance, identification, e-wallet and etc.

IC chips of this category have been the Group's core products, sales of which for the year were similar to the past and accounted for more than a half of the Group's overall turnover. During the year, the IC chips for public transportation have penetrated into certain markets and with the new products launched for social security and financial industry, the sales in this category have increased by approximately 16% over the last year, however, the overall sales volume in this category was dropped as a result of changes in market policy. The IC smart card chips were the key products in this category and its applications are in areas of public transportation and etc., thus, the selling prices and sales volume are rather stable with profit margin increased from 47.6% of last year to 55.49% of the year driven by higher profits of certain new products.

#### *Smart Meter ASIC Chips*

The products of application specified IC ("ASIC") of smart meter series provide specific IC chips and related system solution for smart meters, electricity leakage protection equipment and electric power automation within the smart electric power network product line. Based on ASIC, our product line provides added value for system solution including embedded software, supporting IC chips developing kit and application set up. At present, and since its launching for market promotion, the major product smart meter specific micro controller unit chips have gained more than 90 enterprises for meter sampling and out of which, more than 80 enterprises have submitted their programs to the Nation Electric Network for certification, and more than 70 enterprises have put into mass production, thus these smart meter IC chips have been operated throughout the country.

The sales of this category during the year increased by approximately 83% over the last year and as the sales and selling prices of these products were very stable, as such, the profit margin was similar to the last year. The sharp increase in sales growth of this category has attributed a considerable contribution to the current year's results.



### *Non-volatile Memory Chips*

The Group is the first serial EEPROM supplier in mainland China and with over 10 years' development, the product capacities now cover those from 2K bits to 1024K bits. The Group, which has accumulated rich experience in providing perfect quality management, excellent component supplies, sound channel management and outstanding customer services, has gained accreditations from worldwide and domestic electronics manufacturers and has becoming the top sellers in serial EEPROM with the widest EEPROM product lines. In addition to serial EEPROM, the Group also developed serial Flash products which provide a total solution in Non-volatile Memory chips products with a view to becoming an international leading and professional serial EEPROM supplier.

Sales of chips in this category slipped approximately 22% as compared with last year. Because of saturation in markets of certain products and together with increase of new competitors, selling prices of certain products have to be adjusted to meet market demands. However, profit margin was increased from 20% in last year to 26% as a result of improvement in production.

### *Specific Analog Circuits*

The Group's specific analog circuits involve many aspects and are fully functional. Products include leakage protection circuit, meter circuits, lighting circuits, motorcycle automotive electronics, telecommunication circuits, consumer electronics and so on.

Due to decreases in sales of motorcycle automotive electronics and telecommunication circuits, sales of this category during the year were decreased by 25%. As the portion of sales on overall turnover was minimal, there was little impact on the turnover and results of the year.

### *Other Chips*

This category comprises of some secondary products and developed software and sales for the year were a few million Renminbi and accounted for a small portion of the Group's turnover. The sales for the year increased by 11% as compared with last year and the profit margin also increased slightly.

### *IC Testing Services*

The IC testing services are provided by Sino IC Technology Co., Ltd., a 64.9%-owned subsidiary of the Group, income for the year of which has been maintained with a health trend over the years. Benefited from the rapid growth of the domestic electronics market with the Group's advanced technologies and accumulated experience, service income for the year of Sino IC increased sharply by approximately 53% over the last year. Even though the profit margin dropped due to increase in operating costs, it still achieved a satisfactory level of 61% with an approximately 86% increase in results. The IC testing services provide good supports to the Group's product testing and ensure its products meet with quality standards.

## **FINANCE REVIEW**

The Group recorded a total revenue of approximately RMB704,064,000 (2011: RMB609,544,000) for the year ended 31 December 2012, represents a rise of approximately 16% as compared to the previous financial year. The profit attributable to owners of the parent was approximately RMB140,068,000 (2011: RMB106,372,000) and the basic earnings per share was RMB22.69 cents (2011: RMB17.23 cents), representing increase of approximately 32% over the last year. The Directors recommend the payment of a final dividend of RMB8 cents (2011: RMB8 cents) per ordinary share in respect of the year ended 31 December 2012.

For the year under review, following the increase in turnover of the Group, the profit margin also increased from 44% in last year to approximately 48% due to new products with high return launched during the year. Other income and gains increased by approximately 77% as compared to last year, mainly due to the increase of government grants received for research activities by 86% over the last year.

With regard to the selling and distribution costs, the increase of approximately 18% during the year as compared to last year was in relation with increase in turnover. In addition, it is also due to additional costs incurred for the exploration of new markets in surrounding cities within the country. At the same time, the overseas liaison offices in Singapore and Taiwan established for the purpose of developing overseas markets also increased expenditures. The administrative expenses increased by approximately 44% when compared to last year because of business growth and salaries adjustment in order to keep professional talents. The other expenses for the year increased by approximately 39% over the last year, it is due to continuous application of resources in research and development by the Group and the increase in amortisation of deferred development costs.

With regard to income tax, the increase in provision of RMB4,384,000 as compared with previous year was due to increase in assessable profits.

During the year, the Group had an addition of RMB10,190,000 in self-occupied office premises transferred from construction under development to meet office spaces demand from increase in employees. Intangible assets increased by RMB5,695,000 over the last year as a result of applying resources for project research and development. As at the end of the reporting period, the inventory level was at a healthy level and with some inventories that were slow moving due to market demand, a provision of RMB5,352,000 was accounted for during the year. Compared with last year, the trade receivables increased slightly in relation to the increase in turnover with related impairment also increased lightly. The deferred tax assets increased by RMB3,395,000 because of government grants received were not recognised due to projects pending for acceptance and settlement. Since there were some projects settled and recognised during the year, prepayments, deposits and other receivables were decreased significantly by approximately RMB15,846,000.

## **MATERIAL INVESTMENTS AND ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES**

The Group's wholly owned subsidiary, Shanghai Doublepoint Information Technology Co., Ltd. ("Doublepoint"), has undergone a corporate restructuring at the end of year by increasing registered capital to cope with its business development. The Company will increase its shareholding in Doublepoint by additional investment of RMB5,000,000 and upon the completion of increase in registered capital of Doublepoint in early 2013, the Group's equity interest will be increased from 26.4% to approximately 61.9%.

Save as disclosed above, the Group has no material investment and there was no material change in the subsidiaries of the Group during the year.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS**

The Group is still actively seeking for strategic cooperation and has no other material investment plan at present.

## **FINANCIAL RESOURCES AND LIQUIDITY**

As at 31 December 2012, net assets of the Group amounted to approximately RMB642,416,000 (2011: RMB550,393,000), an increase of approximately 17% as compared to last year; of which, current assets amounted to approximately RMB660,482,000 (2011: RMB563,553,000), a rise of approximately 17% over the previous year, and including cash and bank deposits amounted to approximately RMB345,577,000 (2011: RMB256,017,000), an increase of approximately 35% when compared to last year.

The Group's financial resources and liquidity are in healthy status that are sufficient for the Group to meet its daily business operations and present development.

As at 31 December 2012, the Group has no deposit or security deposit pledged as guarantee (2011: nil) and has not pledged any of its assets to any third parties (2011: nil).

## **CAPITAL STRUCTURE**

The Company's capital has no change and only comprises of ordinary shares.

## **GEARING RATIO**

As at 31 December 2012, the Group's current liabilities amounted to approximately RMB185,841,000 (2011: RMB179,935,000), an increase of approximately 3% as compared to last year. Non-current liabilities of approximately RMB18,611,000 (2011: RMB41,000), an increase of approximately 453 times when compared with last year. The net assets value per share of the Group was approximately RMB1.04 (2011: RMB0.89), a growth of approximately 17% over the last year. The Group's ratio of current liabilities over current assets was approximately 28.1% (2011: 31.9%) and the gearing ratio was approximately 31.8% (2011: 32.7%) on the basis of total liabilities over net assets. As at 31 December 2012, the Group and the Company had no bank or other borrowings (2011: nil)

## **INTEREST AND FOREIGN EXCHANGE RISK**

The Board believes 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. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. Approximately 4% (2011: 11%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst almost 73% (2011: 77%) of costs are denominated in 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.

## **CREDIT RISK**

The Group trades only with recognised and creditworthy third parties. At the end of the reporting period, the Group has certain concentrations of credit risk as the Group's sales are made to several major customers. 21% (2011: 21%) of the Group's trade and bills receivables were due from the Group's five largest customers within the design, development and sale of IC products segment. The Group seeks to maintain strict control over its outstanding receivables and closely monitors 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.

### **CAPITAL COMMITMENTS**

As at 31 December 2012, the Group had capital commitments of approximately RMB4,264,000 related to acquisition of property, plant and equipment (2011: RMB1,299,000).

### **CONTINGENT LIABILITIES**

As at 31 December 2012, the Group had no contingent liabilities (2011: nil).

### **USE OF CAPITAL AND FUNDING**

The Group currently has a stable financial position with sufficient working capital which will be applied for research and development of new products and identifying of cooperation opportunities as appropriate.

### **EMPLOYEES**

As at 31 December 2012, the Group employed approximately 750 (2011: 614) employees. The increase in number of employees was due to expansion of the Group's business, increase of research and development projects and market exploration. The salary levels of employees are determined by their performance, qualifications, experience and contribution to the Group with reference to general market trend.

The total employees' expenses of the Group including directors' remuneration charged to the consolidated statement of comprehensive income for the year ended 31 December 2012 amounted to approximately RMB125,700,000 (2011: RMB91,934,000). The substantial increase in total employees expenses were due to increase in employees and salaries adjustments to keep technical experts.

### **PROSPECTS**

Even though the facing the adverse impact of uncertainty in surrounding economies and the expectation of slow-down in economic growth of the PRC, the Group will continue its application of resources in project research and development, enhance market promotion, improve and control its operating costs, adopt a stable business development way forward and with a view to keep its past results on a steady growth. Looking forward to 2013, the Directors expect that following the launching of new products into various areas and the stable sales of the existing products, it is optimistic as to the Group's business and results.

### **DIVIDEND**

The Directors recommend the payment of a final dividend of RMB8 cents per ordinary share in respect of the year ("Final Dividend"). The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and payable on 12 July 2013 to shareholders whose names appear on the register of members of the Company at the close of business on 6 June 2013 (the "Record Date").

According to the Law on Corporation Income Tax of the People's Republic of China (the "PRC") and the relevant implementing rules, the Company is required to withhold corporate income tax at the rate of 10% before distributing the Final Dividend to non-resident enterprise shareholders as appearing on the H share register of members of the Company (the "H Share Register") on the Record Date. Any H shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore, the Company will pay the Final Dividend after deducting the 10% withholding corporate income tax. The 10% corporate income tax will not be withheld by the Company from the Final Dividend payable to any natural person shareholders whose names appear on the H Share Register on the Record Date.

## **CLOSURE OF REGISTER OF MEMBERS OF H SHARES**

### *For Annual General Meeting*

The Register of Members of the Company will be closed from 1 May 2013 to 31 May 2013 (both dates inclusive) during which period no transfer of H shares will be registered. To be qualified to attend the annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:00 p.m. on 30 April 2013.

### *For Final Dividend*

The Register of Members of the Company will be closed from 6 June 2013 to 7 June 2013 (both dates inclusive) during which period no transfer of H shares will be registered. To be qualified to the Final Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:00 p.m. on 5 June 2013.

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

At 31 December 2012, the interests and short positions of the directors and supervisors of the Company in the share capital and underlying shares and debentures of the Company or 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 the Model Code for Securities Transactions by Directors of Listed Issuers.

Long positions in domestic shares of the Company:-

	Number of issued shares held, capacity and nature of interest					Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust (Note)	Total	
<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
	<u>14,420,000</u>	<u>-</u>	<u>-</u>	<u>45,290,530</u>	<u>59,710,530</u>	<u>9.67</u>
<b>Supervisors</b>						
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 (“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 and Invest (Group) Corporation (“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 and underlying shares of an associate corporation:

	Name of associated corporation	Relationship with the Company	Shares/equity derivatives	Numbers of shares/equity derivatives held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
<b>Directors</b>						
Mr. Yu Jun	Shanghai Doublepoint Information Technology Co., Ltd. (“Doublepoint”)	Company's associate	Ordinary shares	200,000	Directly Beneficially owned	5.277
Mr. Wang Su	Doublepoint	Company's associate	Ordinary shares	100,000	Directly Beneficially owned	2.638
<b>Supervisor</b>						
Mr. Li Wei	Doublepoint	Company's associate	Ordinary shares	100,000	Directly Beneficially owned	2.638

Save as disclosed above, as at 31 December 2012, no directors and supervisors 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 the Model Code for Securities Transactions by Directors of Listed Issuers.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or 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.

## **DIRECTORS' SECURITIES TRANSACTIONS**

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. The Company has made specific enquiries to all directors and confirms that they have all complied with such code of conduct and the required standard throughout the year ended 31 December 2012.

## **DIRECTORS' INTERESTS IN CONTRACTS**

No director had a material interest, either directly or indirectly in any contract of significance to the business of the Group to which the Company or its subsidiaries were a party during the year.

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

At 31 December 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:

<b>Name</b>	<b>Notes</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Class of shares</b>	<b>Percentage of shareholding on relevant class of shares</b>	<b>Percentage of the Company's issued share capital</b>
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)	Through a controlled corporation	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 31 December 2012, no person, other than the directors and supervisors of the Company, whose interests are set out in the section “Directors’ and supervisors’ 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 under Section 336 of the SFO.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company’ articles of association or the laws of the PRC which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

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

### **DIRECTORS’ INTERESTS IN A COMPETING BUSINESS**

During the year and up to the date of this announcement, 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.

### **SUFFICIENCY OF PUBLIC FLOAT**

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

### **CORPORATE GOVERNANCE CODE**

In the opinion of the Directors, the Company has complied fully with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the year.

### **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 controls of the Group. The audit committee comprises the independent non-executive directors, Mr. Cheung Wing Keung and Mr. Guo Li and the non-executive director, Mr. Shen Xiaozu. The Company’s and the Group’s financial statements for the year ended 31 December 2012 have been reviewed by the committee, who were of the opinion that these statements complied with the applicable accounting standards, the GEM and legal requirements, and that adequate disclosures had been made.

On behalf of the Board  
**Shanghai Fudan Microelectronics Group Company Limited\***  
**Jiang Guoxing**  
Chairman

Shanghai, the PRC, 18 March 2013



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; non-executive directors are Ms. Zhang Qianling, Mr. He Lixing and Mr. Shen Xiaozu and independent non-executive directors are Mr. Cheung Wing Keung, Mr. Guo Li, Mr. Chen Baoying and Lin Fujiang.

*This announcement will remain on the GEM website on the "Latest Company announcements" page and publish on the Company's website for at least 7 days from the day of its posting.*

*\* For identification purpose only*