上海復旦微電子集團股份有限公司

Shanghai Fudan Microelectronics Group Company Limited*

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 1385)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

The turnover of the Group for the year ended 31 December 2014 was approximately RMB843,913,000 (2013: RMB816,931,000), increased by approximately 3% as compared to the previous year.

The Group recorded a net profit attributable to owners of the parent for the year ended 31 December 2014 of approximately RMB167,963,000 (2013: RMB159,398,000) and the basic earnings per share was RMB27.21 cents (2013: RMB25.82 cents), representing an increase of approximately 5% over 2013.

The Board does not recommend the payment of final dividend for the year ended 31 December 2014 (2013: RMB8 cents per ordinary share).

AUDITED RESULTS

The board of directors (the "Board") 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 2014, along with the comparative audited figures for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Notes	**2014** **RMB'000**	2013 RMB'000
REVENUE	3	**843,913**	816,931
Cost of sales		**(443,131)**	(419,472)
Gross profit		**400,782**	397,459
Other income and gains	3	**102,722**	104,234
Selling and distribution costs		**(55,566)**	(58,637)
Administration expenses		**(71,894)**	(60,573)
Other expenses		**(192,402)**	(213,343)
Share of losses of an associate		**-**	(110)
PROFIT BEFORE TAX	4	**183,642**	169,030
Tax expense	5	**(6,653)**	(4,753)
PROFIT FOR THE YEAR		**176,989**	164,277
Profit attributable to:			
Owners of the parent		**167,963**	159,398
Non-controlling interests		**9,026**	4,879
		176,989	164,277
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
- For profit for the year	7	**27.21cents**	25.82 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	RMB'000	RMB'000
PROFIT FOR THE YEAR	**176,989**	164,277
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of a foreign operation	**11**	(269)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**11**	(269)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**11**	(269)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**177,000**	164,008
Total comprehensive income attributable to:		
Owners of the parent	**167,974**	159,129
Non-controlling interests	**9,026**	4,879
	177,000	164,008

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	**2014**	2013
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**295,635**	206,683
Intangible assets		**131,763**	57,187
Goodwill		**-**	827
Available-for-sale investments		**-**	500
Deferred tax assets		**33,737**	20,306
Total non-current assets		**461,135**	285,503
CURRENT ASSETS			
Inventories		**210,033**	199,793
Trade and bills receivables	8	**240,740**	198,356
Prepayments, deposits and other receivables		**18,359**	22,411
Cash and bank balances		**346,194**	340,380
Total current assets		**815,326**	760,940
CURRENT LIABILITIES			
Trade and bills payables	9	**74,389**	89,075
Accruals, other payables and deferred income		**245,614**	175,681
Tax payable		**12,705**	10,662
Total current liabilities		**332,708**	275,418
NET CURRENT ASSETS		**482,618**	485,522
TOTAL ASSETS LESS CURRENT LIABILITIES		**943,753**	771,025
NON-CURRENT LIABILITIES			
Deferred income		**8,825**	13,684
Total non-current liabilities		**8,825**	13,684
Net assets		**934,928**	757,341
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**61,733**	61,733
Reserves	10	**780,531**	604,736
Proposed final dividend	6	**-**	49,386
		842,264	715,855
Non-controlling interests		**92,664**	41,486
Total equity		**934,928**	757,341

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. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements 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 POLICIES AND DISCLOSURES

The Group has adopted the following revised standard and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC) - Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010 -2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010 -2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

The adoption of the revised standards and new interpretation has had no significant financial effect on these financial statements.

1.2 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied any new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

2. OPERATING SEGMENT INFORMATION

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

- the design, development and sale of IC products segment ("design, development and sale of IC products"); and

- the provision of testing services for IC products segment ("testing services for IC products").

Year ended 31 December 2014	Design, develop-ment and sale of IC products RMB'000	Testing services for IC products RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	**799,294**	**44,619**	**843,913**
Intersegment sales	**-**	**35,744**	**35,744**
	799,294	**80,363**	**879,657**
Reconciliation:			
Elimination of intersegment sales			**(35,744)**
Revenue			**843,913**
Segment results	**144,973**	**26,743**	**171,716**
Reconciliation:			
Elimination of intersegment results			**(6,195)**
Interest income			**6,352**
Unallocated other income and gains			**11,769**
Profit before tax			**183,642**
Segment assets	**1,018,240**	**228,729**	**1,246,969**
Reconciliation:			
Elimination of intersegment receivables			**(4,245)**
Corporate and other unallocated assets			**33,737**
Total assets			**1,276,461**
Segment liabilities	**286,653**	**59,126**	**345,779**
Reconciliation:			
Eliminating of intersegment payables			**(4,246)**
Corporate and other unallocated liabilities			**-**
Total liabilities			**341,533**
Other segment information			
Gain on disposal of an available-for-sale investment	**(3,276)**	**-**	**(3,276)**
Impairment loss recognised in the statement of profit or loss	**17,251**	**253**	**17,504**
Impairment loss reversed in the statement of profit or loss	**(6,576)**	**-**	**(6,576)**
Depreciation	**10,006**	**15,870**	**25,876**
Amortisation of intangible assets	**9,940**	**-**	**9,940**
Capital expenditure	**168,755**	**35,438**	**204,193***

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

Year ended 31 December 2013	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	791,200	25,731	816,931
Intersegment sales	-	49,273	49,273
	791,200	75,004	866,204
Reconciliation:			
Elimination of intersegment sales			(49,273)
Revenue			816,931
Segment results	126,871	24,452	151,323
Reconciliation:			
Elimination of intersegment results			(830)
Interest income			7,070
Unallocated other income and gains			11,467
Profit before tax			169,030
Segment assets	884,988	149,262	1,034,250
Reconciliation:			
Elimination of intersegment receivables			(9,440)
Corporate and other unallocated assets			21,633
Total assets			1,046,443
Segment liabilities	230,565	65,538	296,103
Reconciliation:			
Eliminating of intersegment payables			(7,001)
Corporate and other unallocated liabilities			-
Total liabilities			289,102
Other segment information			
Share of losses of an associate	110	-	110
Impairment loss recognised in the statement of profit or loss	20,672	103	20,775
Impairment loss reversed in the statement of profit or loss	(5,468)	-	(5,468)
Depreciation	9,840	13,501	23,341
Amortisation of intangible assets	9,973	-	9,973
Capital expenditure	82,362	43,744	126,106*

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

Geographical information

(a) Revenue from external customers

	2014	2013
	RMB'000	RMB'000
Mainland China	**804,892**	743,241
Asia Pacific (excluding Mainland China)	**30,502**	70,542
Others	**8,519**	3,148
	843,913	816,931

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

(b) Non-current assets

	2014	2013
	RMB'000	RMB'000
Mainland China	**427,394**	263,861
Asia Pacific (excluding Mainland China)	**4**	9
	427,398	263,870

The non-current assets information above is based on the locations of the assets and excludes available-for-sale investments, goodwill and deferred tax assets.

Information about a major customer

In 2014, no revenue from sales to a single customer contributed to 10% or more of the Group's revenue.

In 2013, Revenue of approximately RMB125,957,000 was derived from sales by the design, development and sale of IC products segment to a single customer, which contributed to 10% or more of the Group's revenue.

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 during the year.

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

	2014	2013
	RMB'000	RMB'000
Revenue		
Sale of goods	**799,294**	791,200
Rendering of services	**44,619**	25,731
	843,913	816,931
Other income and gains		
Bank interest income	**6,352**	7,070
Government grants received for research activities	**70,346**	75,499
Gain on disposal of an available-for-sale investment	**3,276**	-
Other government grants	**11,364**	11,582
Others	**11,384**	10,083
	102,722	104,234

4. PROFIT BEFORE TAX

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

	2014 RMB'000	2013 RMB'000
Cost of inventories sold	**427,446**	407,050
Cost of services provided	**15,685**	12,422
Depreciation	**25,876**	23,341
Research and development costs:		
Deferred development costs amortised*	**9,940**	9,973
Current year expenditure	**178,507**	203,723
Less: Government grants received for research activities	**(70,346)**	(75,499)
	118,101	138,197
Impairment of goodwill	**827**	-
Minimum lease payments under operation leases:		
Land and buildings	**9,552**	6,401
Auditors' remuneration		
Annual audit	**1,203**	1,087
Transfer of listing	**-**	402
	1,203	1,489
Employee benefit expense (excluding Directors' remuneration):		
Wages and salaries	**180,874**	154,405
Pension scheme contributions	**20,245**	14,508
	201,119	168,913
Less: Amounts capitalised as development costs	**(46,032)**	(31,048)
	155,087	137,865
Foreign exchange differences, net	**1,135**	(130)
Impairment of intangible assets	**2,334**	-
Reversal of impairment of trade and bills receivables	**(336)**	(1,126)
Provision for inventories to net realisable value	**8,103**	16,433
Gain on disposal of an available-for-sale investment	**(3,276)**	-
Loss on disposal of items of property, plant and equipment	**521**	20
Bank interest income	**(6,352)**	(7,070)
Other government grants	**(11,364)**	(11,582)
Government grants received for research activities **	**(70,346)**	(75,499)

* The amortisation of deferred development costs for the year is included in "Other expenses" on the face of the consolidated statement of profit or loss.

** Various government grants have been received for setting up research activities in Shanghai, Mainland China, to support domestic technology development. Conditions or contingencies relating to these grants are fulfilled and they are not deducted from the related costs which they are intended to compensate, but recorded in other income. Government grants received for which related expenditure has not yet been incurred or to which there were unfulfilled conditions 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”). Further pursuant to the notice of the State Council on “Issuing Several Policies on Further Encouraging the Development of the Software and Integrated Circuit Industries” (Guo Fa (2011) No. 4) and “Notice Concerning Policies on Enterprise Income Tax for Further Encouraging the Development of Software and Integrated Circuit Industries” (Cai Shui (2012) No. 27) issued by the Ministry of Finance of the PRC, the Company’s application as a “key software enterprise falling within the State’s planned arrangement” was approved and a notice of approval results for enjoying the preferential tax rate of 10% for 2013 and 2014 was issued by the State Administration of Taxation, Yangpu, Shanghai on 18 March 2014. Therefore, for the financial year ended 31 December 2014, income tax on assessable income of the Company has been provided at the rate of 10%. (2013: 10%).

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 2014, income tax on assessable income of Sino IC has been provided at the rate of 15% (2013: 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%. For the financial year ended 31 December 2014, Fukong Hualong is entitled to a preferential income tax rate of 15% as an HNT Enterprise, and therefore, income tax on assessable income of Fukong Hualong has been provided at the rate of 15% (2013: 15%).

Under the CIT Law, three of the Company’s subsidiaries, Shenzhen Fudan Microelectronics Company Limited, Beijing Fudan Microelectronics Technology Company Limited and Shanghai Doublepoint Information Technology Co., Ltd., are subject to income taxes at a base rate of 25%. For the financial year ended 31 December 2014, income taxes on assessable income of these subsidiaries have been provided at the rate of 25% (2013: 25%).

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2014 **RMB’000**	2013 RMB’000
Group		
Current – Hong Kong		
Charge for the year	**228**	411
Overprovision in prior years	**(8)**	(110)
Current – Mainland China		
Charge for the year	**20,849**	23,219
Tax refund	**-**	(11,541)
Overprovision in prior years	**(985)**	(643)
Deferred	**(13,431)**	(6,583)
Total tax charge for the year	**6,653**	4,753

6. DIVIDEND

	2014 **RMB’000**	2013 RMB’000
Proposed final – nil (2013: RMB8 cents) per ordinary share	**-**	49,386

The Board does not propose final dividend for the year.

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

The calculation of the basic earnings per share amount 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 (2013: 617,330,000) in issue during the year.

The calculation of basic earnings per share is based on:

	2014	2013
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**167,963**	**159,398**

	Number of shares '000	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**617,330**	617,330

The Group had no potentially dilutive ordinary shares in issue during the two years ended 31 December 2014 and 2013.

8. TRADE AND BILLS RECEIVABLES

	2014	2013
	RMB'000	RMB'000
Trade and bills receivables	**255,369**	213,486
Impairment	**(14,629)**	(15,130)
	240,740	198,356

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 the 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:

	2014	2013
	RMB'000	RMB'000
Within 3 months	**202,713**	148,841
3 to 6 months	**23,755**	39,660
6 to 12 months	**5,054**	4,776
Over 12 months	**9,218**	5,079
	240,740	198,356

9. TRADE AND BILLS PAYABLES

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

	2014	2013
	RMB'000	RMB'000
Within 3 months	**71,953**	87,018
3 to 6 months	**13**	615
6 to 12 months	**1,309**	82
Over 12 months	**1,114**	1,360
	74,389	89,075

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

10. RESERVES

	Share premium RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2013	168,486	39,649	(3,218)	-	290,076	494,993
Profit for the year	-	-	-	-	159,398	159,398
Exchange differences on translation of foreign operations	-	-	(269)	-	-	(269)
Total comprehensive income for the year	-	-	(269)	-	159,398	159,129
Final 2012 dividend declared	-	-	-	-	(49,386)	(49,386)
Transfer	-	1,590	-	-	(1,590)	-
At 31 December 2013	168,486	41,239	(3,487)	-	398,498	604,736
Profit for the year	-	-	-	-	**167,963**	**167,963**
Exchange differences on translation of foreign operations	-	-	**11**	-	-	**11**
Total comprehensive income for the year	-	-	**11**	-	**167,963**	**167,974**
Capital contribution from non-controlling interests	-	-	-	**7,821**	-	**7,821**
Transfer	-	**1,462**	-	-	**(1,462)**	-
At 31 December 2014	**168,486**	**42,701**	**(3,476)**	**7,821**	**564,999**	**780,531**

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Over the past decade, the global IC market has gradually shifted its focus from Europe and America to Asia. Given its strength in the vast domestic market, China has become the world's largest IC consumer marketplace. IC design companies in the IC industry, a strategic sector with strong government support, have witnessed improving scale and significantly enhanced design capability. Although still lagging behind the global top-notch players in terms of average scale, the domestic IC design companies are bridging the gap. The Group has been rooted in China's market with an unchanged focus on its core business of IC design, and has benefited from national incentive policies and its market advantages over the years.

During the year, declining prices amid fierce competition were seen in China's IC market, a preferred target for global peers given its rapid growth and increasing demand. Responding to the challenging competitive pressure, the Group took efforts to strengthen business promotion and cost control, which ensured continuous growths both in its annual revenue and profit.

The Group's business performance by product category during the year is as follows:

Security and Identification IC Chips

During the year ended 31 December 2014, domestic banks began to cease issuance of magnetic cards, while starting the migration from magnetic cards to IC cards to gradually cease lower-security transactions compatible with financial IC cards. The Group made marketing progress and started bulk production for its financial IC card products which were tailored to market demand and standards and certified by tests. For products such as resident health cards, financial and social security cards, citizen cards, resident cards and identification IC chips, the Group has gradually entered provincial and municipal markets, and made sound progress in the projects secured and sales. For the category of IC smart cards, a traditional growth driver of the Group, sales and profit from public transport cards were slightly lower than those of last year due to market saturation and price pressure, and consumer IC cards also recorded a drop in sales volume in the context of macro control. Dragged by slower sales of such products, this chip category recorded drops of approximately 7% and 2% respectively in its turnover and gross profit margin. Given the significant weight of security and identification IC chips in the total revenue, this category had a notable pressure on the Group's overall performance in the year.

Smart Meter ASIC Chips

After establishing a development plan for smart power gird in 2009, The State Grid Corporation of China has been making procurements of smart meters through open tenders for years since 2012. The Group's smart meter ASIC chips tailored to the plan and product standards have been well received by manufacturers, maintaining around one-third market share in terms of bid winning rate. As a result of a slightly higher bid winning rate, sales for the year increased by approximately 14% year-on-year, while gross profit margin still remained unchanged.

Non-volatile Memory Chips

The Group's non-volatile memory chips have been warmly received in the booming markets such as wearable devices, Bluetooth and video products, billing meters and set-top boxes, recording substantial growths in sales as the product lines are to further expand. With a broad and comprehensive coverage, the product lines should have secured a considerable market share. Although prices of certain existing products were realigned with market demand due to the escalating competition, the Group launched a number of new products which contributed to the growths in turnover and gross profit margin.

Specific Analog Circuits

Specific analog circuit products recorded a slight decrease in sales during the year, as a result of the impact of market competition on selling prices of motorcycle automotive electronics, telecommunication circuits and other products. The gross profit margin was pushed up by the new products launched, but the decrease in sales of other products in this category could not be offset given the less exciting market response to the new products . This category had a marginal impact on turnover and business results given its limited weight in the Group's overall sales.

Other Chips

Turnover of flash memory products, a best-seller since launched several years ago especially for new products, surged year-on-year but with a drop in gross profit margin due to price adjustments. This category had a marginal impact on turnover and business results given its minimum weight in the Group's overall sales.

IC Testing Services

During the year, the IC testing services provided by Sino IC maintained a stable growth of approximately 7% year-on-year in income before elimination of intragroup transactions. Income of Sino IC from external services increased by approximately 73% while income from internal transactions decreased accordingly by approximately 27% in the year, reflecting its refined business strategy in market development and high concentration of the services provided to the Group in recent years has been decreasing. The gross profit margin of 33% held the line of last year, which still outperformed the industry average.

FINANCE REVIEW

The Group recorded a total revenue of approximately RMB843,913,000 (2013: RMB816,931,000) for the year ended 31 December 2014, representing a rise of approximately 3.3% year-on-year. The audited net profit attributable to owners of the parent was approximately RMB167,963,000 (2013: RMB159,398,000), with basic earnings per share of RMB27.21 cents (2013: RMB25.82 cents), representing an increase of approximately 5.4% year-on-year. The board of directors does not recommend the payment of final dividend (2013: RMB8 cents per ordinary share) in respect of the year ended 31 December 2014.

For the year under review ended 31 December 2014, the Group's total revenue recorded a slight increase as driven by higher sales of other product categories except for the decreased sales of its major products of security and identification IC chips, together with a rise in income from IC testing services; and the gross profit margin decreased slightly by 1.2% year-on-year to approximately 47.5%. Other income and gains decreased slightly by approximately 1.5% year-on-year, mainly attributable to a decrease of approximately RMB5,153,000 in government grants received for research activities, partially offset by approximately RMB3,276,000 from gain on disposal of an available-for-sale investment.

With regard to the selling and distribution costs, a decrease of approximately 5.2% year-on-year was recorded due to lower marketing expenses as a result of stable maket channels and changes in overseas marketing, albeit with a slight increase in sales for the year. The administrative expenses increased by approximately 18.7% year-on-year, which was attributable to an increased number of employees as well as the rising salaries and prices in the industry. Other expenses for the year decreased by approximately 9.8% year-on-year, mainly attributable to a decrease of approximately RMB20,096,000 in research and development costs during the year.

With regard to taxation, as the Company's application as a "key software enterprise falling within the State's planned arrangement" was approved, income tax on assessable income for the year was provided for at the preferential tax rate of 10%. The aggregate tax expenses for the year increased by approximately RMB1,900,000 year-on-year, mainly due to a tax refund of approximately RMB11,541,000 received in last year, in contrast with an increase of approximately RMB11,519,000 in the effect of change in rate on deferred tax during the year as well as an increase of approximately RMB4,260,000 year-on-year in the tax expenses based on taxable profits and a decrease of RMB2,316,000 tax expenses relating to expenses not deductible for tax.

During the year, the Group's non-current assets increased significantly by approximately RMB175,632,000, mainly attributable to an increase of approximately RMB99,005,000 in construction in progress due to acquisition of offices and equipment. In addition, intangible assets also increased by approximately RMB74,576,000 year-on-year due to the increase in research and development expenditures and capitalisation. Deferred tax assets increased by approximately RMB13,431,000 as a result of asset impairment, amortisation of offices and equipment and intangible assets, and temporary differences related to accruals and payables. As at the reporting date, current assets posted a significant increase of approximately RMB54,386,000 year-on-year. Inventories of the current period after an impairment provision of approximately RMB8,103,000 still increased by approximately RMB10,240,000 year-on-year, in order to cater for the estimated sales and seasonal sales to customers in the market. Trade and bills receivables increased by approximately RMB42,384,000 year-on-year, mainly attributable to the over-concentration of sales near the end of the year due to seasonal sales. Cash and bank deposits also increased by approximately RMB5,814,000 year-on-year. With regard to current liabilities, trade payables decreased by approximately RMB14,686,000 due to less procurement at the end of the year, while accrual, other payables and deferred income increased by approximately RMB69,933,000 year-on-year, mainly attributable to the provison of year end bonus, increases in other tax expenses other than income tax and deferred income.

MATERIAL INVESMENTS AND ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Sino IC Technology Co., Ltd. ("Sino IC"), a non-wholly owned subsidiary of the Company, completed a capital increase in April 2014. Through the issuance of 11,000,000 shares, the registered capital of Sino IC was increased from RMB31,000,000 to RMB42,000,000, raising proceeds totalling RMB55,000,000. In proportion to its existing shareholding, the Company contributed RMB5,029,380 for the subscription of 1,005,876 new shares. Because there were subscriptions from third parties, upon completion of the capital increase, the Company's equity interest in Sino IC decreased from approximately 64.9% to approximately 50.3%, which is deemed as a sale transaction. As the decrease in equity interest will not result in loss of control over Sino IC, the Company did not recognise any gain or loss from the transaction in accordance with Hong Kong Financial Reporting Standards.

Save as disclosed above, the Group had no material investment and there was no acquisition and disposal of subsidiaries of the Company during the year.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group is still actively seeking for suitable investment opportunities and has no material investment plan at present.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2014, net assets of the Group amounted to approximately RMB934,928,000 (2013: RMB757,341,000), an increase of approximately 23.4% year-on-year; of which current assets amounted to approximately RMB815,326,000 (2013: 760,940,000), a rise of approximately 7.1% year-on-year, and including cash and bank deposits of approximately RMB346,194,000 (2013: RMB340,380,000), an increase of approximately 1.7% year-on-year.

The Group has been relying on its profit and internal cash flow to finance its working capital and business development requirements. Under prudent fiscal policy, the Group's financial resources are sufficient to meet its daily business operations and future development.

As at 31 December 2014, the Group has not pledged any of its assets to any third parties (2013: nil).

CAPITAL STRUCTURE

The Company’s capital structure has no change during the year and only comprises ordinary shares. For details of the capital increase in Sino IC, please refer to the section above headed "MATERIAL INVESTMENTS AND ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES".

GEARING RATIO

As at 31 December 2014, the Group's current liabilities amounted to approximately RMB332,708,000 (2013: RMB275,418,000), an increase of approximately 20.8% year-on-year. Non-current liabilities amounted to approximately RMB8,825,000 (2013: RMB13,684,000), a decrease of approximately 35.5% year-on-year. Net asset value per share was approximately RMB1.51 (2013: RMB1.23), a growth of approximately 22.8% year-on-year. The Group's ratio of current liabilities over current assets was approximately 40.8% (2013: 36.2%) and the gearing ratio was approximately 36.5% (2013: 38.2%) on the basis of total liabilities over net assets. As at 31 December 2014, the Company and the Group had no bank or other borrowings (2013: nil).

INTEREST AND FOREIGN EXCHANGE RISK

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. Such exposures arise from sales or purchases by operating units in currencies other than the units’ functional currency. Approximately 10% (2013: 13%) of the Group’s sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst almost 76% (2013: 83%) 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 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 had no material influence on the Group’s operations and cash flows.

CREDIT RISK

The Group trades only with recognised and creditworthy third parties and, therefore, no collaterals are required. 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. 29% (2013: 26%) of the Group’s total trade and bills receivables were due from the Group’s five largest customers. The Group seeks to maintain strict control over its outstanding receivables and closely monitors the collection of receivables 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, and the maximum exposure is limited to the carrying amount of these instruments.

CAPITAL COMMITMENTS

As at 31 December 2014, the Group had capital commitments contracted but not provided for in the amount of approximately RMB2,340,000 (2013: RMB70,778,000), which were related to the acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had no contingent liabilities (2013: nil).

USE OF CAPITAL AND FUNDING

The Group is not under liquidity stress in the short run as it currently has a stable financial position with sufficient working capital which will be applied to the research and development of new products and the identification of cooperation opportunities.

EMPLOYEES

As at 31 December 2014, the Group has approximately 932 (2013: 847) employees. The increase in the number of employees was attributable to the expansion of the Group's business, increase in research and development projects and market exploration in emerging provinces and municipals. The remuneration of employees was determined in accordance with their performance, qualifications, experience and contribution to the Group with reference to the latest market trend.

The employee benefit expense (including director's remuneration) as recorded in the consolidated statement of profit or loss and comprehensive income was RMB159,855,000 (2013: RMB142,821,000). The significant increase in employee benefit expense was due to the rise in number of employees and salaries resulted from shortage of experienced experts in the industry; in addition, due to the increase of research and development projects, the employee benefit expense of RMB46,032,000 (2013: RMB31,048,000) was capitalized as development costs during the year.

PROSPECTS

Looking into the coming year, pursuant to the "Notice on Matters Concerning Gradually Prohibiting Fallback Transactions with Financial IC Cards" issued by the People's Bank of China, banks are required to gradually prohibit fallback transactions with financial IC cards with effect from 1 January 2015 to upgrade bank card transaction security level by completely eliminating the issuance of magnetic cards. Year 2015 is expected to see a peak of financial IC card issuance, leading to huge industrial demand for financial IC card chips. The Group is confident that it is well positioned to take a sizable market share for relevant products, since it has obtained certification for its high-barrier financial IC card applications and passed security certification tests by financial institutions. Moreover, based on its experience in mobile payment solutions through the years, the Group has successfully developed the "NFC Air Business Platform" that has been put in pilot use in Shanghai in cooperation with telecommunications and public transport operators, aiming to lay a business foundation for the booming mobile payment industry. In view of the projects relating to the "Internet of Things", "nationwide urban public transport cards" and various universal cards being launched, the Group is expected to maintain market share for its security and identification IC products. For the smart meter application specified IC ("ASIC") product market, which has attracted numerous industry participants, competition has become increasingly intensified under the tendering model, and the Group expects to encounter significant business pressure in the coming year. Other categories are expected to enjoy stable sales, while IC testing services should sustain its growth. In addition, the government projects that the Group has participated in for years are expected to deliver stable profits. Despite the uncertainties, the Directors remain optimistic for a healthy growth in the Group's business in the year to come.

DIVIDEND

Having considered that more resources are required for research and development projects in the coming year, the Board does not recommend the payment of final dividend in respect of the year.

CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The Register of Members of the Company will be closed from 6 May 2015 to 5 June 2015 (both dates inclusive) during which period no transfer of H shares will be registered. To be eligible to attend the annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged with Tricor Tengis Limited, the Company's Share Registrar in Hong Kong, at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on 5 May 2015.

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

At 31 December 2014, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in domestic shares of the Company:-

	Number of issued shares held, capacity and nature of interest					
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Through partnership enterprise *(Note)*	Total	Percentage of the Company's issued share capital
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
	14,420,000	-	-	45,290,530	59,710,530	9.67
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 were originally held by the Staff Shareholding Association of the Company ("SSAC") which is constituted by members consisting of the executive and non-executive directors, 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. Pursuant to an equity transfer agreement dated 20 May 2013, SSAC has transferred all of its shareholdings of 144,230,000 domestic shares to four partnership enterprises, namely Shanghai Zhenghua Investment Consultant Partnership Enterprise ("Shanghai Zhenghua") with 47,443,420 shares, Shanghai Guonian Investment Consultant Partnership Enterprise ("Shanghai Guonian") with 29,941,470 shares, Shanghai Zhengben Investment Consultant Partnership Enterprise ("Shanghai Zhengben") with 52,167,270 shares and Shanghai Jinnian Investment Consultant Partnership Enterprise with 14,677,840 shares, respectively. The interests of the Directors and supervisors of the Company in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) remained the same but the nature of interest has changed from "beneficiary of a trust" to "held through partnership enterprise".

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**
Directors						
Mr. Yu Jun	Shanhai Doublepoint Information Technology Co., Ltd. ("Doublpoint")	The Company's subsidiary	Ordinary shares	200,000	Directly beneficially owned	2.062
Mr. Wang Su	Doublepoint	The Company's subsidiary	Ordinary shares	100,000	Directly beneficially owned	1.031
Supervisors						
Mr. Li Wei	Doublepoint	The Company's subsidiary	Ordinary Shares	100,000	Directly beneficially owned	1.031
Mr. Li Wei	Sino IC	The Company's subsidiary	Ordinary shares	42,000	Directly beneficially owned	0.100

Save as disclosed above, as at 31 December 2014, none of the directors, supervisors or chief executive of the Company 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 spouses 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 set of standards and code of conduct regarding Directors' securities transactions on terms no less exacting than those set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries to all Directors and confirmed that they had all complied with such standards and code of conduct throughout the year ended 31 December 2014.

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 any of its subsidiaries was a party during the year.

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

At 31 December 2014, the following interests of 5% or more of the share capital of the Company were recorded in the register of interests required to be kept pursuant to Section 336 of the SFO:-

Long positions and short position in shares of the Company:

Name	Notes	Capacity and nature of interest	Number of Ordinary shares held	Long Positions (L)/ Short Positions (S)	Class of shares	Percentage of shareholding on relevant class of shares	Percentage of the Company's issued share capital
Shanghai Fudan High Tech Company	(1)	Directly beneficially owned	106,730,000	(L)	Domestic shares	28.46	17.29
Shanghai Fudan Technology Enterprise Holdings Limited	(2)	Directly beneficially owned	109,620,000	(L)	Domestic shares	29.23	17.76
Shanghai Bailian Group Company Limited	(2)	Interest of corporation controlled	109,620,000	(L)	Domestic shares	29.23	17.76
Shanghai Zhengben Investment Consultant Partnership Enterprise	(3)	Directly beneficially owned	52,167,270	(L)	Domestic shares	13.91	8.45
Shanghai Zhenghua Investment Consultant Partnership Enterprise	(3)	Directly beneficially owned	47,443,420	(L)	Domestic shares	12.65	7.68
Shanghai Guonian Investment Consultant Partnership Enterprise	(3)	Directly beneficially owned	29,941,470	(L)	Domestic shares	7.98	4.85
Springs China Opportunities Master Fund	(4)	Interest of corporation controlled	19,224,000	(L)	H shares	7.93	3.11
Credit Suisse Group AG		Interest of corporation controlled	17,376,000 38,000	(L) (S)	H shares H shares	7.17 0.02	2.81 0.01

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 ("SFTE"), which is 70.2% owned by SCI. SCI is a state-owned subsidiary of Shanghai Bailian Group Company Limited which is a state-owned enterprise wholly owned by the Shanghai Municipal Government.

(3) Partners of the enterprises include the executive and non-executive directors, supervisors, certain employees and ex-employees of the Company, various employees of University Laboratory and SCI, as well as various individuals engaged in technological co-operation with the University Laboratory. The directors and supervisors of the Company hold the domestic shares of the Company through such partnership enterprises.

(4) The beneficial owners of these interests are Zhao Jun and Chi Rui.

Save as disclosed above, as at 31 December 2014, 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 and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register of interests required to be kept pursuant to 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 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 (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year, save and except the code provision A.6.7 of the CG Code.

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises two independent non-executive directors, Mr. Cheung Wing Keung and Mr. Guo Li and a non-executive director, Mr. Shen Xiaozu. The Group's financial statements for the year ended 31 December 2014 have been reviewed by the committee, who were of the opinion that these statements complied with the applicable accounting standards, the requirements as set out by the Stock Exchange and the relevant legal provisions, and that adequate disclosures had been made.

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

Shanghai, the PRC, 27 March 2015

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.

* *For identification purpose only*