



上海復旦微電子股份有限公司 Shanghai Fudan Microelectronics Company Limited*

(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 8102)

SHANGHAI FUDAN

INTERIM
REPORT
2010

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

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This report, for which the directors (the “Directors”) of Shanghai Fudan Microelectronics Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM 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:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HALF-YEAR RESULTS (UNAUDITED)

The board of directors (“Board”) of Shanghai Fudan Microelectronics Company Limited (“Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the half-year ended 30 June 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Half-year ended 30 June		Three months ended 30 June	
		2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
	<i>Notes</i>				
REVENUE	2	241,629	136,602	146,792	76,909
Cost of sales		<u>(138,114)</u>	<u>(78,720)</u>	<u>(83,158)</u>	<u>(46,750)</u>
Gross profit		103,515	57,882	63,634	30,159
Other income and gains	2	5,249	3,945	4,013	2,876
Selling and distribution costs		(8,629)	(6,944)	(3,836)	(3,366)
Administrative expenses		(20,045)	(15,261)	(10,317)	(7,426)
Other operating expenses		<u>(23,595)</u>	<u>(23,878)</u>	<u>(8,750)</u>	<u>(9,009)</u>
OPERATING PROFIT		56,495	15,744	44,744	13,234
Share of loss of an associate		<u>(4,796)</u>	<u>–</u>	<u>(4,796)</u>	<u>–</u>
PROFIT BEFORE TAX	4	51,699	15,744	39,948	13,234
Tax	5	<u>(5,676)</u>	<u>(413)</u>	<u>(5,205)</u>	<u>(344)</u>
PROFIT FOR THE PERIOD		46,023	15,331	34,743	12,890
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations		<u>(8)</u>	<u>–</u>	<u>8</u>	<u>–</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>46,015</u>	<u>15,331</u>	<u>34,751</u>	<u>12,890</u>
Profit attributable to:					
Owners of the parent		44,434	15,091	33,272	12,756
Non-controlling interests		<u>1,589</u>	<u>240</u>	<u>1,471</u>	<u>134</u>
		<u>46,023</u>	<u>15,331</u>	<u>34,743</u>	<u>12,890</u>

	Half-year ended 30 June		Three months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)
Notes	RMB'000	RMB'000	RMB'000	RMB'000
Total comprehensive income attributable to:				
Owners of the parent	44,426	15,091	33,280	12,756
Non-controlling interests	<u>1,589</u>	<u>240</u>	<u>1,471</u>	<u>134</u>
	<u>46,015</u>	<u>15,331</u>	<u>34,751</u>	<u>12,890</u>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic				
– For profit for the period	6	<u>7.20 cents</u>	<u>2.44 cents</u>	<u>5.39 cents</u>
				<u>2.07 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	7	76,410	66,983
Intangible assets		17,114	14,650
Investment in an associate		3,184	–
Available-for-sale investments		–	7,980
Deferred tax assets		<u>6,131</u>	<u>5,241</u>
Total non-current assets		<u>102,839</u>	<u>94,854</u>
CURRENT ASSETS			
Inventories		99,313	55,912
Trade and bills receivables	8	111,740	56,407
Prepayments, deposits and other receivables		13,079	11,819
Tax recoverable		–	254
Pledged deposits		8	240
Cash and cash equivalents	13	<u>222,923</u>	<u>252,228</u>
Total current assets		<u>447,063</u>	<u>376,860</u>
CURRENT LIABILITIES			
Trade and bills payables	9	56,616	34,360
Other payables and accruals		30,659	37,757
Tax payable		<u>20,418</u>	<u>15,613</u>
Total current liabilities		<u>107,693</u>	<u>87,730</u>
NET CURRENT ASSETS		<u>339,370</u>	<u>289,130</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>442,209</u>	<u>383,984</u>
NON-CURRENT LIABILITIES			
Long term payables		11,158	–
Deferred tax liabilities		<u>234</u>	<u>235</u>
Total non-current liabilities		<u>11,392</u>	<u>235</u>
NET ASSETS		<u><u>430,817</u></u>	<u><u>383,749</u></u>

		30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
	<i>Notes</i>		
EQUITIES			
Equity attributable to equity holders of the parent			
Issued capital		61,733	61,733
Reserves	<i>10</i>	306,132	261,706
Proposed final dividend		30,867	30,867
		<hr/>	<hr/>
		398,732	354,306
Non-controlling interests		32,085	29,443
		<hr/>	<hr/>
TOTAL EQUITY		430,817	383,749
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent								Total equity RMB'000
	Issued share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2010	61,733	168,486	17,086	(2,665)	78,799	30,867	354,306	29,443	383,749
Total comprehensive income for the period	-	-	-	(8)	44,434	-	44,426	1,589	46,015
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	1,053	1,053
Transfer from retained profits	-	-	4,030	-	(4,030)	-	-	-	-
At 30 June 2010	<u>61,733</u>	<u>168,486*</u>	<u>21,116*</u>	<u>(2,673)*</u>	<u>119,203*</u>	<u>30,867</u>	<u>398,732</u>	<u>32,085</u>	<u>430,817</u>
At 1 January 2009	61,733	168,486	12,400	(2,650)	61,346	-	301,315	23,891	325,206
Total comprehensive income for the period	-	-	-	-	15,091	-	15,091	240	15,331
At 30 June 2009	<u>61,733</u>	<u>168,486</u>	<u>12,400</u>	<u>(2,650)</u>	<u>76,437</u>	<u>-</u>	<u>316,406</u>	<u>24,131</u>	<u>340,537</u>

* *These reserve accounts comprise the consolidated reserves of RMB306,132,000 (31 December 2009: RMB261,706,000) in the condensed consolidated statement of financial position.*

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<i>Note</i>	For the half-year ended 30 June	
		2010	2009
		(Unaudited) <i>RMB'000</i>	(Unaudited) <i>RMB'000</i>
Net cash outflow used in operating activities		(16,623)	(3,381)
Net cash from investing activities		19,372	27,591
Net cash flow from financing activities		<u>3,000</u>	<u>—</u>
INCREASE IN CASH AND CASH EQUIVALENTS		5,749	24,210
Cash and cash equivalents at beginning of period		98,096	84,907
Effect of foreign exchange rate changes, net		<u>(8)</u>	<u>—</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>103,837</u>	<u>109,117</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	13	103,829	108,886
Bank balances pledged for bank facilities	13	<u>8</u>	<u>231</u>
		<u>103,837</u>	<u>109,117</u>

Notes:

1. BASIS OF PRESENTATION

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

The accounting policies adopted in preparing these unaudited consolidated results are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 December 2009. The Group has adopted the new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are effective for the financial year beginning on or after 1 January 2010. Except certain changes in presentation and disclosure in the condensed consolidated half-year results, the adoption of the new and revised standards, amendments and interpretations did not have any significant impact on the operating results and financial position of the Group.

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

2. REVENUE, OTHER INCOME AND GAINS

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

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

	Half-year ended		Three months ended	
	30 June		30 June	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue				
Sale of goods	222,261	128,802	137,289	71,244
Services rendered	19,368	7,800	9,503	5,665
	<u>241,629</u>	<u>136,602</u>	<u>146,792</u>	<u>76,909</u>
Other income and gains				
Interest income	1,938	1,416	974	652
Government grants received	535	1,790	412	1,790
Gain on deemed partial disposal of a subsidiary	1,947	–	1,947	–
Others	829	739	680	434
	<u>5,249</u>	<u>3,945</u>	<u>4,013</u>	<u>2,876</u>

3. OPERATING SEGMENT INFORMATION

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

For the half year ended 30 June 2010	Design, development and selling of IC products <i>RMB'000</i>	Testing services of IC products <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue			
Sales to external customers	222,261	19,368	241,629
Intersegment sales	–	10,637	10,637
	<u>222,261</u>	<u>30,005</u>	<u>252,266</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(10,637)</u>
Revenue			<u><u>241,629</u></u>
Segment results	44,881	6,292	51,173
<i>Reconciliation:</i>			
Elimination of segment results			608
Interest income			1,938
Share of loss of an associate			(4,796)
Unallocated gains			<u>2,776</u>
Profit before tax			<u><u>51,699</u></u>
Segment assets	487,264	62,419	549,683
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(2,965)
Corporate and other unallocated assets			<u>3,184</u>
Total assets			<u><u>549,902</u></u>
Segment liabilities	116,851	5,199	122,050
<i>Reconciliation:</i>			
Elimination of intersegment payables			<u>(2,965)</u>
Total liabilities			<u><u>119,085</u></u>
Other segment information			
Impairment losses recognised in income statement	462	128	590
Depreciation	2,913	1,997	4,910
Amortisation of intangible assets	1,043	–	1,043
Capital expenditure	<u>12,566</u>	<u>5,280</u>	<u>17,846*</u>

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

For the half year ended 30 June 2009	Design, development and selling of IC products <i>RMB'000</i>	Testing services of IC products <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue			
Sales to external customers	128,802	7,800	136,602
Intersegment sales	<u>–</u>	<u>3,230</u>	<u>3,230</u>
	128,802	11,030	139,832
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(3,230)</u>
Revenue			<u><u>136,602</u></u>
Segment results	6,731	526	7,257
<i>Reconciliation:</i>			
Elimination of segment results			6,332
Interest income			1,416
Unallocated gains			<u>739</u>
Profit before tax			<u><u>15,744</u></u>
Segment assets	367,888	36,348	404,236
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(1,137)
Corporate and other unallocated assets			<u>7,980</u>
Total assets			<u><u>411,079</u></u>
Segment liabilities	64,926	6,753	71,679
<i>Reconciliation:</i>			
Elimination of intersegment payables			<u>(1,137)</u>
Total liabilities			<u><u>70,542</u></u>
Other segment information			
Impairment losses recognised in income statement	1,666	–	1,666
Depreciation	2,705	2,711	5,416
Amortisation of intangible assets	886	–	886
Capital expenditure	<u>486</u>	<u>1,284</u>	<u>1,770</u>

Geographical information

a) Revenue from external customers

	Half-year ended 30 June	
	2010 RMB'000	2009 RMB'000
Mainland China	185,346	104,879
Asia Pacific	52,378	28,596
Others	3,905	3,127
	<u>241,629</u>	<u>136,602</u>

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

b) Non-current assets

	Half-year ended 30 June	
	2010 RMB'000	2009 RMB'000
Mainland China	93,498	77,829
Asia Pacific	26	69
	<u>93,524</u>	<u>77,898</u>

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

Information about a major customer

Revenue of approximately RMB35,653,000 (2009: RMB17,531,000) was derived from sales by the design, development and sale of IC products segment to a single customer.

4. PROFIT BEFORE TAX

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

	Half-year ended		Three months ended	
	30 June		30 June	
	2010	2009	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	4,910	5,416	2,641	2,633
Share of loss of an associate	4,796	–	4,796	–
Provision for doubtful debts	521	1,441	174	202
Payments under operating leases in respect of land and buildings	1,702	1,690	857	845
Amortisation of deferred development costs*	1,043	886	521	681
Provision for impairment of inventories	69	225	69	225
Interest income	(1,938)	(1,416)	(974)	(652)
Gain on deemed partial disposal of a subsidiary	(1,947)	–	(1,947)	–
Government grants received**	<u>(535)</u>	<u>(1,790)</u>	<u>(412)</u>	<u>(1,790)</u>

Note: * The amortisation of deferred development costs for the period is included in “Other operating expenses” on the face of the consolidated income statement.

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

5. TAX

Under the PRC Corporate Income Tax Law (the “New 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 2010, income taxes on assessable income of the Company have been provided at the rate of 15% (2009: 15%).

Under the New CIT Law, the Company's subsidiary, Sino IC Technology Co., Ltd. (“Sino IC”) is subject to income tax at a base rate of 25%. Sino IC is entitled to a preferential income tax rate of 15% as a HNT Enterprise. For the financial year ended 31 December 2010, income taxes on assessable income of Sino IC have been provided at the rate of 15% (2009: 15%).

Under the New 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 in its third profit making year for the financial year ended 31 December 2010, so the applicable tax rate is 12.5% (2009: Nil).

Under the New 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 2010, income taxes on assessable income of these subsidiaries have been provided at the rate of 25% (2009: 25%).

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Half-year ended 30 June		Three months ended 30 June	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Current period				
– PRC	6,373	370	5,181	301
– Hong Kong	194	43	84	43
Deferred	(891)	–	(60)	–
Total tax charge for the period	<u>5,676</u>	<u>413</u>	<u>5,205</u>	<u>344</u>

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

The calculation of the basic earnings per share for the half-year and three months ended 30 June 2010 are based on the unaudited net profit attributable to ordinary equity holders of the parent of approximately RMB44,434,000 and RMB33,272,000 respectively (half-year and three months ended 30 June 2009: RMB15,091,000 and RMB12,756,000 respectively) and the weighted average number of 617,330,000 (2009: 617,330,000) ordinary shares in issue during the periods.

No adjustment has been made to the basic earnings per share amounts presented for the half years ended 30 June 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

7. PROPERTY, PLANT AND EQUIPMENT

During the half-year ended 30 June 2010, the Group acquired machinery and office equipment amounted to approximately RMB14,337,000 (31 December 2009: RMB8,308,000).

8. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit and the credit period is generally up to 90 days. An ageing analysis of trade and bills receivables at 30 June 2010 is as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Within 3 months	97,665	39,919
3 to 6 months	10,924	13,425
6 to 12 months	2,789	2,299
Over 12 months	<u>362</u>	<u>764</u>
	<u>111,740</u>	<u>56,407</u>

9. TRADE AND BILLS PAYABLES

An ageing analysis of trade and bills payables at 30 June 2010 is as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Within 3 months	53,101	33,775
3 to 6 months	697	520
6 to 12 months	1,232	12
Over 12 months	<u>1,586</u>	<u>53</u>
	<u>56,616</u>	<u>34,360</u>

10. RESERVES

Other than the comprehensive income, exchange fluctuation, statutory surplus reserve and non-controlling interests for the periods as disclosed in the consolidated statement of changes in equity, there were no significant movements in the reserves of the Group for the relevant periods in 2010 and 2009.

11. COMMITMENTS

The Group had the following commitments at the reporting date:

	30 June 2010 RMB'000	31 December 2009 RMB'000
(a) Capital commitments		
Contracted, but not provided for in respect of intangible assets	<u>80</u>	<u>240</u>

(b) Commitments under operating leases

At 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Within one year	4,339	2,944
In the second to fifth years, inclusive	<u>6,122</u>	<u>3,062</u>
	<u>10,461</u>	<u>6,006</u>

12. RELATED PARTY TRANSACTIONS

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

Name of related party	Relationship with the Group	Nature of transaction	Half-year ended 30 June	
			2010 RMB'000	2009 RMB'000
Shanghai Fudan University	Owner of a substantial shareholder	Technical and equipment support fee	275	250
		Research and development expenses	—	120
			<u>275</u>	<u>370</u>
Shanghai Fudan Communication Co., Ltd.	An associate and controlled by a substantial shareholder	Capital injection	—	7,980
Fukong Hualong	A subsidiary and is connected with a substantial shareholder	Purchases of raw materials	419	—
		Sales of goods	<u>454</u>	<u>—</u>

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

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Half-year ended	
	30 June	
	2010	2009
	RMB'000	<i>RMB'000</i>
Cash and bank balances	77,676	50,117
Time deposits with original maturity of less than 3 months when acquired	26,161	59,000
Time deposits with original maturity of over than 3 months when acquired	119,094	75,640
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Cash and cash equivalents	222,931	184,757
Less: Pledged deposits	(8)	(231)
	<hr/>	<hr/>
Cash and cash equivalents	<u>222,923</u>	<u>184,526</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the half-year ended 30 June 2010 (30 June 2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the half-year ended 30 June 2010, the Group recorded a turnover of approximately RMB241,629,000 (30 June 2009: RMB136,602,000), a significant rise of approximately 77% as compared to the same period in last year. Profit attributable to owners of the parent amounted to approximately RMB44,434,000 (30 June 2009: RMB15,091,000), an increase of approximately 194% over the same period in prior year.

During the period, turnover of the Group's has increased remarkably as a result of increasing market demand that has given rise to satisfactory growth records in both sales amount and sales volume. Sales of the major product, IC card chips, have risen significantly and in addition, except for the drop in sales of the communication series, the remaining categories of products also have considerable growth in sales. Profit margin of overall products has increased slightly from 42.4% in last comparative period to 42.8%.

During the period, other income and gains have increased as the subsidiary, Sino IC, has undergone a capital restructuring which brought the Group with a gain on deemed partial disposal of interest amounted to approximately RMB1,947,000. Besides, there was an increase in interest income, but on the other hand, the amount of government grants received was dropped. Selling and distribution costs and administrative expenses have increased as a result of market expansion and increment in staff recruitment. Other operating expenses were almost the same as last corresponding period because research and development projects have been kept at a definite level. Moreover, Shanghai Fudan Communication Co., Ltd., an available-for-sale investment that the Company had a capital injection last year, has undergone a capital restructuring and was accounted for as an associate during the period following the Group's increase in its equity interest, however, as its performance has not been reflected, a provision of approximately RMB4,796,000 was made for impairment loss.

Financial Review

As at 30 June 2010, net assets of the Group amounted to approximately RMB430,817,000 (31 December 2009: RMB383,749,000). Current assets amounted to approximately RMB447,063,000 (31 December 2009: RMB376,860,000), of which approximately RMB222,931,000 (31 December 2009: RMB252,468,000) were cash and bank deposits. The Group keeps sufficient liquidity and is able to meet its daily operations and future development.

The Group's current liabilities as at 30 June 2010 amounted to approximately RMB107,693,000 (31 December 2009: RMB87,730,000) and had non-current liabilities amounted to approximately RMB11,392,000 (31 December 2009: RMB235,000). The net assets value per share was approximately RMB0.70 (31 December 2009: RMB0.62). The Group's current ratio of total current liabilities over total current assets was approximately 24.1% (31 December 2009: 23.3%) and the gearing ratio was approximately 27.6% (31 December 2009: 22.9%) on the basis of total liabilities over net assets.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. During the half year ended 30 June 2010, the Group generated a net increase in cash and cash equivalents of approximately RMB5,749,000 (31 December 2009: RMB13,204,000). As at 30 June 2010, the Group had no bank or other borrowings (31 December 2009: nil).

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

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

During the half-year ended 30 June 2010, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries.

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

As at 30 June 2010, except the commitments of RMB80,000 in respect of acquisition of intangible assets (31 December 2009: RMB240,000), the Group did not have any material contingent liabilities (31 December 2009: nil). Besides the approximately RMB8,000 (31 December 2009: RMB240,000) deposit pledged for project guarantee, the Group has not pledged its assets to any third parties (31 December 2009: nil).

Employee Information

As at 30 June 2010, the Group employed approximately 513 (30 June 2009: 441) staff and the total staff costs reflected in the consolidated statement of comprehensive income amounted to RMB28,813,000 (30 June 2009: RMB25,148,000). Increase in staff costs was mainly due to increase in staff to meet business expansion.

Prospects

Sales of the Group's products will continue to be dominated by IC card chips and supplemented by products of other categories for the purpose of penetrating into different sales channel. Following the growing in various application scopes in the domestic market and increasingly popular of IC cards, the Group believes that the market demand during the year will have a steady increase. The Group will maintain a suitable allocation of its resources in research and development with a hope to grasp business opportunities so as to create a higher investment value for its shareholders.

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

At 30 June 2010, the interests or short positions of the directors, supervisors and chief executive of the Company in the share capital and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the registers required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in domestic shares of the Company:

	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	
Directors						
Mr. Jiang Guoxing	7,210,000	–	–	1,442,300	8,652,300	1.40
Mr. Shi Lei	7,210,000	–	–	12,980,000	20,190,000	3.27
Mr. Yu Jun	–	–	–	10,961,530	10,961,530	1.78
Ms. Cheng Junxia	–	–	–	8,076,920	8,076,920	1.31
Mr. Wang Su	–	–	–	7,211,530	7,211,530	1.17
Ms. Zhang Qianling	–	–	–	1,733,650	1,733,650	0.28
Mr. He Lixing	–	–	–	1,442,300	1,442,300	0.23
Mr. Shen Xiaozu	–	–	–	1,442,300	1,442,300	0.23
	<u>14,420,000</u>	<u>–</u>	<u>–</u>	<u>45,290,530</u>	<u>59,710,530</u>	<u>9.67</u>
Supervisors						
Mr. Li Wei	–	–	–	6,057,690	6,057,690	0.98
Mr. Wei Ran	–	–	–	288,460	288,460	0.05
	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,346,150</u>	<u>6,346,150</u>	<u>1.03</u>

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

Save as disclosed above, as at 30 June 2010, none of the directors, supervisors or chief executive had registered an interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

At 30 June 2010, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:—

Long positions in domestic shares of the Company:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
SSAC		Directly beneficially owned	144,230,000	23.36
Shanghai Fudan High Tech Company	(1)	Directly beneficially owned	106,730,000	17.29
Shanghai Fudan Technology Enterprise Holdings Limited	(2)	Directly beneficially owned	109,620,000	17.76
SCI	(2)	Through a controlled corporation	109,620,000	17.76

Notes:

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

Save as disclosed above, as at 30 June 2010, no person, other than the directors, supervisors and chief executive of the Company, whose interests are set out in the section "Directors', supervisors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the half-year ended 30 June 2010, none of the directors of the Company had an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the half-year ended 30 June 2010.

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises two independent non-executive directors Mr. Cheung Wing Keung and Mr. Guo Li and the non-executive director Mr. Shen Xiaozu. The Group's unaudited financial statements for the half-year ended 30 June 2010 have been reviewed by the committee, who were of the opinion that such statements complied with the applicable accounting standards, the GEM and legal requirements, and that adequate disclosures had been made.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry to all directors, the directors have complied with such code of conduct and the required standard throughout the half-year ended 30 June 2010.

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

During the half-year ended 30 June 2010, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

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

Shanghai, PRC, 12 August 2010

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

* For identification purpose only