

FIRST QUARTERLY REPORT

2011



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)

* for identification only

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

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “Board”) of Shanghai Fudan Microelectronics Group Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2011, together with the comparative figures for the corresponding period in 2010, as follows:

		For the three months ended 31 March	
		2011	2010
	<i>Notes</i>	RMB'000	RMB'000
Revenue	2	124,695	94,837
Cost of sales		<u>(76,892)</u>	<u>(54,956)</u>
Gross profit		47,803	39,881
Other revenue and gains		5,847	4,134
Selling and distribution costs		(7,050)	(4,793)
Administrative expenses		(11,451)	(9,728)
Other expenses		<u>(24,227)</u>	<u>(17,743)</u>
Profit before tax		10,922	11,751
Income tax expense	3	<u>(1,015)</u>	<u>(471)</u>
Profit for the period		9,907	11,280
Other comprehensive income			
Exchange differences on translation of foreign operations		<u>(75)</u>	<u>(16)</u>
Total comprehensive income for the period		<u>9,832</u>	<u>11,264</u>
Profit attributable to:			
Owners of the parent		9,762	11,162
Non-controlling interests		<u>145</u>	<u>118</u>
		<u>9,907</u>	<u>11,280</u>
Total comprehensive income attributable to:			
Owners of the parent		9,687	11,146
Non-controlling interests		<u>145</u>	<u>118</u>
		<u>9,832</u>	<u>11,264</u>
		RMB	RMB
Earnings per share attributable to ordinary equity holders of the parent			
–Basic	5	<u>1.58 cents</u>	<u>1.81 cents</u>

Notes:

1. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include 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. 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 2010.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

2. REVENUE

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.

3. 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 2011, income taxes on assessable income of the Company are provided at the rate of 15% (2010: 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 2011, income taxes on assessable income of Sino IC are provided at the rate of 15% (2010: 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 is in its fourth profit making year and is entitled to a 50% concession on income tax. For the financial year ended 31 December 2011, income taxes on assessable income of Fukong Hualong are provided at the rate of 12.5% (2010: 12.5%).

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 2011, income taxes on assessable income of these subsidiaries are provided at the rate of 25% (2010: 25%).

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	For the three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
Current		
– PRC	1,074	1,192
– Hong Kong	54	110
Deferred	(113)	(831)
	<u>1,015</u>	<u>471</u>
Total tax charge for the period	<u>1,015</u>	<u>471</u>

4. RESERVES

Details of movements in the reserves of the Group during the period of three months ended 31 March 2011 are set out below:

	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	27,016	(2,887)	155,041	347,656
Profit for the period	–	–	–	9,762	9,762
Exchange differences on translation of foreign operations	–	–	(75)	–	(75)
Total comprehensive income for the period	168,486	27,016	(2,962)	164,803	357,343
Transfer from retained profits	–	868	–	(868)	–
At 31 March 2011	<u>168,486</u>	<u>27,884</u>	<u>(2,962)</u>	<u>163,935</u>	<u>357,343</u>
At 1 January 2010	168,486	17,086	(2,665)	78,799	261,706
Profit for the period	–	–	–	11,162	11,162
Exchange differences on translation of foreign operations	–	–	(16)	–	(16)
Total comprehensive income for the period	168,486	17,086	(2,681)	89,961	272,852
Transfer from retained profits	–	996	–	(996)	–
At 31 March 2010	<u>168,486</u>	<u>18,082</u>	<u>(2,681)</u>	<u>88,965</u>	<u>272,852</u>

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

The calculation of the basic earnings per share amount is based on the unaudited profit for the period attributable to ordinary equity holders of the parent of approximately RMB9,762,000 (2010: RMB11,162,000) and the weighted average number of 617,330,000 (2010: 617,330,000) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods of three months ended 31 March 2011 and 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

6. COMPARATIVE AMOUNTS

During the period, the presentation of certain items in the financial statements has been revised. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2011 (2010: Nil).

BUSINESS REVIEW AND PROSPECTS

Business review

For the period of three months ended 31 March 2011, the Group has recorded a total revenue of approximately RMB130,542,000 (2010: RMB98,971,000), representing an increase of approximately 32% as compared to the same period in the last financial year. Profit attributable to owners of the parent amounted to approximately RMB9,762,000 (2010: RMB11,162,000), a decrease of approximately 13% as compared with the corresponding period in the previous year.

As compared with the corresponding period in the last year, because of the sales of IC card chips and consumer electronics chips kept a satisfactory growth, the Group's turnover during the review period has increased by approximately 31%. Profit margin was contrary dropped to approximately 38% from 42% of the same period in the last year as increase in sales of less profitable products has led to a change in proportion of product sales. The Group's other revenue and gains have increased due to increases in government grants received for research activities and bank interest income. Caused by increase in turnover and strengthen of marketing, and furthermore with adjustment in salaries, selling and distribution costs accordingly have raised by approximately 47%. Administrative expenses also have increased by approximately 18% due to salary increment for the retention of technical experts. As a result of additional application of resources in research and development, other expenses have comparably increased by approximately 37% over the same period in the last year. The income tax expense for the current period has increased in relation to the decrease in allowances that were available for set-off.

Prospects

The Group expects that certain products will be penetrated into the market upon completion of research and development during the year with a hope to keep sales growth and maintain market share. Since the domestic market has been keeping a constant development, it is believed that the Group's business and results during the year can be optimistically kept stable.

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

At 31 March 2011, the interests and short positions 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 Securities and Futures Ordinance (the "SFO")), as recorded in the register 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 <i>(Note)</i>	Total	
<i>Directors</i>						
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>
<i>Supervisors</i>						
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 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 31 March 2011, none of the 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 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 IN SHARES AND UNDERLYING SHARES

At 31 March 2011, 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	<i>Notes</i>	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 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 March 2011, 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 pursuant to Section 336 of the SFO.

DIRECTORS’ INTERESTS IN A COMPETING BUSINESS

During the period, 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.

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 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 three months ended 31 March 2011 have been reviewed by the committee.

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

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

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

Shanghai, the PRC, 12 May 2011

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

* For identification purpose only