



FIRST QUARTERLY REPORT
2013



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

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

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

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

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

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

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 2013, together with the comparative figures for the corresponding period in 2012, as follows:

	<i>Notes</i>	For the three months ended 31 March	
		2013	2012
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	164,481	117,414
Cost of sales		<u>(72,674)</u>	<u>(65,823)</u>
Gross profit		91,807	51,591
Other revenue and gains		5,486	15,798
Selling and distribution costs		(14,026)	(8,820)
Administrative expenses		(20,536)	(14,928)
Other expenses		<u>(41,760)</u>	<u>(36,304)</u>
Profit before tax		20,971	7,337
Income tax expense	3	<u>(1,589)</u>	<u>(1,347)</u>
Profit for the period		19,382	5,990
Other comprehensive income			
Exchange differences on translation of foreign operations		<u>(30)</u>	<u>(30)</u>
Total comprehensive income for the period		<u>19,352</u>	<u>5,960</u>
Profit attributable to:			
Owners of the parent		19,294	5,419
Non-controlling interests		<u>88</u>	<u>571</u>
		<u>19,382</u>	<u>5,990</u>
Total comprehensive income attributable to:			
Owners of the parent		19,264	5,389
Non-controlling interests		<u>88</u>	<u>571</u>
		<u>19,352</u>	<u>5,960</u>
		<i>RMB</i>	<i>RMB</i>
Earnings per share attributable to ordinary equity holders of the parent			
–Basic	5	<u>3.13 cents</u>	<u>0.88 cents</u>

Notes:

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards 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 Group has adopted new and revised HKFRSs that have been issued and are effective in these financial statements.

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 2012.

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 “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 2013, income taxes on assessable income of the Company are provided at the rate of 15% (2012: 15%).

Under the CIT Law, the Company’s subsidiary, Sino IC Technology Co., Ltd. (“Sino IC”) is subject to income tax at a base rate of 25%. Sino IC is entitled to a preferential income tax rate of 15% as a HNT Enterprise. For the financial year ended 31 December 2013, income taxes on assessable income of Sino IC are provided at the rate of 15% (2012: 15%).

Under the CIT Law, the Company’s subsidiary, Shanghai Fukong Hualong Micro-system Technology Co., Ltd. (“Fukong Hualong”) is subject to income tax at a base rate of 25%. In the meantime, pursuant to an approval document dated 15 May 2009 issued by the Shanghai Pu Dong New Area Tax Bureau, with effect from 1 January 2008, Fukong Hualong is exempted from corporate income tax for its first two profit making years and is entitled to a 50% tax reduction for the succeeding three years. For the financial year ended 31 December 2013, Fukong Hualong is in its sixth profit making year and is subject to income tax at the base rate of 25%, however, it is eligible to a preferential income tax rate of 15% as a HNT Enterprise (2012: 12.5%).

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 2013, income taxes on assessable income of these subsidiaries are provided at the rate of 25% (2012: 25%).

Hong Kong profits tax on the estimated assessable profits has been provided at 16.5% (2012: 16.5%).

	For the three months ended 31 March	
	2013	2012
	RMB'000	RMB'000
Current		
– PRC	1,596	574
– Hong Kong	46	–
Deferred	(53)	773
	<hr/>	<hr/>
Total tax charge for the period	<u>1,589</u>	<u>1,347</u>

4. RESERVES

Details of movements in the reserves of the Group during the period of three months ended 31 March 2013 are set out below:

	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2013	168,486	39,649	(3,218)	290,076	494,993
Profit for the period	–	–	–	19,294	19,294
Exchange differences on translation of foreign operations	–	–	(30)	–	(30)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	–	–	(30)	19,294	19,264
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2013	<u>168,486</u>	<u>39,649</u>	<u>(3,248)</u>	<u>309,370</u>	<u>514,257</u>
At 1 January 2012	168,486	38,383	(3,215)	200,660	404,314
Profit for the period	–	–	–	5,419	5,419
Exchange differences on translation of foreign operations	–	–	(30)	–	(30)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	–	–	(30)	5,419	5,389
Transfer from retained profits	–	218	–	(218)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2012	<u>168,486</u>	<u>38,601</u>	<u>(3,245)</u>	<u>205,861</u>	<u>409,703</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 RMB19,294,000 (2012: RMB5,419,000) and the weighted average number of 617,330,000 (2012: 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 2013 and 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2013 (2012: Nil).

BUSINESS REVIEW AND PROSPECTS

Business review

For the period of three months ended 31 March 2013, the Group has recorded a total revenue of approximately RMB169,967,000 (2012: RMB133,212,000), representing an increase of approximately 28% when compared with the same period in last financial year. Profit attributable to owners of the parent amounted to approximately RMB19,294,000 (2012: RMB5,419,000), a significant increase of approximately 256% as compared to the corresponding period in previous year.

During the period under review, the Group's turnover was RMB164,481,000 (2012: RMB117,414,000) representing a rise of approximately 40%. The turnover and the profit margin increased during the period were driven by satisfactory sales of smart card products of the Security and Identification Chips series that were the Group's major products. The Smart Meter ASIC Chips which were designed for the National Electric Network have been benefited from its electric power automation and have recorded a continuous sales growth. Being suffered from keen market competitions, sales of Non-volatile Memory chips have been dropped. As affected by decreases in sales of certain old models within the series, sales of Specific Analog Circuits have recorded only with a slightly increase over the last corresponding period. Sales of other chips products were increased, however, as these items attributed to a rather small portion of overall turnover, their contributions to the results of the period were minimal. The IC testing services income was slightly decreased over the same period in last year.

The Group achieved a significant increase in gross profit margin of approximately 56% during the period as compared with 44% in last corresponding period. The reason was that certain high end products of the Security and Identification Chips series have achieved higher profit margin while they were still in early release stage and with little competitions. In addition, it was also because this series attributed a big portion in the Group's overall turnover.

During the period, other revenue and gains have significantly decreased mainly due to decrease in grants received as certain government projects could not be duly certified and recognised in time. Selling and distribution costs and administrative expenses both increased in relation to the increase in turnover during the period under review. Other expenses also increased because of continuous application of resources into product research and development. The increase in income tax expense for the current period was related to the increase in profit for the period.

Prospects

In view of the Group's continuous sales growth and increase in profit margin during the period, the Directors consider that the products of the Security and Identification Chips series are still in a high growth period and with the stable sales of the existing products, it is expected that there will be a growth in results for the remaining period of the year.

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

At 31 March 2013, 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 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	Beneficiary of a trust <i>(Note)</i>	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
	<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 (“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.

Long positions in 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	Shanghai Doublepoint Information Technology Co., Ltd. ("Doublepoint")	Company's subsidiary	Ordinary shares	200,000	Directly beneficially owned	2.06
Mr. Wang Su	Doublepoint	Company's subsidiary	Ordinary shares	100,000	Directly beneficially owned	1.03
Supervisor						
Mr. Li Wei	Doublepoint	Company's subsidiary	Ordinary shares	100,000	Directly beneficially owned	1.03

Save as disclosed above, as at 31 March 2013, 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 the Model Code for Securities Transactions by Directors of Listed Issuers.

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 2013, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:–

Long positions in shares of the Company:

Name	Notes	Capacity and nature of interest	Number of Ordinary shares held	Class of shares	Percentage of shareholding on relevant class of shares	Percentage of the Company's issued share capital
SSAC		Directly beneficially owned	144,230,000	Domestic shares	37.95	23.36
Shanghai Fudan High Tech Company	(1)	Directly beneficially owned	106,730,000	Domestic shares	28.46	17.29
Shanghai Fudan Technology Enterprise Holdings Limited	(2)	Directly beneficially owned	109,620,000	Domestic shares	29.23	17.76
SCI	(2)	Interest of corporation controlled	109,620,000	Domestic shares	29.23	17.76
Credit Suisse Group AG		Interest of corporation controlled	29,848,000	H shares	12.32	4.84

Notes:

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

Save as disclosed above, as at 31 March 2013, 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 a non-executive director, Mr. Shen Xiaozu. The Group's unaudited financial statements for the three months ended 31 March 2013 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, 8 May 2013

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, Mr. Chen Baoying and Mr. Lin Fujiang.

* *For identification purpose only*