



# 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)

## INTERIM REPORT 2014



## HALF-YEAR 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 half-year ended 30 June 2014 together with the comparative figures for the corresponding period in 2013 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

		Half-year ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
<b>REVENUE</b>	2	<b>370,455</b>	386,244
Cost of sales		<u>(187,828)</u>	<u>(185,597)</u>
Gross profit		<b>182,627</b>	200,647
Other income and gains	2	<b>72,445</b>	40,219
Selling and distribution costs		<b>(20,084)</b>	(27,778)
Administrative expenses		<b>(40,342)</b>	(38,993)
Other expenses		<b>(117,140)</b>	(92,988)
Share of loss of an associate		<u>—</u>	<u>(110)</u>
<b>PROFIT BEFORE TAX</b>	4	<b>77,506</b>	80,997
Income tax expense	5	<u>(11,016)</u>	<u>(611)</u>
<b>PROFIT FOR THE PERIOD</b>		<b>66,490</b>	80,386
<b>OTHER COMPREHENSIVE INCOME</b>			
Exchange differences on translation of foreign operations		<u>93</u>	<u>7</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><b>66,583</b></u>	<u>80,393</u>

	<b>Half-year ended 30 June</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Profit attributable to:</b>		
Owners of the parent	<b>63,836</b>	80,324
Non-controlling interests	<u><b>2,654</b></u>	<u>62</u>
	<u><b>66,490</b></u>	<u>80,386</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	<b>63,929</b>	80,331
Non-controlling interests	<u><b>2,654</b></u>	<u>62</u>
	<u><b>66,583</b></u>	<u>80,393</u>
	<i>RMB</i>	<i>RMB</i>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>		
Basic		
– For profit for the period	<i>6</i> <u><b>10.34 cents</b></u>	<u>13.01 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	284,695	206,683
Intangible assets		77,016	57,187
Goodwill		827	827
Available-for-sale investments	8	–	500
Deferred tax assets		<u>17,330</u>	<u>20,306</u>
Total non-current assets		<u>379,868</u>	<u>285,503</u>
<b>CURRENT ASSETS</b>			
Inventories		235,013	199,793
Trade and bills receivables	9	180,653	198,356
Prepayments, deposits and other receivables		21,744	22,411
Cash and cash equivalents	14	<u>319,710</u>	<u>340,380</u>
Total current assets		<u>757,120</u>	<u>760,940</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	99,303	89,075
Other payables and accruals		114,678	175,681
Dividend payable		49,386	–
Tax payable		<u>11,775</u>	<u>10,662</u>
Total current liabilities		<u>275,142</u>	<u>275,418</u>
<b>NET CURRENT ASSETS</b>		<u>481,978</u>	<u>485,522</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>861,846</u>	<u>771,025</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		775	–
Deferred income		<u>36,563</u>	<u>13,684</u>
Total non-current liabilities		<u>37,338</u>	<u>13,684</u>
<b>NET ASSETS</b>		<u>824,508</u>	<u>757,341</u>
<b>EQUITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		61,733	61,733
Reserves	11	676,478	604,736
Proposed final dividend		<u>–</u>	<u>49,386</u>
<b>Non-controlling interests</b>		<u>738,211</u>	<u>715,855</u>
		<u>86,297</u>	<u>41,486</u>
<b>TOTAL EQUITY</b>		<u>824,508</u>	<u>757,341</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent								Non-controlling interests (unaudited) RMB'000	Total equity (unaudited) RMB'000
	Issued share capital (unaudited) RMB'000	Share premium (unaudited) RMB'000	Statutory reserve (unaudited) RMB'000	Exchange fluctuation reserve (unaudited) RMB'000	Contributed surplus (unaudited) RMB'000	Retained profits (unaudited) RMB'000	Proposed final dividend (unaudited) RMB'000	Total (unaudited) RMB'000		
	At 1 January 2014	61,733	168,486	41,239	(3,487)	-	398,498	49,386		
Profit for the period	-	-	-	-	-	63,836	-	63,836	2,654	66,490
Exchange differences on translation of foreign operations	-	-	-	93	-	-	-	93	-	93
Total comprehensive income for the period	-	-	-	93	-	63,836	-	63,929	2,654	66,583
2013 final dividend declared	-	-	-	-	-	-	(49,386)	(49,386)	-	(49,386)
Non-controlling interests and contributed surplus arising from issuance of new shares of a non wholly-owned subsidiary	-	-	(1,375)	-	9,188	-	-	7,813	42,157	49,970
At 30 June 2014	<u>61,733</u>	<u>168,486*</u>	<u>39,864*</u>	<u>(3,394)*</u>	<u>9,188*</u>	<u>462,334*</u>	<u>-</u>	<u>738,211</u>	<u>86,297</u>	<u>824,508</u>
At 1 January 2013	61,733	168,486	39,649	(3,218)	-	290,076	49,386	606,112	36,304	642,416
Profit for the period	-	-	-	-	-	80,324	-	80,324	62	80,386
Exchange differences on translation of foreign operations	-	-	-	7	-	-	-	7	-	7
Total comprehensive income for the period	-	-	-	7	-	80,324	-	80,331	62	80,393
2012 final dividend declared	-	-	-	-	-	-	(49,386)	(49,386)	-	(49,386)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(2,502)	(2,502)
Non-controlling interests resulting from increase of Group's shareholdings in an associate which changed to a subsidiary	-	-	-	-	-	-	-	-	2,807	2,807
At 30 June 2013	<u>61,733</u>	<u>168,486*</u>	<u>39,649*</u>	<u>(3,211)*</u>	<u>-</u>	<u>370,400*</u>	<u>-</u>	<u>637,057</u>	<u>36,671</u>	<u>673,728</u>

\* These reserve accounts comprise the consolidated reserves of RMB676,478,000 (31 December 2013: RMB604,736,000) in the condensed consolidated statement of financial position.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Half-year ended 30 June</b>	
	<b>2014</b>	2013
<i>Note</i>	<b>(Unaudited)</b> <b>RMB'000</b>	(Unaudited) <b>RMB'000</b>
Net cash flows from operating activities	<b>34,208</b>	26,528
Net cash flows used in investing activities	<b>(65,163)</b>	(99,470)
Net cash flows generated from financing activities	<b>49,970</b>	<u>2,126</u>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>19,015</b>	(70,816)
Cash and cash equivalents at beginning of period	<b>191,140</b>	215,785
Effect of foreign exchange rate changes, net	<b>93</b>	<u>7</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>210,248</u></b>	<u>144,976</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
	<i>14</i>	
Cash and bank balances	<b>195,701</b>	136,976
Non-pledged time deposits	<b>124,009</b>	<u>186,324</u>
Cash and bank balances as stated in the consolidated statement of financial position	<b>319,710</b>	323,300
Time deposits with original maturity of less than three months when acquired	<b>(109,462)</b>	<u>(178,324)</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows	<b><u>210,248</u></b>	<u>144,976</u>

Notes:

## 1. BASIS OF PRESENTATION

These 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 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 2013. 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 2014. The adoption of these 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 30 June	
	2014	2013
	RMB'000	RMB'000
<b>Revenue</b>		
Sale of goods	360,454	376,226
Services rendered	<u>10,001</u>	<u>10,018</u>
	<u><b>370,455</b></u>	<u><b>386,244</b></u>
<b>Other income and gains</b>		
Interest income	2,534	3,618
Government grants received for research activities	25,784	24,692
Other government grants	34,201	6,229
Gain on disposal of an available-for-sale investment	3,276	–
Others	<u>6,650</u>	<u>5,680</u>
	<u><b>72,445</b></u>	<u><b>40,219</b></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 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”).

For the half year ended 30 June 2014	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>
<b>Segment revenue</b>			
Sales to external customers	360,454	10,001	370,455
Intersegment sales	—	19,351	19,351
	<u>360,454</u>	<u>29,352</u>	<u>389,806</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(19,351)</u>
Revenue			<u><u>370,455</u></u>
<b>Segment results</b>	51,993	13,100	65,093
<i>Reconciliation:</i>			
Elimination of segment results			(47)
Interest income			2,534
Unallocated gains			<u>9,926</u>
Profit before tax			<u><u>77,506</u></u>
<b>Segment assets</b>	909,585	212,694	1,122,279
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(3,448)
Corporate and other unallocated assets			<u>18,157</u>
Total assets			<u><u>1,136,988</u></u>
<b>Segment liabilities</b>	205,633	60,909	266,542
<i>Reconciliation:</i>			
Elimination of intersegment payables			(3,448)
Corporate and other unallocated liabilities			<u>49,386</u>
Total liabilities			<u><u>312,480</u></u>
<b>Other segment information</b>			
Depreciation	3,253	7,176	10,429
Amortisation of intangible assets	2,981	—	2,981
Capital expenditure	<u>92,739</u>	<u>10,043</u>	<u>102,782*</u>

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



For the half year ended 30 June 2013	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>
<b>Segment revenue</b>			
Sales to external customers	376,226	10,018	386,244
Intersegment sales	<u>–</u>	<u>20,334</u>	<u>20,334</u>
	376,226	30,352	406,578
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(20,334)</u>
Revenue			<u><u>386,244</u></u>
<b>Segment results</b>	59,654	8,530	68,184
<i>Reconciliation:</i>			
Elimination of segment results			(3,625)
Interest income			3,618
Unallocated gains			<u>12,820</u>
Profit before tax			<u><u>80,997</u></u>
<b>Segment assets</b>	784,170	140,554	924,724
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(3,437)
Corporate and other unallocated assets			<u>13,897</u>
Total assets			<u><u>935,184</u></u>
<b>Segment liabilities</b>	148,989	66,518	215,507
<i>Reconciliation:</i>			
Elimination of intersegment payables			(3,437)
Corporate and other unallocated liabilities			<u>49,386</u>
Total liabilities			<u><u>261,456</u></u>
<b>Other segment information</b>			
Impairment losses (written back)/recognised in income statement	(3,536)	37	(3,319)
Depreciation	3,488	6,595	10,083
Amortisation of intangible assets	4,938	–	4,938
Capital expenditure	<u>28,167</u>	<u>11,237</u>	<u>39,404*</u>

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

## Geographical information

### a) Revenue from external customers

	Half-year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Mainland China	329,932	329,182
Asia Pacific (excluding Mainland China)	35,492	52,908
Others	5,031	4,154
	<u>370,455</u>	<u>386,244</u>

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

### b) Non-current assets

	Half-year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Mainland China	379,859	201,788
Asia Pacific (excluding Mainland China)	9	18
	<u>379,868</u>	<u>201,806</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 RMB38,509,000 (2013: RMB75,662,000) from a main customer in regard of design, development and selling of IC products and is individually accounted for more than 10% of the Group's total revenue during the six months ended 30 June 2014.

#### 4. PROFIT BEFORE TAX

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

	Half-year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Depreciation	10,429	10,083
Share of loss of an associate	-	110
Provision/(Written back) for doubtful debts	5,417	(1,662)
Payments under operating leases in respect of land and buildings	2,458	3,449
Amortisation of deferred development costs*	2,981	3,608
Provision/(Written back) for impairment of inventories	1,756	(1,657)
Interest income	(2,534)	(3,618)
Gain on disposal of an available-for-sale investment	(3,276)	-
Other government grants	(34,201)	(6,229)
Government grants received for research activities**	(25,783)	(24,692)

Note: \* The amortisation of deferred development costs for the period is included in "Other expenses" on the face of the condensed 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 condensed consolidated statement of financial position.

#### 5. INCOME TAX EXPENSES

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's application as a "key software enterprise falling within the State's planned arrangement" was approved and a notice of approval was issued by the State Administration of Taxation, Yangpu, Shanghai on 13 June 2013, the Company is eligible to a preferential income tax rate of 10% for the year ended 31 December 2014 (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 a High New Technology Enterprise ("HNT Enterprise"). For the financial year ended 31 December 2014, income taxes on assessable income of Sino IC will be 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%. The income taxes on assessable income of Fukong Hualong will be provided at the rate of 15% (2013: 15%) for the financial year ended 31 December 2014 as it is a HNT Enterprise.

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 will be provided at the rate of 25% (2013: 25%).

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

	<b>Half-year ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	<b>RMB'000</b>
Current period		
– PRC		
Charge for the period	<b>8,022</b>	12,129
Overprovision in prior years	<u>–</u>	<u>(11,541)</u>
	<b>8,022</b>	588
– Hong Kong	<b>18</b>	196
Deferred	<u><b>2,976</b></u>	<u>(173)</u>
Total tax charge for the period	<u><b>11,016</b></u>	<u>611</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 ended 30 June 2014 is based on the unaudited net profit attributable to ordinary equity holders of the parent of approximately RMB63,836,000 (2013: RMB80,324,000) and the weighted average number of 617,330,000 (2013: 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 half years ended 30 June 2014 and 2013 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 2014, the Group acquired machinery and office equipment amounted to approximately RMB77,943,000 (31 December 2013: RMB94,597,000).

#### **8. AVAILABLE-FOR-SALE INVESTMENTS**

	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>RMB'000</b>	<b>RMB'000</b>
Unlisted equity investments, at cost	<b>13,443</b>	13,943
Impairment provision	<u><b>(13,443)</b></u>	<u>(13,443)</u>
	<u><b>–</b></u>	<u>500</u>

## 9. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit and the credit period is generally up to 30 days to 90 days. An ageing analysis of trade and bills receivables at 30 June 2014 is as follows:

	<b>30 June 2014</b>	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	<b>111,472</b>	148,841
3 to 6 months	<b>12,085</b>	39,660
6 to 12 months	<b>16,182</b>	4,776
Over 12 months	<b>40,914</b>	5,079
	<u><b>180,653</b></u>	<u>198,356</u>

## 10. TRADE AND BILLS PAYABLES

An ageing analysis of trade and bills payables at 30 June 2014 is as follows:

	<b>30 June 2014</b>	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	<b>70,770</b>	87,018
3 to 6 months	<b>26,034</b>	615
6 to 12 months	<b>1,504</b>	82
Over 12 months	<b>995</b>	1,360
	<u><b>99,303</b></u>	<u>89,075</u>

## 11. RESERVES

Other than the comprehensive income, statutory surplus reserve, exchange fluctuation reserve and contributed surplus for the periods ended 30 June 2014 and 30 June 2013 as disclosed in the condensed consolidated statement of changes in equity, there were no significant movements in the reserves of the Group.

## 12. COMMITMENTS

The Group had the following commitments at the reporting date:

	<b>30 June 2014 RMB'000</b>	31 December 2013 RMB'000
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### (a) Capital commitments

Contracted, but not provided for:  
Property, plant and equipment

<b>2,615</b>	<b>70,778</b>
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### (b) Commitments under operating leases

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

	<b>30 June 2014 RMB'000</b>	31 December 2013 RMB'000
Within one year	<b>5,226</b>	8,012
In the second to fifth years, inclusive	<b>976</b>	2,672
	<b>6,202</b>	10,684

## 13. 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	
			2014 RMB'000	2013 RMB'000
Shanghai Fudan University	Owner of a substantial shareholder	Technical and equipment support fee	200	249
		Sharing of grants for special high reliable FPGA circuits project	-	5,859
Fukong Hualong	A subsidiary and is connected with a enterprise controlled by a substantial shareholder	Purchases of raw materials	1,018	-
		Sales of goods	1,482	443
		Share of profit on projects	-	2,136
		Rent paid	15	-

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

#### 14. CASH AND CASH EQUIVALENTS

	<b>Half-year ended 30 June</b>	
	<b>2014</b>	2013
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
Time deposits with original maturity of less than 3 months when acquired	<b>14,547</b>	8,000
Cash on hand and demand deposits	<b>195,701</b>	136,976
Cash and cash equivalents	<b>210,248</b>	144,976
Time deposits with original maturity of over than 3 months when acquired	<b>109,462</b>	178,324
Cash and bank balances	<b>319,710</b>	323,300

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the half-year ended 30 June 2014 (30 June 2013: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

For the half-year ended 30 June 2014, the Group recorded a turnover of approximately RMB370,455,000 (30 June 2013: RMB386,244,000), a decrease of approximately 4% as compared to the same period last year. Profit attributable to owners of the parent amounted to approximately RMB63,836,000 (30 June 2013: RMB80,324,000), a decrease of approximately 21% over the same period last year.

During the period, the global economy recovered slowly and the sales performance of the Group was general and decreased a little bit over the same period last year as suffered from slight slowdown of China's economy. The overall product profit margin dropped slightly from 51.95% to 49.30%. Due to slow in sales of a product with high sales volume and profit margin, sales of the Security and Identification IC chips recorded a larger decline resulting in decrease of total turnover and drop in profit margin. The newly launched financial IC cards and the existing financial and social security cards and resident health cards which rewarded from satisfactory sales activities have contributed some compensations on the adverse impact brought by the aforesaid product. Sales of the Smart Meter ASIC chips have recorded a small growth during the period and could still keep about one-third share in the domestic market. Sales of Non-volatile Memory chips during the period have rebounded as there were increasing market demands in some of these products, while sales of products in other categories were rather stable. Besides, income from testing services of IC products was steady during the period.

As compared with the same period last year, other income and gains for the period have a significant increase as more other government grants were received resulted from increasing government projects. In addition, a gain of RMB3,276,000 was recorded in relation to a disposal of an available-for-sale investment. As a result of decrease in marketing activities over the periods, selling and distribution costs have decreased by approximately 28%. Administrative expenses have increased by 3.5% as compared with same period last year. Other expenses have increased by approximately 26% as the Group has adopted a long term strategic plan on continuous application of sources in research and development activities, and in addition, a provision of doubtful debts of RMB5,417,000 was provided during the period. Because there was an income tax refund amounted to approximately RMB11,541,000 in respect of two previous financial years recorded in the same period last year, the tax expenses were comparatively high in the current period.



## Financial Review

As at 30 June 2014, net assets of the Group amounted to approximately RMB824,508,000 (31 December 2013: RMB757,341,000). Non-current assets amounted to RMB379,868,000 (31 December 2013: RMB285,503,000), the significant increase was due to additions of properties under construction and equipment. Current assets amounted to approximately RMB757,120,000 (31 December 2013: RMB760,940,000) and there was no significant change in its components. 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 2014 amounted to approximately RMB275,142,000 (31 December 2013: RMB275,418,000). Non-current liabilities amounted to approximately RMB37,338,000 (31 December 2012: RMB13,684,000) and the increase over the last corresponding period was mainly because of research and development activities under some projects in relation to government grants have longer completion time, and which are expected to finish and settled over a year.

The net assets value per share was approximately RMB1.34 (31 December 2013: RMB1.23). The Group's current ratio of total current liabilities over total current assets was approximately 36.3% (31 December 2013: 39.3%) and the gearing ratio was approximately 37.9% (31 December 2013: 38.2%) on the basis of total liabilities over net assets.

The Group manages its capital structure and makes adjustments to it in light of business development and changes in economic conditions. During the half year ended 30 June 2014, the Group had a net inflow in cash and cash equivalents of approximately RMB19,015,000 (30 June 2013: outflow of RMB70,816,000) and the increase over the same period last year was due to proceeds from placing of new shares of Sino IC, decrease in long term deposits and increase in deferred income. As at 30 June 2014, the Group had no bank or other borrowings (31 December 2013: 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.

As 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 minimize 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 period, Sino IC, a non wholly-owned subsidiary of the Company, has placed new shares with RMB 55,000,000 fund raising for its working capital, of which, the Company had subscribed 1,005,876 new shares with a consideration of RMB 5,029,380. Upon completion of the placing of shares, the shareholding of the Company in Sino IC has decreased from approximately 64.9% to 50.2%. Save as disclosed, the Group did not have other 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 and profits as a source of funding and keeps most of its cash in Renminbi in bank accounts as working capital.

As at 30 June 2014, the Group has capital commitments in respect of acquisition of property, plant and equipment amounted to RMB2,615,000 (31 December 2013: RMB70,778,000), and has operating leases commitments amounted to RMB6,202,000 (31 December 2013: RMB10,684,000) and did not have any material contingent liabilities (31 December 2013: nil). The Group has not pledged its assets to any third parties (31 December 2013: nil).

### **Employee Information**

As at 30 June 2014, the Group employed approximately 893 (30 June 2013: 814) staff and the total staff costs reflected in the condensed consolidated statement of comprehensive income amounted to RMB63,992,000 (30 June 2013: RMB65,802,000). The decrease in staff costs was mainly due to increase in amount of staff costs capitalised as development costs during the period.

### **Prospects**

Following the launch of the financial IC cards, financial and social security cards and resident health cards of Security and Identification IC chips in the markets, it is expected that sales activities will be accelerated. Out of this category, the public transportation cards have entered into a national interconnection stage and with the markets of citizen cards and resident cards gradually expanded, sales of these products are expected to achieve a stable growth. As mentioned in the section above regarding sales slowdown of a product in this category, it is believe that the overall sales performance in this category will be under slight pressure. Sales of products in other categories are expected to remain stable. With sufficient working capital through fund raising from issuance of new shares, the Company's subsidiary Sino IC is expected to provide better testing services support to the Group with effective results following its completion in acquisition of additional plant and machinery. The increasing participation by the Group in government projects would provide the Group with long term and steady subsidy income. The Directors expect that the Group could keep a steady result in the second half year.

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

At 30 June 2014, the interests or short positions of the directors, supervisors and chief executive of the Company in the share capital and underlying shares and debentures 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 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					Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Through partnership enterprise (Note)	Total	
<b>Directors</b>						
Mr. Jiang Guoxing	7,210,000	–	–	1,442,300	8,652,300	1.40
Mr. Shi Lei	7,210,000	–	–	12,980,000	20,190,000	3.27
Mr. Yu Jun	–	–	–	10,961,530	10,961,530	1.78
Ms. Cheng Junxia	–	–	–	8,076,920	8,076,920	1.31
Mr. Wang Su	–	–	–	7,211,530	7,211,530	1.17
Ms. Zhang Qianling	–	–	–	1,733,650	1,733,650	0.28
Mr. He Lixing	–	–	–	1,442,300	1,442,300	0.23
Mr. Shen Xiaozu	–	–	–	1,442,300	1,442,300	0.23
	<u>14,420,000</u>	<u>–</u>	<u>–</u>	<u>45,290,530</u>	<u>59,710,530</u>	<u>9.67</u>
<b>Supervisors</b>						
Mr. Li Wei	–	–	–	6,057,690	6,057,690	0.98
Mr. Wei Ran	–	–	–	288,460	288,460	0.05
	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,346,150</u>	<u>6,346,150</u>	<u>1.03</u>

*Note:* These shares are held by four limited partnership enterprises, namely Shanghai Zhenghua Investment Consultant Partnership Enterprise with 10,961,530 shares, Shanghai Guonian Investment Consultant Partnership Enterprise with 15,864,600 shares, Shanghai Zhengben Investment Consultant Partnership Enterprise with 17,599,020 shares and Shanghai Jinnian Investment Consultant Partnership Enterprise with 7,211,530 shares, respectively. These four limited partnership enterprises are registered in Shanghai, the PRC and all of its partners are executive and non-executive directors, supervisors, certain employees and ex-employees of the Company, various employees of ASIC System State-Key Laboratory of Shanghai Fudan University ("University Laboratory") and Shanghai Commerce Invest (Group) Corporation Limited ("SCIT"), 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:

	<b>Name of associated corporation</b>	<b>Relationship with the Company</b>	<b>Shares/equity derivatives</b>	<b>Numbers of shares/equity derivatives held</b>	<b>Capacity and nature of interest</b>	<b>Percentage of the associated corporation's issued share capital</b>
<b>Directors</b>						
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
<b>Supervisor</b>						
Mr. Li Wei	Doublepoint	Company's subsidiary	Ordinary shares	100,000	Directly beneficially owned	1.03
	Sino IC	Company's subsidiary	Ordinary shares	42,000	Directly beneficially owned	0.10

Save as disclosed above, as at 30 June 2014, none of the directors, supervisors or chief executive had registered an interest or short positions in the 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 AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2014, 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 and short positions 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 Fudan University.
- (2) The ordinary shares are directly held by Shanghai Fudan Technology Enterprise Holdings Limited, which is 70.2% owned by SCI. SCI is a wholly owned subsidiary of Shanghai Bailian Group Company Limited which is a state-owned enterprise wholly owned by the Shanghai Municipal Government.
- (3) All partners are 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.
- (4) Beneficial owners are Chi Rui and Zhao Jun.

Save as disclosed above, as at 30 June 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” 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 year and up to the date of this report, 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.

#### **CORPORATE GOVERNANCE**

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the half-year ended 30 June 2014.

#### **AUDIT COMMITTEE**

The Company has an audit committee which was established with written terms of reference in compliance with the Listing Rules and Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of 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 the non-executive director Mr. Shen Xiaozu. The Group’s unaudited financial statements for the half-year ended 30 June 2014 have been reviewed by the committee, who were of the opinion that such statements complied with the applicable accounting standards, the Listing Rules 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 on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers at the Appendix 10 of the 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 2014.

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

During the half-year ended 30 June 2014, 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 Group Company Limited\***  
**Jiang Guoxing**  
*Chairman*

Shanghai, PRC, 28 August 2014

*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, Mr. Chen Baoying and Mr. Lin Fujiang.*

\* *For identification purpose only*