



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

2016

* for identification only

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 2016 together with the comparative figures for the corresponding period in 2015 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	<i>Notes</i>	Half-year ended 30 June	
		2016	2015
		<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	2	483,105	419,884
Cost of sales		<u>(223,107)</u>	<u>(215,016)</u>
Gross profit		259,998	204,868
Other income and gains	2	41,964	25,317
Selling and distribution costs		(30,534)	(26,500)
Administrative expenses		(37,060)	(31,419)
Other expenses		<u>(133,651)</u>	<u>(89,761)</u>
PROFIT BEFORE TAX	4	100,717	82,505
Income tax expense	5	<u>(8,604)</u>	<u>(11,746)</u>
PROFIT FOR THE PERIOD		<u>92,113</u>	<u>70,759</u>
Profit attributable to:			
Owners of the parent		84,706	66,117
Non-controlling interests		<u>7,407</u>	<u>4,642</u>
		<u>92,113</u>	<u>70,759</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the period	6	<u>13.72 cents</u>	<u>10.71 cents</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Half-year ended 30 June	
	2016	2015
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	<u>92,113</u>	<u>70,759</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>242</u>	<u>28</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>242</u>	<u>28</u>
Other comprehensive income for the period, net after tax	<u>242</u>	<u>28</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>92,355</u>	<u>70,787</u>
Total comprehensive income attributable to:		
Owners of the parent	84,948	66,145
Non-controlling interests	<u>7,407</u>	<u>4,642</u>
	<u>92,355</u>	<u>70,787</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	7	312,559	332,011
Intangible assets	8	150,008	160,645
Available-for-sale investments		—	—
Deferred tax assets		<u>37,325</u>	<u>38,264</u>
Total non-current assets		<u>499,892</u>	<u>530,920</u>
CURRENT ASSETS			
Inventories		276,730	214,110
Trade and bills receivables	9	309,388	366,017
Prepayments, deposits and other receivables		24,908	21,383
Cash and cash equivalents	14	<u>454,622</u>	<u>386,033</u>
Total current assets		<u>1,065,648</u>	<u>987,543</u>
CURRENT LIABILITIES			
Trade and bills payables	10	102,663	124,703
Other payables, accruals and deferred income		244,820	261,067
Tax payable		<u>1,834</u>	<u>13,369</u>
Total current liabilities		<u>349,317</u>	<u>399,139</u>
NET CURRENT ASSETS		<u>716,331</u>	<u>588,404</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,216,223	1,119,324
NON-CURRENT LIABILITIES			
Deferred income		<u>10,282</u>	<u>5,738</u>
NET ASSETS		<u>1,205,941</u>	<u>1,113,586</u>
EQUITIES			
Equity attributable to equity holders of the parent			
Issued capital		61,733	61,733
Reserves	11	<u>1,025,045</u>	<u>940,097</u>
Non-controlling interests		<u>1,086,778</u>	<u>1,001,830</u>
		<u>119,163</u>	<u>111,756</u>
TOTAL EQUITY		<u>1,205,941</u>	<u>1,113,586</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued share capital	Share premium	Statutory reserve	Exchange fluctuation reserve	Other reserves	Retained profits		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016 (Audited)	<u>61,733</u>	<u>168,486</u>	<u>44,717</u>	<u>(2,808)</u>	<u>7,821</u>	<u>721,881</u>	<u>1,001,830</u>	<u>1,113,586</u>
Profit for the period	-	-	-	-	-	84,706	84,706	92,113
Exchange differences on translation of foreign operations	-	-	-	242	-	-	242	242
Total comprehensive income for the period	-	-	-	242	-	84,706	84,948	92,355
At 30 June 2016 (Unaudited)	<u>61,733</u>	<u>168,486*</u>	<u>44,717*</u>	<u>(2,566)*</u>	<u>7,821*</u>	<u>806,587*</u>	<u>1,086,778</u>	<u>1,205,941</u>
At 1 January 2015 (Audited)	<u>61,733</u>	<u>168,486</u>	<u>42,701</u>	<u>(3,476)</u>	<u>7,821</u>	<u>564,999</u>	<u>842,264</u>	<u>934,928</u>
Profit for the period	-	-	-	-	-	66,117	66,117	70,759
Exchange differences on translation of foreign operations	-	-	-	28	-	-	28	28
Total comprehensive income for the period	-	-	-	28	-	66,117	66,145	70,787
At 30 June 2015 (Unaudited)	<u>61,733</u>	<u>168,486*</u>	<u>42,701*</u>	<u>(3,448)*</u>	<u>7,821*</u>	<u>631,116*</u>	<u>908,409</u>	<u>1,005,715</u>

* *These reserve accounts comprise the consolidated reserves of RMB1,025,045,000 (31 December 2015: RMB940,097,000) in the condensed consolidated statement of financial position.*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Note</i>	Half-year ended 30 June	
		2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Net cash flows from operating activities		83,182	53,960
Net cash flows generated from/(used in) investing activities		120,240	(9,242)
Net cash flows from financing activities		<u>—</u>	<u>—</u>
INCREASE IN CASH AND CASH EQUIVALENTS		203,422	44,718
Cash and cash equivalents at beginning of period		121,306	161,167
Effect of foreign exchange rate changes, net		<u>242</u>	<u>28</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>324,970</u>	<u>205,913</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	199,052	106,319
Non-pledged time deposits	14	<u>255,570</u>	<u>223,067</u>
Cash and bank balances as stated in the condensed consolidated statement of financial position	14	454,622	329,386
Time deposits with original maturity of over three months when acquired	14	<u>(129,652)</u>	<u>(123,473)</u>
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of cash flows		<u>324,970</u>	<u>205,913</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 2015. 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 2016. 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	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of goods	452,984	398,257
Services rendered	30,121	21,627
	<u>483,105</u>	<u>419,884</u>
Other income and gains		
Interest income	3,002	3,236
Government grants received for research activities	26,450	4,481
Other government grants	10,117	16,312
Others	2,395	1,288
	<u>41,964</u>	<u>25,317</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 2016	Design, development and selling of IC products (Unaudited) RMB'000	Testing services of IC products (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue			
Sales to external customers	452,984	30,121	483,105
Intersegment sales	-	17,045	17,045
	452,984	47,166	500,150
<i>Reconciliation:</i>			
Elimination of intersegment sales			(17,045)
Revenue			<u>483,105</u>
Segment results	80,000	17,050	97,050
<i>Reconciliation:</i>			
Elimination of segment results			(1,730)
Interest income			3,010
Unallocated gains			2,387
Profit before tax			<u>100,717</u>
Segment assets	1,091,500	443,388	1,534,888
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(6,673)
Corporate and other unallocated assets			37,325
Total assets			<u>1,565,540</u>
Segment liabilities	228,011	138,261	366,272
<i>Reconciliation:</i>			
Elimination of intersegment payables			(6,673)
Total liabilities			<u>359,599</u>
Other segment information			
Depreciation	11,668	15,292	26,960
Amortisation of intangible assets	22,843	-	22,843
Capital expenditure	35,433	4,217	39,650*

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

For the half year ended 30 June 2015	Design, development and selling of IC products (Unaudited) RMB'000	Testing services of IC products (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue			
Sales to external customers	398,257	21,627	419,884
Intersegment sales	—	16,107	16,107
	398,257	37,734	435,991
<i>Reconciliation:</i>			
Elimination of intersegment sales			(16,107)
Revenue			<u>419,884</u>
Segment results	66,650	10,531	77,181
<i>Reconciliation:</i>			
Elimination of segment results			(801)
Interest income			3,236
Unallocated gains			2,889
Profit before tax			<u>82,505</u>
Segment assets	1,030,925	262,713	1,293,638
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(10,295)
Corporate and other unallocated assets			30,239
Total assets			<u>1,313,582</u>
Segment liabilities	237,448	80,714	318,162
<i>Reconciliation:</i>			
Elimination of intersegment payables			(10,295)
Corporate and other unallocated liabilities			—
Total liabilities			<u>307,867</u>
Other segment information			
Depreciation	10,619	8,994	19,613
Amortisation of intangible assets	8,043	—	8,043
Capital expenditure	50,822	21,533	72,355*

* 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	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Mainland China	449,163	383,884
Asia Pacific (excluding Mainland China)	27,744	31,686
Others	6,198	4,314
	<u>483,105</u>	<u>419,884</u>

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

b) Non-current assets

	Half-year ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Mainland China	462,563	512,052
Asia Pacific (excluding Mainland China)	4	4
	<u>462,567</u>	<u>512,056</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 RMB73,080,000 (2015: RMB66,438,000) 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 2016.

4. PROFIT BEFORE TAX

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

	Half-year ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Depreciation	27,351	19,613
Provision/(reversal) for doubtful debts	(8,925)	1,221
Payments under operating leases in respect of land and buildings	4,009	4,495
Amortisation of deferred development costs*	22,843	8,043
Provision for impairment of inventories	2,760	416
Interest income	(3,002)	(3,236)
Other government grants	(10,117)	(16,312)
Government grants received for research activities**	<u>(26,450)</u>	<u>(4,481)</u>

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 is eligible to a preferential income tax rate of 15% as a High New Technology Enterprise ("HNT Enterprise"). Further pursuant to the notice of the State Council on "Issuing Several Policies on Further Encouraging the Development of the Software and Integrated Circuit Industries" (Guo Fa (2011) No. 4) and "Notice Concerning Policies on Enterprise Income Tax for Further Encouraging the Development of Software and Integrated Circuit Industries" (Cai Shui (2012) No. 27) issued by the Ministry of Finance of the PRC, the Company's application as a "key software enterprise falling within the State's planned arrangement" was approved and a notice of approval results for enjoying the preferential tax rate of 10% for 2013 and 2014 was issued by the State Administration of Taxation, Yangpu, Shanghai on 18 March 2014. During the period, the Company received notice issued by the relevant tax bureau for enjoying the preferential tax rate of 10% for 2015. Prior to the formal written approval issued by the relevant tax bureau for the current year, income tax has been provided at 15% on the assessable income of the Company for the financial year ended 31 December 2016 (2015:15%).

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 2016, income taxes on assessable income of Sino IC will be provided at the rate of 15% (2015: 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% (2015: 15%) for the financial year ended 31 December 2016 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 ("Doublepoint") are subject to income taxes at a base rate of 25%. For the financial year ended 31 December 2016, income taxes on assessable income of these subsidiaries will be provided at the rate of 25% (2015: 25%).

Hong Kong profits tax has been provided at 16.5% (2015: 16.5%) on the estimated assessable profits arising during the period.

	Half-year ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Hong Kong		
Charge for the period	–	34
Current – PRC		
Charge for the period	11,732	10,793
2015 Preferential tax rate adjustment	(3,776)	–
Deferred	648	919
	8,604	11,746
Total tax charge for the period	8,604	11,746

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 2016 is based on the unaudited net profit attributable to ordinary equity holders of the parent of approximately RMB84,706,000 (2015: RMB66,117,000) and the weighted average number of 617,330,000 (2015: 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 2016 and 2015 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 2016, the Group acquired machinery and office equipment amounted to approximately RMB22,295,000 (31 December 2015: RMB77,176,000).

8. INTANGIBLE ASSETS

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Cost at 1 January, net of accumulated amortisation and impairment	160,645	131,763
Additions – internal development	28,605	79,452
Write-off – internal development	(7,319)	(8,139)
Impairment	(11,476)	(16,389)
Amortisation provided	(20,447)	(26,042)
	<u>150,008</u>	<u>160,645</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 2016 is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 3 months	211,721	291,858
3 to 6 months	58,728	48,152
6 to 12 months	20,582	3,397
Over 12 months	18,357	22,610
	<u>309,388</u>	<u>366,017</u>

10. TRADE AND BILLS PAYABLES

An ageing analysis of trade and bills payables at 30 June 2016 is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 3 months	83,901	122,751
3 to 6 months	7,407	68
6 to 12 months	9,351	815
Over 12 months	2,004	1,069
	<u>102,663</u>	<u>124,703</u>

11. RESERVES

Other than the comprehensive income and exchange fluctuation reserve for the periods ended 30 June 2016 and 30 June 2015 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:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
(a) Capital commitments		
Contracted, but not provided for:		
Property, plant and equipment	880	15,950
Intangible assets	<u>7,577</u>	<u>—</u>
	<u>8,457</u>	<u>15,950</u>

(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:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within one year	9,091	9,849
In the second to fifth years, inclusive	<u>11,074</u>	<u>12,070</u>
	<u>20,165</u>	<u>21,919</u>

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	
			2016	2015
			(Unaudited) RMB'000	(Unaudited) RMB'000
Fudan University	Owner of a substantial shareholder	Technical and equipment support fee	285	201
		Rental fee	<u>142</u>	<u>-</u>
Fukong Hualong	A subsidiary and is connected with an enterprise controlled by a substantial shareholder	Purchases of raw materials	997	1,080
		Finished goods	1,669	1,917
		Technical services charges	<u>1,500</u>	<u>-</u>

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

	Half-year ended 30 June	
	2016	2015
	(Unaudited) RMB'000	(Unaudited) RMB'000
Time deposits with original maturity of less than 3 months when acquired	125,918	99,594
Cash on hand and demand deposits	<u>199,052</u>	<u>106,319</u>
Cash and cash equivalents	324,970	205,913
Time deposits with original maturity of over 3 months when acquired	<u>129,652</u>	<u>123,473</u>
Cash and bank balances	<u>454,622</u>	<u>329,386</u>

15. EVENTS AFTER THE REPORTING PERIOD

After the end of the current reporting period, there is no event that has material impact to the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the half-year ended 30 June 2016 (30 June 2015: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period, the global economic situation was still recovering in a different manner. The United States economy was recovered and there was an upward adjustment in the interest rate. The European economy was still suffering from the refugee problem and the Brexit issue in relation to the United Kingdom off the European Union referendum. Due to the external uncertainties, the growth of the China economy was adversely affected as well. The Group still continued to benefit from the high demand of the integrated circuits market, it showed a steady growth in both product sales and service income by approximately 15.06%. As the profit margin of new products was comparatively high, the overall product gross profit margin increased by approximately 53.82% compared to last corresponding period. As the Security and Identification IC Chips, which represented a larger proportion of sales, are increasing their applications and had been entered into the market for a considerable time, the market share was rather stable. The sales of smart card chips increased because the Government has aggressively promoted the usage of domestic IC chips; the smart card chips like public transportation cards and financial cards recorded with satisfactory sales growth. As the market for storage card chips is widen, sales increased steadily. Due to the market saturation and keen competition in the industry of Smart Meter chips, even though the sales increased during the period, tender prices have gone down and turnover were slightly reduced. The sales of non-volatile memory products have greatly increased as some of the competitors in the industry exited the market and there are more market spaces available. Sales of the products of specific analog circuits have recorded an awesome increase. However, this category had a marginal impact on turnover and business results given its limited weight in the Group's overall sales. Moreover, due to the improvement of the business policy and the increasing demand of the testing services for IC products, revenue from external testing services increased significantly.

Financial Review

For the half-year ended 30 June 2016, the Group recorded a turnover of approximately RMB483,105,000 (30 June 2015: RMB419,884,000), an increase of approximately 15.06% as compared to the same period last year. Profit attributable to owners of the parent amounted to approximately RMB84,706,000 (30 June 2015: RMB66,117,000), an increase of approximately 28.12% over the same period last year. As compared to the same period last year, the overall product gross profit margin increased from 48.79% to 53.82%.

As compared to the same period last year, other income and gains for the period have a significant increase of approximately RMB16,647,000 because of increasing government projects and several government projects brought forward from previous year were completed and recognized, however, other government subsidies were slightly decreased.

As a result of increase in sales and adjustment in salaries, selling and distribution costs and administrative expenses have increased by approximately 15.22% and 17.95% respectively. Other expenses have largely increased by approximately 48.90% as there was provision for impairment of research and development costs due to certain research and development projects could not meet the market expectation and in addition, the amortization of the intangible assets also increased over the years following the application of huge resources in recent years.

With regard to taxation, the tax charge for the period increased as the profit before tax increased during the period. However, the Company was benefited from the approval of preferential tax rate of 10% for the year of 2015 issued by the Chinese tax bureau, the related tax adjustment was approximately RMB3,775,000. Thus the overall tax charge during the period decreased by approximately RMB3,142,000 compared to the same period last year.

As at 30 June 2016, net assets of the Group amounted to approximately RMB1,205,941,000 (31 December 2015: RMB1,113,586,000), increased by approximately 8.29%. Non-current assets amounted to RMB499,892,000 (31 December 2015: RMB530,920,000), the decrease was due to amortization and impairment of intangible assets. Current assets amounted to approximately RMB1,065,648,000 (31 December 2015: RMB987,543,000), as the trade receivables were settled satisfactorily, cash increased and trade receivables dropped. Inventory increased relatively as sales increased. 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 2016 amounted to approximately RMB349,317,000 (31 December 2015: RMB399,139,000) because incomplete projects of previous period were completed and recognised within the period. Non-current liabilities amounted to approximately RMB10,282,000 (31 December 2015: RMB5,738,000) and the increase over the last corresponding period was mainly because of research and development activities of some projects under government grants have longer completion time and which are expected to finish and settle over a year.

The net assets value per share was approximately RMB1.95 (31 December 2015: RMB1.63). The Group's current ratio of total current liabilities over total current assets was approximately 32.78% (31 December 2015: 35.84%) and the gearing ratio was approximately 29.82% (31 December 2015: 30.61%) 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 2016, the Group had a net inflow in cash and cash equivalents of approximately RMB203,422,000 (30 June 2015: RMB44,718,000), an increase over the same period last year was because of the early settlement of trade receivables and the drop of the long-term deposits incurred in the current period. As at 30 June 2016, the Group had no bank or other borrowings (31 December 2015: 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, 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 2016, the Group has capital commitments in respect of acquisition of property, plant, equipment and intangible assets amounted to RMB8,457,000 (31 December 2015: RMB15,950,000), and has operating leases commitments amounted to RMB20,165,000 (31 December 2015: RMB21,919,000) and did not have any material contingent liabilities (31 December 2015: nil). The Group has not pledged its assets to any third parties (31 December 2015: nil).

Employee Information

As at 30 June 2016, the Group employed approximately 973 (30 June 2015: 951) staff and the total staff costs reflected in the unaudited condensed consolidated statement of comprehensive income amounted to RMB107,564,000 (30 June 2015: RMB60,041,000). The increase in staff costs was mainly due to the increase in staff for the business development, the overall standard of staff remuneration increased and the capitalization of the amount of development costs during the period.

Prospects

As for the outlook of the second half year of 2016, it is expected that the sales of security and identification IC chips and non-volatile memory products like public transportation card, financial IC card, resident card, storage card and serial EEPROM can maintain their steady sales. The testing services for IC products will be increased as well. All of the above will trigger the overall turnover for a steady growth. Due to the keen competition in the industry, the Group needs to put in more resources in developing new products and modifying existing products that will result with increases in development costs as well as its related amortization and impairment, and to a certain extent, the results will be under pressure. 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 2016, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in domestic shares of the Company:

Number of issued shares held, capacity and nature of interest

	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Total	Percentage of the Company's issued share capital
Directors					
Mr. Jiang Guoxing	7,210,000	-	-	7,210,000	1.17
Mr. Shi Lei	<u>7,210,000</u>	<u>-</u>	<u>-</u>	<u>7,210,000</u>	<u>1.17</u>
	<u>14,420,000</u>	<u>-</u>	<u>-</u>	<u>14,420,000</u>	<u>2.34</u>

Long positions in shares of associate corporations:

	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
Director						
Mr. Yu Jun	Doublepoint	Company's subsidiary	Ordinary shares	200,000	Directly beneficially owned	2.06
Supervisor						
Mr. Li Wei	Doublepoint	Company's subsidiary	Ordinary shares	100,000	Directly beneficially Owned	1.03
	Sino IC	Company's subsidiary	Ordinary shares	126,000	Directly beneficially owned	0.10

Save as disclosed above, as at 30 June 2016, 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 2016, 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 ("Fudan High Tech")	(1)	Directly beneficially owned	106,730,000	(L)	Domestic shares	28.46	17.29
Fudan University	(1)	Interest of corporation controlled	106,730,000	(L)	Domestic shares	28.46	17.29
Shanghai Fudan Technology Enterprise Holdings Limited ("Fudan Technology")	(2)	Directly beneficially owned	109,620,000	(L)	Domestic shares	29.23	17.76
Shanghai Commerce and Invest (Group) Corporation ("SCT")	(2)	Interest of corporation controlled	109,620,000	(L)	Domestic shares	29.23	17.76
Bailian Group Company Limited ("Bailian Group")	(2)	Interest of corporation controlled	109,620,000	(L)	Domestic shares	29.23	17.76
Shanghai Zhengben Investment Consultant Partnership Enterprise* ("Shanghai Zhengben")	(3)	Directly beneficially owned	52,167,270	(L)	Domestic shares	13.91	8.45
Shanghai Yikun Investment Consultant Partnership Enterprise* ("Shanghai Yikun")	(3)	Interest of corporation controlled	66,845,110	(L)	Domestic shares	17.83	10.83
Zhang Yong	(3)	Interest of corporation controlled	66,845,110	(L)	Domestic shares	17.83	10.83

Name	Notes	Capacity and nature of interest	Number of Ordinary shares held	Long		Percentage of shareholding on relevant class of shares	Percentage of the Company's issued share capital
				Positions (L)/ Short Positions (S)	Class of shares		
Shanghai Zhenghua Investment Consultant Partnership Enterprise* (“Shanghai Zhenghua”)	(4)	Directly beneficially owned	47,443,420	(L)	Domestic shares	12.65	7.68
Shanghai Shanyao Industrial Limited* (“Shanghai Shanyao”)	(4)	Interest of corporation controlled	47,443,420	(L)	Domestic shares	12.65	7.68
Zhou Yufeng	(4)	Interest of corporation controlled	47,443,420	(L)	Domestic shares	12.65	7.68
Shanghai Guonian Investment Consultant Partnership Enterprise* (“Shanghai Guonian”)	(5)	Directly beneficially owned	29,941,470	(L)	Domestic shares	7.98	4.85
Shanghai Danruo Investment Management Partnership Enterprise* (“Shanghai Danruo”)	(5)	Interest of corporation controlled	29,941,470	(L)	Domestic shares	7.98	4.85
Zhongrong Yicheng Asset Management Limited* (“Zhongrong Yicheng”)	(5)	Interest of corporation controlled	29,941,470	(L)	Domestic shares	7.98	4.85
Beijing Zhongrong Dingxin Investment Management Limited* (“Zhongrong Dingxin”)	(5)	Interest of corporation controlled	29,941,470	(L)	Domestic shares	7.98	4.85
Zhongrong International Trust Limited* (“Zhongrong International”)	(5)	Interest of corporation controlled	29,941,470	(L)	Domestic shares	7.98	4.85
Jingwei Textile Machinery Co., Ltd. (“Jingwei Textile”)	(5)	Interest of corporation controlled	29,941,470	(L)	Domestic shares	7.98	4.85

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
Springs China Opportunities Master Fund ("Spring China")	(6)	Interest of corporation controlled	19,224,000	(L)	H shares	7.93	3.11
Zhao Jun	(6)	Interest of corporation controlled	19,224,000	(L)	H shares	7.93	3.11
Chi Rui	(6)	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) Bailian Group is a state-owned enterprise wholly owned by the Shanghai Municipal Government and wholly owned SCI, and SCI held 70.2% of the equity interest of Fudan Technology. Accordingly, each of SCI and Bailian Group is deemed to be interested in Fudan Technology's interest in the Company.
- (3) Zhang Yong held 95% of the equity interest in Shanghai Yikun, and Shanghai Yikun held 99.81% of the equity interest in Shanghai Zhengben (formerly known as "Shanghai Zhengben Investment Consultant Partnership Enterprise"). Accordingly, each of Shanghai Yikun and Zhang Yong is deemed to be interested in Shanghai Zhengben's interest in the Company. Shanghai Yikun and Zhang Yong further held the Company's interest through another controlled corporation.
- (4) Zhou Yufeng held 99% of the equity interest in Shanghai Shanyao, and Shanghai Shanyao held 99.79% of the equity interest in Shanghai Zhenghua. Accordingly, each of Shanghai Shanyao and Zhou Yufeng is deemed to be interested in Shanghai Zhenghua's interest in the Company.
- (5) Jingwei Textile held 37.47% of the equity interest in Zhongrong International;. Zhongrong International wholly owned Zhongrong Dingxin; Zhongrong Dingxin held 80% of the equity interest in Zhongrong Yicheng; Zhongrong Yicheng held 0.01% of the equity interest in Shanghai Danruo and is the general partner; and Shanghai Danruo held 72.69% of the equity interest in Shanghai Guonian (formerly known as Shanghai Guonian Investment Consultant Partnership Enterprise). Accordingly, each of Shanghai Danruo, Zhongrong Yicheng, Zhongrong Dingxin, Zhongrong International and Jingwei Textile is deemed to be interested in Shanghai Guonian's interest in the Company.
- (6) Spring China is beneficially owned by Zhao Jun and Chi Rui.

Save as disclosed above, as at 30 June 2016, 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 Rules Governing the Listing of Securities on the Stock Exchange (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 2016.

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. At the date of this announcement, the audit committee comprises three independent non-executive directors Mr. Cheung Wing Keung, Mr. Guo Li and Mr. Lin Fujiang. The Group’s unaudited financial statements for the half-year ended 30 June 2016 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 2016.

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

During the half-year ended 30 June 2016, 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, 23 August 2016

As at the date of this report, the Company's executive directors are Mr. Jiang Guoxing, Mr. Shi Lei, Mr. Yu Jun and Ms. Cheng Junxia; the non-executive directors are Ms. Zhang Qianling, Mr. Ma Zhicheng, Mr. Yao Fuli and Ms. Zhang Huajing; the independent non-executive directors are Mr. Cheung Wing Keung, Mr. Guo Li, Mr. Chen Baoying and Mr. Lin Fujiang.

* *For identification purpose only*