



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

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

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This announcement, 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 announcement 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 announcement misleading.

** For identification purpose only*

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of directors ("Board") of Shanghai Fudan Microelectronics Group Company Limited ("Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the nine months and three months ended 30 September 2013 together with the comparative figures for the corresponding periods in 2012 as follows:

| | | Nine months ended 30 September | | Three months ended 30 September | |
|---|-------|-----------------------------------|------------------|------------------------------------|------------------|
| | Notes | 2013 RMB'000 | 2012 RMB'000 | 2013 RMB'000 | 2012 RMB'000 |
| Revenue | 2 | 601,622 | 501,217 | 215,378 | 206,533 |
| Cost of sales | | <u>(294,915)</u> | <u>(260,097)</u> | <u>(109,318)</u> | <u>(106,637)</u> |
| Gross profit | | 306,707 | 241,120 | 106,060 | 99, 896 |
| Other income and gains | 2 | 54,827 | 31,784 | 14,608 | 4,564 |
| Selling and distribution costs | | (39,736) | (27,671) | (11,958) | (9,559) |
| Administrative expenses | | (51,875) | (42,111) | (12,882) | (18,903) |
| Other operating expenses | | (148,369) | (109,109) | (55,381) | (25,154) |
| Share of loss of an associate | | (110) | (272) | - | (182) |
| Profit before tax | | 121,444 | 93,741 | 40,447 | 50,662 |
| Income tax expenses | 3 | (8,813) | (13,492) | (8,202) | (9,728) |
| Profit for the period | | 112,631 | 80,249 | 32,245 | 40,934 |
| Other comprehensive income | | | | | |
| Exchange differences on translation of foreign operations | | <u>43</u> | 53 | <u>36</u> | 20 |
| Total comprehensive income for the period | | <u>112,674</u> | <u>80,302</u> | <u>32,281</u> | <u>40,954</u> |

| | Nine months ended | | Three months ended | |
|--|--------------------------------|---------------|---------------------------|-------------------|
| | 30 September | | 30 September | |
| | 2013 | 2012 | 2013 | 2012 |
| Notes | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Profit attributable to: | | | | |
| Owners of the parent | 113,256 | 78,725 | 32,932 | 40,360 |
| Non-controlling interests | (625) | 1,524 | (687) | 574 |
| | <u>112,631</u> | <u>80,249</u> | <u>32,245</u> | <u>40,934</u> |
| Total comprehensive income | | | | |
| attributable to: | | | | |
| Owners of the parent | 113,299 | 78,778 | 32,968 | 40,380 |
| Non-controlling interests | (625) | 1,524 | (687) | 574 |
| | <u>112,674</u> | <u>80,302</u> | <u>32,281</u> | <u>40,954</u> |
| | RMB | RMB | RMB | RMB |
| Earnings per share | | | | |
| attributable to ordinary equity | | | | |
| holders of the parent | | | | |
| Basic | | | | |
| - For profit for the period | 5 <u>18.35 cents</u> | 12.75 cents | <u>5.34 cents</u> | <u>6.54 cents</u> |

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 provisions of the GEM Listing Rules on the Stock Exchange. They have been prepared under the historical cost convention.

The accounting policies adopted in preparing these unaudited consolidated results are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 December 2012. 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 2013. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends 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 allowances for returns and trade discounts, and the value of services rendered.

3. INCOME 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”). The Company’s application as a “key software enterprise falling within the State’s planned arrangement” (the “Application”) was approved and a notice of approval results was issued by the State Administration of Taxation, Yangpu District, Shanghai on 13 June 2013, and the Company is eligible to a preferential income tax rate of 10% for the two financial years with effect from 1 January 2011 to 31 December 2012. As such, the Company received an income tax refund of 5% in respect of these two financial years during the period. The Company will submit the Application again after the year ended 31 December 2013 and before obtaining the approval from the relevant tax bureau and its issuance of official notification, the Company’s income tax provision on assessable income for the current year will still be provided at the preferential tax rate of a HNT Enterprise at 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 the base rate of 25% on income tax, however, being a HNT Enterprise, it is eligible to a preferential income tax rate of 15% (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 has been provided at 16.5% (2012: nil) on the estimated assessable profits arising during the period.

| | Nine months ended 30 September | | Three months ended 30 September | |
|---------------------------------|-----------------------------------|-----------------|------------------------------------|-----------------|
| | 2013 RMB'000 | 2012 RMB'000 | 2013 RMB'000 | 2012 RMB'000 |
| Current | | | | |
| - Mainland China | | | | |
| Charge for the period | 20,394 | 12,737 | 8,265 | 9,520 |
| Overprovision in prior years | (11,541) | - | - | - |
| | 8,853 | 12,737 | 8,265 | 9,520 |
| - Hong Kong | 327 | - | 131 | - |
| Deferred | (367) | 755 | (194) | 208 |
| Total tax charge for the period | 8,813 | 13,492 | 8,202 | 9,728 |

4. RESERVES

Details of movements in the reserves of the Group during the nine months ended 30 September 2013 together with the comparative figures for the corresponding period in 2012 are set out below:

| | Share premium RMB'000 | Statutory surplus fund RMB'000 | Exchange fluctuation reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 |
|--|-----------------------------|---|---|--------------------------------|------------------|
| At 1 January 2013 | 168,486 | 39,649 | (3,218) | 290,076 | 494,993 |
| Net profit for the period | - | - | - | 113,256 | 113,256 |
| Exchange differences on translation of foreign operations | - | - | 43 | - | 43 |
| Total comprehensive income for the period | - | - | 43 | 113,256 | 113,299 |
| At 30 September 2013 | 168,486 | 39,649 | (3,175) | 403,332 | 608,292 |

| | | | | | |
|---|----------------|---------------|----------------|----------------|----------------|
| At 1 January 2012 | 168,486 | 38,383 | (3,215) | 200,660 | 404,314 |
| Net profit for the period | - | - | - | 78,725 | 78,725 |
| Exchange differences on translation of foreign operations | - | - | 53 | - | 53 |
| Total comprehensive income for the period | - | - | 53 | 78,725 | 78,778 |
| Transfer from retained profits | - | 7,429 | - | (7,429) | - |
| At 30 September 2012 | <u>168,486</u> | <u>45,812</u> | <u>(3,162)</u> | <u>271,956</u> | <u>483,092</u> |

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

The calculation of the basic earnings per share for the nine months and three months ended 30 September 2013 and the comparative periods are based on the unaudited net profit attributable to ordinary equity holders of the parent of approximately RMB113,256,000 and RMB32,932,000 respectively (2012: RMB78,725,000 and RMB40,360,000) and the weighted average number of 617,330,000 (2012: 617,330,000) ordinary shares in issue during these periods.

No adjustment has been made to the basic earnings per share amounts presented for the nine months ended 30 September 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 nine months ended 30 September 2013 (2012: Nil).

BUSINESS REVIEW

The Group recorded a turnover for the nine months period ended 30 September 2013 amounted to approximately RMB601,622,000 (2012: RMB501,217,000), representing an increase of approximately 20% over the same period in last year. Unaudited profit attributable to owners of the parent amounted to approximately RMB113,256,000 (2012: RMB78,725,000), an increase of approximately 44% when compared with the corresponding period in last year. Earnings per share attributable to ordinary equity holders of the parent was RMB18.35 cents (2012: RMB12.75 cents).

During the period under review, the security and identification chips which attributed to more than a half of total turnover have achieved a significant increase in sales. This is because of the Group's products have penetrated successively into areas of financial and social security cards and resident health cards, moreover, the products of public transportation cards, citizen cards and resident cards have been able to keep their prevailing market positions. In addition, there were increases in sales of specific analog circuits and other chips as well as the continuing income growth from IC testing services and as a result, the Group has recorded a considerable growth in its total revenue. On the contrary, the sales in non-volatile chips and smart meter chips were slightly dropped during the period as competitions started in the markets. The Group's overall profit margin slightly improved from approximately 48% in the last corresponding period to approximately 51% in the current period due to increase in sales of the security and identification chips which have higher profit margins and high proportion in overall turnover.

Other revenue and gains increased significantly when compared with the same period in last year as certain government projects were completed and settled during the period with subsidies and related government grants being recognised. Selling and distribution costs increased as compared with the last corresponding period, besides the reason of increase in turnover, it was also resulted from the Group's strengthening in marketing activities during the period. The increase in administrative expenses over the corresponding period was mainly because of increases in staff, general salary adjustments as well as the consequence of price inflation. Other operating expenses were sharply increased as compared with the same period in last year because the Group has to apply substantial resources continuously in research and development in order to secure continuous product supplies to meet markets and to cope with the increasing government projects. Tax expenses should have been increased in line with the increase in profit, however, as disclosed in the interim report, there was an income tax refund of approximately RMB11,541,000 received during the period which resulted in a decrease in tax expenses of the current period over the same period in last year.

FUTURE PROSPECTS

In view of the present economic environment and the status of the Group's product sales, the Directors believe that the Group's result in the coming quarter will keep a growth trend as compared to the past three quarters and it is expected that the Group's annual results will also be improved.

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

As at 30 September 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 registers required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to 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 | | | | | Total | Percentage of the Company's issued share capital |
|--------------------|---|----------------------------------|--------------------------------|--------------------------------|--------|-------------------|--|
| | Directly beneficially owned | Through spouse or minor children | Through controlled corporation | Through partnership enterprise | (Note) | | |
| 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 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 (“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 associated 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 30 September 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 Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

At 30 September 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 |
|--|-------|------------------------------------|--------------------------------|-----------------|--|--|
| 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 |
| Shanghai Zhengben Investment Consultant Partnership Enterprise | (3) | Directly beneficially owned | 52,167,270 | Domestic shares | 13.91 | 8.45 |
| Shanghai Zhenghua Investment Consultant Partnership Enterprise | (3) | Directly beneficially owned | 47,443,420 | Domestic shares | 12.65 | 7.68 |
| Shanghai Guonian Investment Consultant Partnership Enterprise | (3) | Directly beneficially owned | 29,941,470 | Domestic shares | 7.98 | 4.85 |
| Springs China Opportunities Master Fund | (4) | Interest of corporation controlled | 27,328,000 | H shares | 11.28 | 4.43 |

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.
- (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) Beneficially owned by Chi Rui and Zhao Jun

Save as disclosed above, as at 30 September 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 had an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. At the date of this announcement, the audit committee comprises two independent non-executive directors, namely Mr. Cheung Wing Keung and Mr. Guo Li and the non-executive director Mr. Shen Xiaozu. The Group's unaudited consolidated financial statements for the nine months ended 30 September 2013 have been reviewed by the committee, who were of the opinion that such statements complied with the applicable accounting standards, the GEM and legal requirements, and that adequate disclosures had been made.

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 November 2013

As at the date of this announcement, 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.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcement" pages for at least 7 days from the day of its posting and publish on the Company's website at www.fmsh.com.

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