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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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

The turnover of the Group for the year ended 31 December 2015 was approximately RMB1,039,725,000 (2014: RMB843,913,000), increased by approximately 23.2% as compared to the previous year.

The Group recorded a net profit attributable to owners of the parent for the year ended 31 December 2015 of approximately RMB158,898,000 (2014: RMB167,963,000) and the basic earnings per share was RMB25.74 cents (2014: RMB27.21 cents), representing a decrease of approximately 5.4% over last year.

The Board does not recommend the payment of final dividend for the year ended 31 December 2015 (2014: Nil).

AUDITED RESULTS

The board of directors (the “Board”) of Shanghai Fudan Microelectronics Group Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2015, along with the comparative audited figures for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	3	1,039,725	843,913
Cost of sales		<u>(489,416)</u>	<u>(443,131)</u>
Gross profit		550,309	400,782
Other income and gains	3	83,080	102,722
Selling and distribution costs		(61,887)	(55,566)
Administration expenses		(80,579)	(71,894)
Other expenses		<u>(297,598)</u>	<u>(192,402)</u>
PROFIT BEFORE TAX	4	193,325	183,642
Tax expense	5	<u>(15,335)</u>	<u>(6,653)</u>
PROFIT FOR THE YEAR		<u>177,990</u>	<u>176,989</u>
Profit attributable to:			
Owners of the parent		158,898	167,963
Non-controlling interests		<u>19,092</u>	<u>9,026</u>
		<u>177,990</u>	<u>176,989</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
- For profit for the year	6	<u>25.74cents</u>	<u>27.21cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
PROFIT FOR THE YEAR	<u>177,990</u>	<u>176,989</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of a foreign operation	<u>668</u>	<u>11</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>668</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>668</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>178,658</u>	<u>177,000</u>
Total comprehensive income attributable to:		
Owners of the parent	159,566	167,974
Non-controlling interests	<u>19,092</u>	<u>9,026</u>
	<u>178,658</u>	<u>177,000</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		332,011	295,635
Intangible assets		160,645	131,763
Deferred tax assets		38,264	33,737
Total non-current assets		<u>530,920</u>	<u>461,135</u>
CURRENT ASSETS			
Inventories		214,110	210,033
Trade and bills receivables	7	366,017	240,740
Prepayments, deposits and other receivables		21,383	18,359
Cash and bank balances		386,033	346,194
Total current assets		<u>987,543</u>	<u>815,326</u>
CURRENT LIABILITIES			
Trade and bills payables	8	124,703	74,389
Accruals, other payables and deferred income		261,067	245,614
Tax payable		13,369	12,705
Total current liabilities		<u>399,139</u>	<u>332,708</u>
NET CURRENT ASSETS		<u>588,404</u>	<u>482,618</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,119,324</u>	<u>943,753</u>
NON-CURRENT LIABILITIES			
Deferred income		5,738	8,825
Total non-current liabilities		<u>5,738</u>	<u>8,825</u>
Net assets		<u>1,113,586</u>	<u>934,928</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		61,733	61,733
Reserves	9	940,097	780,531
Non-controlling interests		<u>1,001,830</u>	<u>842,264</u>
		<u>111,756</u>	<u>92,664</u>
Total equity		<u>1,113,586</u>	<u>934,928</u>

Notes

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

1.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year’s financial statements.

Amendments to HKAS19 Defined Benefits Plans: Employee Contributions
Annual Improvements 2010-2012 Cycle
Annual Improvements 2011-2013 Cycle

The adoption of the revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities (the “Listing Rules”) issued by the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

1.2 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective, in these financial statements.

2. 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”).

Year ended 31 December 2015	Design, development and sale of IC products RMB'000	Testing services for IC products RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	972,782	66,943	1,039,725
Intersegment sales	-	41,056	41,056
	972,782	107,999	1,080,781
<i>Reconciliation:</i>			
Elimination of intersegment sales			(41,056)
Revenue			<u>1,039,725</u>
Segment results	140,534	43,732	184,266
<i>Reconciliation:</i>			
Elimination of intersegment results			(9,632)
Interest income			7,950
Unallocated other income and gains			10,741
Profit before tax			<u>193,325</u>
Segment assets	1,190,448	298,227	1,488,675
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(8,476)
Corporate and other unallocated assets			38,264
Total assets			<u>1,518,463</u>
Segment liabilities	319,466	93,887	413,353
<i>Reconciliation:</i>			
Eliminating of intersegment payables			(8,476)
Corporate and other unallocated liabilities			-
Total liabilities			<u>404,877</u>
Other segment information			
Impairment loss recognised in the statement of profit or loss	28,734	433	29,167
Impairment loss reversed in the statement of profit or loss	(1,191)	(86)	(1,277)
Depreciation	20,082	20,624	40,706
Amortisation of intangible assets	26,042	-	26,042
Capital expenditure	103,519	53,109	156,628*

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

Year ended 31 December 2014	Design, Development and sale of IC products RMB'000	Testing services for IC products RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	799,294	44,619	843,913
Intersegment sales	-	35,744	35,744
	799,294	80,363	879,657
<i>Reconciliation:</i>			
Elimination of intersegment sales			(35,744)
Revenue			843,913
Segment results	144,973	26,743	171,716
<i>Reconciliation:</i>			
Elimination of intersegment results			(6,195)
Interest income			6,352
Unallocated other income and gains			11,769
Profit before tax			183,642
Segment assets	1,018,240	228,729	1,246,969
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(4,245)
Corporate and other unallocated assets			33,737
Total assets			1,276,461
Segment liabilities	286,653	59,126	345,779
<i>Reconciliation:</i>			
Eliminating of intersegment payables			(4,246)
Corporate and other unallocated liabilities			-
Total liabilities			341,533
Other segment information			
Share of losses of an associate	(3,276)	-	(3,276)
Impairment loss recognised in the statement of profit or loss	17,251	253	17,504
Impairment loss reversed in the statement of profit or loss	(6,576)	-	(6,576)
Depreciation	10,006	15,870	25,876
Amortisation of intangible assets	9,940	-	9,940
Capital expenditure	168,755	35,438	204,193*

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

Geographical information

(a) Revenue from external customers

	2015 RMB'000	2014 RMB'000
Mainland China	1,020,367	804,892
Asia Pacific (excluding Mainland China)	13,865	30,502
Others	5,493	8,519
	<u>1,039,725</u>	<u>843,913</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2015 RMB'000	2014 RMB'000
Mainland China	492,651	427,394
Asia Pacific (excluding Mainland China)	5	4
	<u>492,656</u>	<u>427,398</u>

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets.

Information about a major customer

In 2015, revenue of approximately RMB187,465,000 was derived from sales by the design, development and sale of IC products segment to a single customer, which contributed to 10% or more of the Group's revenue.

In 2014, no revenue from sales to a single customer contributed to 10% or more of the Group's revenue.

3. 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 during the year.

An analysis of revenue, other income and gains is as follows:

	2015 RMB'000	2014 RMB'000
Revenue		
Sale of goods	972,782	799,294
Rendering of services	66,943	44,619
	<u>1,039,725</u>	<u>843,913</u>
Other income and gains		
Bank interest income	7,950	6,352
Government grants received for research activities	61,733	70,346
Gain on disposal of an available-for-sale investment	-	3,276
Other government grants	10,741	11,364
Others	2,656	11,384
	<u>83,080</u>	<u>102,722</u>

4. PROFIT BEFORE TAX

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

	2015 RMB'000	2014 RMB'000
Cost of inventories sold	468,911	427,446
Cost of services provided	20,505	15,685
Depreciation	40,706	25,876
Research and development costs:		
Deferred development costs amortised*	26,042	9,940
Current year expenditure	248,739	178,507
Less: Government grants received for research activities**	<u>(61,733)</u>	<u>(70,346)</u>
	<u>213,048</u>	<u>118,101</u>
Impairment of goodwill	-	827
Minimum lease payments under operation leases:		
Land and buildings	11,631	9,552
Auditors' remuneration		
Annual audit	1,199	1,203
Employee benefit expense (excluding Directors' remuneration):		
Wages and salaries	193,809	180,874
Pension scheme contributions	<u>23,204</u>	<u>20,245</u>
	<u>217,013</u>	<u>201,119</u>
Less: Amounts capitalised as development costs	<u>(58,072)</u>	<u>(46,032)</u>
	<u>158,941</u>	<u>155,087</u>
Foreign exchange differences, net	2,265	1,135
Impairment of intangible assets	16,389	2,334
Impairment / (reversal) of trade and bills receivables	3,540	(336)
Provision for inventories to net realisable value	7,912	8,103
Gain on disposal of an available-for-sale investment	-	(3,276)
Write off/loss on disposal of items of property, plant and equipment and intangible assets	8,194	521
Bank interest income	(7,950)	(6,352)
Other government grants	<u>(10,741)</u>	<u>(11,364)</u>

* The amortisation of deferred development costs for the year is included in "Other expenses" on the face of the consolidated statement of profit or loss.

** Various government grants have been received for setting up research activities in Shanghai, Mainland China, to support domestic technology development. Conditions or contingencies relating to these grants are fulfilled and they are not deducted from the related costs which they are intended to compensate, but recorded in other income. Government grants received for which related expenditure has not yet been incurred or to which there were unfulfilled conditions are included in "Accruals, other payables and deferred income" in the consolidated statement of financial position.

5. 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”). 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. For the financial year ended 31 December 2015, income tax on assessable income of the Company has been provided at the rate of 15% (2014: 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 an HNT Enterprise. For the financial year ended 31 December 2015, income tax on assessable income of Sino IC has been provided at the rate of 15% (2014: 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%. For the financial year ended 31 December 2015, Fukong Hualong is entitled to a preferential income tax rate of 15% as an HNT Enterprise, and therefore, income tax on assessable income of Fukong Hualong has been provided at the rate of 15% (2014: 15%).

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 2015, income taxes on assessable income of these subsidiaries have been provided at the rate of 25% (2014: 25%).

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2015	2014
	RMB’000	RMB’000
Group		
Current – Hong Kong		
Charge for the year	(83)	228
Overprovision in prior years	-	(8)
Current – Mainland China		
Charge for the year	19,967	20,849
Overprovision in prior years	(22)	(985)
Deferred	(4,527)	(13,431)
Total tax charge for the year	15,335	6,653

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 617,330,000 (2014: 617,330,000) in issue during the year.

The calculation of basic earnings per share is based on:

	2015	2014
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>158,898</u>	<u>167,963</u>
	<u>Number of shares '000</u>	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>617,330</u>	<u>617,330</u>

The Group had no potentially dilutive ordinary shares in issue during the two years ended 31 December 2015 and 2014. The diluted earnings per share is same as basic earnings per share.

7. TRADE AND BILLS RECEIVABLES

	2015	2014
	RMB'000	RMB'000
Trade and bills receivables	384,161	255,369
Impairment	<u>(18,144)</u>	<u>(14,629)</u>
	<u>366,017</u>	<u>240,740</u>

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally between 30 and 90 days. The Group's sales are made to several major customers and there is concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables and closely monitors the collection to minimise credit risk. Overdue balances are reviewed regularly by the senior management. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2015	2014
	RMB'000	RMB'000
Within 3 months	291,858	202,713
3 to 6 months	48,152	23,755
6 to 12 months	3,397	5,054
Over 12 months	22,610	9,218
	<u>366,017</u>	<u>240,740</u>

8. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payable as at the end of the reporting period, based on the invoice date, is as follows:

	2015	2014
	RMB'000	RMB'000
Within 3 months	122,751	71,953
3 to 6 months	68	13
6 to 12 months	815	1,309
Over 12 months	1,069	1,114
	<u>124,703</u>	<u>74,389</u>

The trade and bills payables are non-interest-bearing and are normally settled on 90-day terms.

9. RESERVES

	Share premium RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2014	168,486	41,239	(3,487)	-	447,884	654,122
Profit for the year	-	-	-	-	167,963	167,963
Exchange differences on translation of foreign operations	-	-	11	-	-	11
Total comprehensive income for the year	-	-	11	-	167,963	167,974
Capital contribution from non-controlling interests	-	-	-	7,821	-	7,821
Final 2013 dividend declared	-	-	-	-	(49,386)	(49,386)
Transfer	-	1,462	-	-	(1,462)	-
At 31 December 2014	168,486	42,701	(3,476)	7,821	564,999	780,531
Profit for the year	-	-	-	-	158,898	158,898
Exchange differences on translation of foreign operations	-	-	668	-	-	668
Total comprehensive income for the year	-	-	668	-	158,898	159,566
Transfer	-	2,016	-	-	(2,016)	-
At 31 December 2015	168,486	44,717	(2,808)	7,821	721,881	940,097

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

By reason of a series of positive policies and measures issued by the Chinese government, integrated circuit industry has been developing rapidly in recent years. The Group's main operating companies are all high-tech enterprises. Focusing on its core businesses, the companies have been benefiting from the national policies and economic growth in the domestic market over the years. Since the government policies in taxation, investment, financing and personnel are all advantageous to the industry, new companies have been established to join the fray, resulting in keen competition and dropping price of integrated circuit products in recent years.

The Group's overall revenue has increased by 23.2% compared to the previous year, exceeding the average industry increment of 10.4%. When facing this intense competition, the Group has taken proper contingency measures, by means of greater marketing promotion, production cost control and technology improvement, resulting in recorded turnover and gross margin growth.

The Group's business performance by product category during the year is as follows:

Security and Identification IC Chips

In the year ended 31 December 2015, sales of security and identification chip recorded a considerable growth of around 32%, accounting for more than half of the Group's total turnover, carrying relatively large proportion in product sales. Benefiting from increased sales of high-margin products, the overall gross margin in this product category has a year-on-year increase of 4.4%. Having great support from related government policies in financial IC cards, the Group's key promotional smart card chips products have gained mast application by some banks. As the demand increased significantly in different application areas like social security, health, transportation and citizen cards, the Group's products gradually entered into different markets in different provinces with good sales performance. Following the launch of new products and their increasing applications, the turnover and sales volume of read and write devices as well as security IC chips increased in a large extent. Moreover, due to the keen competition, the sales for contactless secured encryption chips, in which the Company has a relatively big advantage, were basically kept at a steady pace.

Smart Meter ASIC Chips

The Group's Smart Meter products were developed based on standards and guidelines of State Grid and have been welcomed by manufacturers since they first launched to the market. The products have been maintaining one third of the market share since entering. Successful rate of winning tenders during the year has increased slightly, causing a slight increase in sales than in previous year. However, due to the increasing competition in the market, tender prices have gone down and sales as well as gross margin dropped by about 2% and 4% respectively as compared with last year.

Non-volatile Memory Chips

The Group's non-volatile memory products have a wide range of applications, including mobile phone, display module, wearable devices, Bluetooth, video, meter and set-top box. Product sales increasing with the expansion of product lines. With the changes in the electronics industry during the year, intelligence platform and peripheral electronic equipment have accounted for increasing proportion in the industry year by year. The growing needs of large storage capacity and peripheral electronic equipment have contributed to the steady growth in sales of the Group's high-capacity products. As some of the existing products were designed for the low-end market, they were more vulnerable to the impact of price competition. Although sales volume of this product category increased, the overall performance was affected by price cuts and sales were reduced 3% than in previous year. Gross margin benefited from the introduction of new products and increased slightly by 1%.

Specific Analog Circuits

Specific Analog Circuits are mainly consist of leakage protection chip, motor vehicle specific chip, communication chip and lighting chip. Products can be used in areas such as leakage protection devices, home appliances, telephones, communications equipment and light adjustment devices. Sales of the product category and gross margin increased around 14% and 11% respectively during the year due to adjustment of marketing strategy to increase market share by cutting product prices, production cost control and outstanding marketing promotion for new products. This category had a marginal impact on turnover and business results given its limited weight in the Group's overall sales.

Other Chips

Because of the large storage capacity and the affordable price of flash storage products, and benefiting from increasing demand, new product sales are ideal in the market promotion with revenue increased. Gross margin has also been raised due to the ideal pricing of new products. This category had a marginal impact on turnover and business results given its minimum weight in the Group's overall sales.

IC Testing Services

During the year, the IC testing services provided by Sino IC maintained a stable growth of approximately 34% year-on-year in income before elimination of intragroup transactions. The business policy of Sino IC has shifted, in addition to strengthen the exploration of external business, it also further expanded its production capacity and hence, testing service income has increased significantly with income from external services increased by approximately 50% while internal testing services transactions only increased by approximately 15% in the year. Due to advantage of economies of scale, gross margin of external services was approximately 5% higher than previous year.

FINANCE REVIEW

For the year ended 31 December 2015, the Group recorded a total revenue of approximately RMB1,039,725,000 (2014: RMB843,913,000), representing a rise of approximately 23.2% year-on-year. The audited net profit attributable to owners of the parent was approximately RMB158,898,00 (2014: RMB167,963,000), with basic earnings per share of RMB25.74 cents (2014: RMB27.21 cents), representing a decrease of approximately 5.4% year-on-year. The Board does not recommend the payment of final dividend (2014: nil) in respect of the year ended 31 December 2015.

For the year ended 31 December 2015, the Group recorded an overall sales growth due to the increase in revenue over the security and identification chips and IC testing services. Due to the well performance of sales in high weighting category such as security and identification chips, and the cost of sales decreased in some products as production costs reduced by technology improvements, and resulted in gross margin increased of approximately 5.4% over last year to 52.9%. Other income and revenue decreased by approximately 19.1% compared with last year, for an earnings of approximately RMB3,276,000 caused by the sales of an available-for-sale investment was recorded in the year 2014. The non-recurring income in respect of technical services for the year decreased by approximately RMB8,405,000 as compared with last year. Due to decreased government grants related to research activities and some uncertified projects could not be recognised as income during the year, related income reduced by approximately RMB8,613,000 for the year. Bank deposits increased because of timely collection of receivables, leading to an increase in bank interest income by approximately RMB1,598,000 than in previous years.

Sales and distribution expenses during the year increased by approximately 11.4% over last year due to increased sales and project promotion. Administrative expenses increased by approximately 12.1% than in previous year because of increasing of wage in the industry, and growing of staff number to cope with business development. Other operating expenses increased significantly this year by approximately RMB105,196,000 or 54.7% as more research and development expenditure amounted to RMB70,232,000 than last year were put in the increasing projects of the year. As some of the capitalization projects have lagged behind for completion due to changes in product market standards or have completed their research and development but encountered rapid market changes, and could not meet market expectation, the written off and provision for impairment of deferred development costs included in intangible assets increased by approximately RMB7,733,000 and RMB14,055,000 respectively when compared with previous year; due to substantial research and development costs incurred in prior year, provision for amortisation also increased by RMB16,102,000.

With regard to taxation, the Company's application as a "key design of integrated circuit enterprise falling within the State's planned arrangement" was approved with income tax on assessable income for the years 2013 and 2014 at the preferential tax rate of 10%. Due to the application procedures as a key design of integrated circuit enterprise falling within the State's planned arrangement in this year has not commenced yet, prior the approval of the related tax authorities, income tax on assessable income for the year was provided at the preferential tax rate of 15% enjoyed by HNT Enterprises. The Group's total tax expenses for the year increased by approximately RMB8,682,000 year-on-year, mainly due to an increased profit before tax of approximately RMB9,683,000 and the impact of 4.3% increase in effective tax rate due to change of applicable income tax rate from 10% to 15%. However, an increase of accelerated deduction of approximately RMB10,502,000 derived from research and development activities this year have offset some of the impact caused by tax rate increases.

During the year, the Group's non-current assets increased significantly by approximately RMB69,785,000, mainly attributable to an increase of approximately RMB77,176,000 in respect of acquisition of property, plant and equipment, and construction in progress relating to acquisition of research and development equipment. In addition, investment in deferred research and development costs of intangible assets during the year amounted to approximately RMB79,452,000 with partly offset by amortisation of RMB26,042,000 for the year. Deferred tax assets increased by approximately RMB4,527,000 as a result of asset impairment, amortisation of offices and equipment and intangible assets, government grant revenue and temporary differences related to accruals and payables. Current assets increased by approximately RMB172,217,000 than last year, with inventories increased slightly over previous year by approximately 2%. Balance of trade and bills receivables was approximately RMB366,017,000, increased by approximately RMB125,277,000 than last year, mainly attributable to the increasing seasonal sales near the end of the year. Accounts receivable in aging analysis within the normal payment period amounted to approximately RMB291,858,000. Cash and bank deposits increased by approximately RMB39,839,000 than last year due to timely collection of payments. With regard to current liabilities, trade payables increased by approximately RMB50,314,000 due to more procurement at the end of the year, while accrual, other payables and deferred income increased by approximately RMB15,453,000 than last year, mainly attributable to the increases in deferred income.

MATERIAL INVESTMENTS AND ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group had no material investment and there was no acquisition and disposal of subsidiaries during the year.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group will focus on its core business development and has no material investment plan at present.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2015, net assets of the Group amounted to approximately RMB1,113,586,000 (2014: RMB934,928,000), an increase of approximately 19.1% year-on-year; of which current assets amounted to approximately RMB987,543,000 (2014: RMB815,326,000), a rise of approximately 21.1% year-on-year, and including cash and bank deposits of approximately RMB386,033,000 (2014: RMB346,194,000), an increase of approximately 11.5% year-on-year.

As the Group keeps profiting for the past years, profit and internal cash generated have been used to meet the operations and business development needs. The increase of share capital and allotment of shares of the Company's subsidiary Sino IC in 2014, with funding from non-controlling shareholders of approximately RMB49,973,000, have greatly enhanced the Group's financial resources. Under prudent fiscal policy, the Group's financial resources are sufficient to meet its daily business operations and future development.

As at 31 December 2015, the Group has not pledged any of its assets to any third parties (2014: nil).

CAPITAL STRUCTURE

The Company's capital structure has no change during the year and only comprises ordinary shares.

In 2015, Sino IC increased its share capital from 42,000,000 shares to 84,000,000 shares by transferring RMB42,000,000 out of the share premium to the share capital.

GEARING RATIO

As at 31 December 2015, the Group's current liabilities amounted to approximately RMB399,139,000 (2014: RMB332,708,000), an increase of approximately 20.0% year-on-year. Non-current liabilities amounted to approximately RMB5,738,000 (2014: RMB8,825,000), a decrease of approximately 35.0% year-on-year. Net asset value per share was approximately RMB1.80 (2014: RMB1.51), a growth of approximately 19.2% year-on-year. The Group's ratio of current liabilities over current assets was approximately 40.4% (2014: 40.8%) and the gearing ratio was approximately 36.4% (2014: 36.5%) on the basis of total liabilities over net assets. As at 31 December 2015 the Company and the Group had no bank or other borrowings (2014: nil).

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, deposits and other receivables, trade and bills payables and accruals and other payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

Interest and Foreign Exchange Risk

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. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. Approximately 8% (2014: 10%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst almost 70% (2014: 76%) of costs are denominated in 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 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 had no material influence on the Group's operations and cash flows.

Credit Risk

The Group trades only with recognised and creditworthy third parties and, therefore, no collaterals are required. At the end of the reporting period, the Group has certain concentrations of credit risk as the Group's sales are made to several major customers. 27% (2014: 29%) of the Group's total trade and bills receivables were due from the Group's five largest customers. The Group seeks to maintain strict control over its outstanding receivables and closely monitors the collection of receivables to minimise 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, and the maximum exposure is limited to the carrying amount of these instruments.

Liquidity Risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of normal business credit terms obtained from various creditors.

CAPITAL COMMITMENTS

As at 31 December 2015, the Group had capital commitments contracted but not provided for in the amount of approximately RMB15,950,000 (2014: RMB2,340,000), which were related to the acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group had no contingent liabilities (2014: nil).

USE OF CAPITAL AND FUNDING

The Group is not under liquidity stress in the short run as it currently has a stable financial position with sufficient working capital which will be applied to the research and development of new products and the identification of cooperation opportunities. The net proceed of approximately RMB54,389,000 raised from increase in share capital of Sino IC last year has not been utilised as the proposed IC testing foundation is still under detailed planning.

EMPLOYEES

As at 31 December 2015, the Group has approximately 958 (2014: 932) employees. The increase in the number of employees was attributable to the expansion of the Group's business, in response to future development and market exploration in emerging provinces and municipalities. The remuneration of employees was determined in accordance with their performance, qualifications, experience and contribution to the Group with reference to the latest market trend in the industry.

As at 31 December 2015, The employee benefit expense (including directors' remuneration) as recorded in the consolidated statement of profit or loss and comprehensive income was RMB164,256,000 (2014: RMB159,855,000). The significant increase in employee benefit expense was due to the rise in number of employees and salaries resulted from shortage of experienced experts in the industry; in addition, due to the expansion of research and development projects, the employee benefit expense of RMB58,072,000 (2014: RMB46,032,000) was capitalized as development costs during the year.

PROSPECTS

Looking into 2016, the growth of global economic is expected to be a slight improvement, the growth prospects vary across region. Based on negative factors such as overcapacity, decreasing manufacturing profits and increasing non-performing loan rate, economists forecasted China will still be facing pressure of economic downturn. Due to the use of high technology, high reliability and high security in product design, the Group can make full use of self-developed technology and reduce production costs to offset the risk caused by falling prices and decreasing sales. As the Group adopted proactive attitude in technology research and development and consistently put resources to create new products, there will be sufficient supply of diversified products for the market. The Directors believe the Group can still maintain its market share in the economic downturns. The Board expects the sales of IC chips will maintain a steady growth in the coming year along with a rise in income from IC testing services and the government projects that the Group has participated will continue to deliver stable revenue. Despite the uncertainties, the Directors remain optimistic for a healthy growth in the Group's business in the year to come.

DIVIDEND

The Board does not recommend the payment of final dividend in respect of the year.

EVENTS AFTER THE REPORTING PERIOD

In view of considerable research and development resources required to enhance the technology of satellite navigation and long term business development, on 5 March 2016, the shareholders of Fukong Hualong passed a resolution to increase the registered capital of Fukong Hualong from RMB30,000,000 to RMB50,000,000. The capital injection agreement with the investors is yet to be finalised. Upon completion of the transaction, the equity interest held by the Company in Fukong Hualong will be reduced from 51% to 30.6%.

CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The Register of Members of the Company will be closed from 28 April 2016 to 27 May 2016 (both dates inclusive) during which period no transfer of H shares will be registered. To be eligible to attend the annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged with Tricor Tengis Limited, the Company's Share Registrar in Hong Kong, at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on 27 April 2016.

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

At 31 December 2015, the interests and short positions of the directors and supervisors of the Company in the share capital and underlying shares and debentures 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					Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Through partnership enterprise (Note)	Total	
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
Ms. Zhang Qianling	-	-	-	1,733,650	1,733,650	0.28
Ms. Zhang Huajing	20,000	-	-	640,300	660,300	0.11
	<u>14,440,000</u>	<u>-</u>	<u>-</u>	<u>35,834,700</u>	<u>50,274,700</u>	<u>8.15</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 were originally held by the Staff Shareholding Association of the Company ("SSAC") which is constituted by members consisting of the executive and non-executive directors, supervisors, certain employees and ex-employees, various employees of ASIC System State-Key Laboratory of Shanghai Fudan University ("University Laboratory") and Shanghai Commerce and Invest (Group) Corporation ("SCI"), a substantial shareholder of the Company, as well as various individuals engaged in technological co-operation with the University Laboratory. Pursuant to an equity transfer agreement dated 20 May 2013, SSAC has transferred all of its shareholdings of 144,230,000 domestic shares to four partnership enterprises, namely Shanghai Zhenghua Investment Consultant Partnership Enterprise ("Shanghai Zhenghua") with 47,443,420 shares, Shanghai Guonian Investment Consultant Partnership Enterprise ("Shanghai Guonian") with 29,941,470 shares, Shanghai Zhengben Investment Consultant Partnership Enterprise ("Shanghai Zhengben") with 52,167,270 shares and Shanghai Jinnian Investment Consultant Partnership Enterprise with 14,677,840 shares, respectively. The interests 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 SFO) remained the same but the nature of interest has changed from "beneficiary of a trust" to "held through partnership enterprise".

Long positions in shares and underlying shares of associated 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
Directors						
Mr. Yu Jun	Doublepoint	The Company's subsidiary	Ordinary shares	200,000	Directly beneficially owned	2.062
Supervisors						
Mr. Li Wei	Doublepoint	The Company's subsidiary	Ordinary Shares	100,000	Directly beneficially owned	1.031
Mr. Li Wei	Sino IC	The Company's subsidiary	Ordinary shares	84,000	Directly beneficially owned	0.100

Save as disclosed above, as at 31 December 2015, none of the directors, supervisors or chief executive of the Company had registered an interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year 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 spouses 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a set of standards and code of conduct regarding Directors' securities transactions on terms no less exacting than those set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries to all Directors and confirmed that they had all complied with such standards and code of conduct throughout the year ended 31 December 2015.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2015, the following interests of 5% or more of the share capital of the Company were recorded in the register of interests required to be kept pursuant to Section 336 of the SFO:-

Long positions and short position 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
SCI	(2)	Interest of corporation controlled	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 Shanghai 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 state-owned subsidiary of Shanghai Bailian Group Company Limited which is a state-owned enterprise wholly owned by the Shanghai Municipal Government.
- (3) Partners of the enterprises include the 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. The directors and supervisors of the Company hold the domestic shares of the Company through such partnership enterprises.
- (4) The beneficial owners of these interests are Zhao Jun and Chi Rui.

Save as disclosed above, as at 31 December 2015, 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 and Debentures” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’ articles of association or the laws of the PRC which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS’ INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this announcement, 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company’s total issued share capital was held by the public as at the date of this announcement.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules throughout the year, save and except the code provision A.6.7 of the CG Code.

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process, internal control and risk management system of the Group. The audit committee comprises three independent non-executive directors, Mr. Cheung Wing Keung, Mr. Guo Li and Mr. Lin Fujiang. The Group’s financial statements for the year ended 31 December 2015 have been reviewed by the committee, who were of the opinion that these statements complied with the applicable accounting standards, the requirements as set out by the Stock Exchange and the relevant legal provisions, and that adequate disclosures had been made.

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

Shanghai, the PRC, 22 March 2016

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

* *For identification purpose only*