



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 2011**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF
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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 2011 together with the comparative figures for the corresponding periods in 2010 as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Revenue	2	420,201	381,932	158,321	140,303
Cost of sales		<u>(246,877)</u>	<u>(220,850)</u>	<u>(89,035)</u>	<u>(82,736)</u>
Gross profit		173,324	161,082	69,286	57,567
Other income and gains	2	20,592	24,657	7,936	7,274
Selling and distribution costs		(21,285)	(13,523)	(7,837)	(4,894)
Administrative expenses		(33,925)	(30,707)	(14,885)	(10,662)
Other operating expenses		<u>(76,710)</u>	<u>(55,964)</u>	<u>(24,627)</u>	<u>(15,439)</u>
Profit before tax		61,996	85,545	29,873	33,846
Income tax expenses	3	<u>(6,510)</u>	<u>(10,397)</u>	<u>(3,825)</u>	<u>(4,721)</u>
Profit for the period		55,486	75,148	26,048	29,125
Other comprehensive income					
Exchange differences on translation of foreign operations		<u>(305)</u>	<u>(17)</u>	<u>(139)</u>	<u>(9)</u>
Total comprehensive income for the period		<u>55,181</u>	<u>75,131</u>	<u>25,909</u>	<u>29,116</u>

	Nine months ended		Three months ended	
	30 September		30 September	
	2011	2010	2011	2010
Notes	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the period attributable to:				
Owners of the parent	53,963	73,458	25,495	29,024
Non-controlling interests	1,523	1,690	553	101
	<u>55,486</u>	<u>75,148</u>	<u>26,048</u>	<u>29,125</u>
Total comprehensive income attributable to:				
Owners of the parent	53,658	73,441	25,356	29,015
Non-controlling interests	1,523	1,690	553	101
	<u>55,181</u>	<u>75,131</u>	<u>25,909</u>	<u>29,116</u>
	RMB	RMB	RMB	RMB
Earnings per share attributable to ordinary equity holders of the parent				
Basic				
- For profit for the period	5 <u>8.74 cents</u>	<u>11.90 cents</u>	5 <u>4.13 cents</u>	<u>4.70 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 2010. 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 2011. 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 allowances for returns and trade discounts, and the value of services rendered.

3. INCOME TAX

Under the PRC Corporate Income Tax Law (the “New CIT Law”), which became effective on 1 January 2008, the Company is subject to income tax at a base rate of 25%. The Company is eligible to a preferential income tax rate of 15% as a High New Technology Enterprise (“HNT Enterprise”). For the financial year ended 31 December 2011, income taxes on assessable income of the Company are provided at the rate of 15% (2010: 15%).

Under the New 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 2011, income taxes on assessable income of Sino IC are provided at the rate of 15% (2010: 15%).

Under the New 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. Fukong Hualong is in its fourth profit making year and is entitled to a 50% concession on income tax. For the financial year ended 31 December 2011, income taxes on assessable income of Fukong Hualong are provided at the rate of 12.5% (2010: 12.5%).

Under the New 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 2011, income taxes on assessable income of these subsidiaries are provided at the rate of 25% (2010: 25%).

No assessable profits were derived from Hong Kong during the period (2010: 16.5%).

	Nine months ended 30 September 2011		Three months ended 30 September 2011	
	RMB'000	2010 RMB'000	RMB'000	2010 RMB'000
Current				
- Mainland China	6,628	10,462	3,783	4,089
- Hong Kong	-	202	-	8
Deferred	(118)	(267)	42	624
Total tax charge for the period	6,510	10,397	3,825	4,721

4. RESERVES

Details of movements in the reserves of the Group during the nine months ended 30 September 2011 together with the comparative figures for the corresponding period in 2010 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 2011	168,486	27,016	(2,887)	155,041	347,656
Net profit for the period	-	-	-	55,486	55,486
Exchange differences on translation of foreign operations	-	-	(305)	-	(305)
Total comprehensive income for the period	168,486	27,016	(3,192)	210,527	402,837
Transfer from retained profits	-	5,180	-	(5,180)	-
At 30 September 2011	168,486	32,196	(3,192)	205,347	402,837
At 1 January 2010	168,486	17,086	(2,665)	78,799	261,706
Net profit for the period	-	-	-	75,148	75,148
Exchange differences on translation of foreign operations	-	-	(17)	-	(17)
Total comprehensive income for the period	168,486	17,086	(2,682)	153,947	336,837
Transfer from retained profits	-	6,818	-	(6,818)	-
At 30 September 2010	168,486	23,904	(2,682)	147,129	336,837

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 2011 and the comparative periods are based on the unaudited net profit attributable to ordinary equity holders of the parent of approximately RMB53,963,000 and RMB25,495,000 respectively (2010: RMB73,458,000 and RMB29,024,000) and the weighted average number of 617,330,000 (2010: 617,330,000) ordinary shares in issue during the periods.

No adjustment has been made to the basic earnings per share amounts presented for the nine months ended 30 September 2011 and 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

6. COMPARATIVE AMOUNTS

During the period, the presentation of certain items in the financial statements has been revised. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2011 (2010: Nil).

BUSINESS REVIEW

The Group recorded a turnover of approximately RMB420,201,000 for the nine months period ended 30 September 2011 (2010: RMB381,932,000), representing an increase of approximately 10% over the same period in last year. Unaudited profit attributable to owners of the parent amounted to approximately RMB53,963,000 (2010: RMB73,458,000), a decrease of approximately 27% when compared with the corresponding period in last year. Earnings per share attributable to ordinary equity holders of the parent was RMB8.74 cents (2010: RMB11.90 cents).

During the period under review, the Group recorded a continuous growth in revenue. Sales of the IC card chips which constituted a large proportion in the total sales have slightly slipped during the period as there was a marketing effect resulted from the Shanghai World Expo last year. However, the increases in product sales of the power electronic chips as well as the consumer electronic chips have driven the Group's overall sales to go up. Sales of the products in other categories that constituted only a small portion in the total sales have slowed down but with little impact on the Group's business. As selling prices of certain products have been adjusted to keep their market shares, profit margin slightly dropped to 41.2% in the current period from 42.2% of the comparative period in last year, but still kept at a reasonable and satisfactory level.

Other revenue and gains decreased a little as compared with the same period in last year as there were certain government projects pending for settlement with related government grants due to be received. Selling and distribution costs significantly increased when compared with the last corresponding period since there were increases in marketing staff with increment in salaries and additional costs applied to strengthen market promotion. Administrative expenses also increased because of the changes in staff brought with increase in salaried expenditures. Other operating expenses increased sharply over the same period in last year as a result of the increases in research and development projects as well as the related costs, and in addition, the provision in doubtful debts and impairment of inventories were also increased during the period.

FUTURE PROSPECTS

Despite the sales of the Group's major product of IC chips dropped during the period due to lack of the marketing effect of the Shanghai World Expo in last year, its sales performance still met with the budgeted target. Following the market promotion extended to the second and third tier cities in various electronic applications, it is expected that a continuous sales growth can be maintained. The Group's self-developed and specified new version smart electronic meter chips which were designed in accordance with the technologies and specifications formulated by the State Grid Corporation of China, have been widely accepted in the market since launching and it is expected that there is room for sales growth in the future. Moreover, the Group's participation in government projects has also been steadily developed that provides the Group with a long term and recurring income. The Directors are of the opinion that since there has been a continuous growth in the Group's business during the period, the annual results could be further improved.

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

As at 30 September 2011, the interests or short positions of the directors, supervisors and chief executive of the Company in the share capital and underlying shares 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 registers required to be kept by the Company 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, 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	Beneficiary of a trust	Total	
	<i>(Note)</i>					
Directors						
Mr. Jiang Guoxing	7,210,000	-	-	1,442,300	8,652,300	1.40
Mr. Shi Lei	7,210,000	-	-	12,980,000	20,190,000	3.27
Mr. Yu Jun	-	-	-	10,961,530	10,961,530	1.78
Ms. Cheng Junxia	-	-	-	8,076,920	8,076,920	1.31
Mr. Wang Su	-	-	-	7,211,530	7,211,530	1.17
Ms. Zhang Qianling	-	-	-	1,733,650	1,733,650	0.28
Mr. He Lixing	-	-	-	1,442,300	1,442,300	0.23
Mr. Shen Xiaozu	-	-	-	1,442,300	1,442,300	0.23
	<u>14,420,000</u>	<u>-</u>	<u>-</u>	<u>45,290,530</u>	<u>59,710,530</u>	<u>9.67</u>
Supervisors						
Mr. Li Wei	-	-	-	6,057,690	6,057,690	0.98
Mr. Wei Ran	-	-	-	288,460	288,460	0.05
	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,346,150</u>	<u>6,346,150</u>	<u>1.03</u>

Note: These shares are held by the Staff Shareholding Association of the Company (the "SSAC") which is constituted by members consisting of the executive and non-executive directors, the supervisors, certain employees and ex-employees, various employees of ASIC System State-Key Laboratory of Shanghai Fudan University ("University Laboratory") and Shanghai Commerce Invest (Group) Corporation Limited ("SCI"), a substantial shareholder of the Company, as well as various individuals engaged in technological co-operation with the University Laboratory.

Save as disclosed above, as at 30 September 2011, none of the directors, supervisors or chief executive 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 2011, 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 domestic shares of the Company:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
SSAC		Directly beneficially owned	144,230,000	23.36
Shanghai Fudan High Tech Company	(1)	Directly beneficially owned	106,730,000	17.29
Shanghai Fudan Technology Enterprise Holdings Limited	(2)	Directly beneficially owned	109,620,000	17.76
SCI	(2)	Through a controlled corporation	109,620,000	17.76

Notes:

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

Save as disclosed above, as at 30 September 2011, no person, other than the directors, supervisors and chief executive of the Company, whose interests are set out in the section "Directors', supervisors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the period, none of the directors of the Company had an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

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 financial statements for the nine months ended 30 September 2011 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, 14 November 2011

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 and Mr. Chen Baoying.

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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