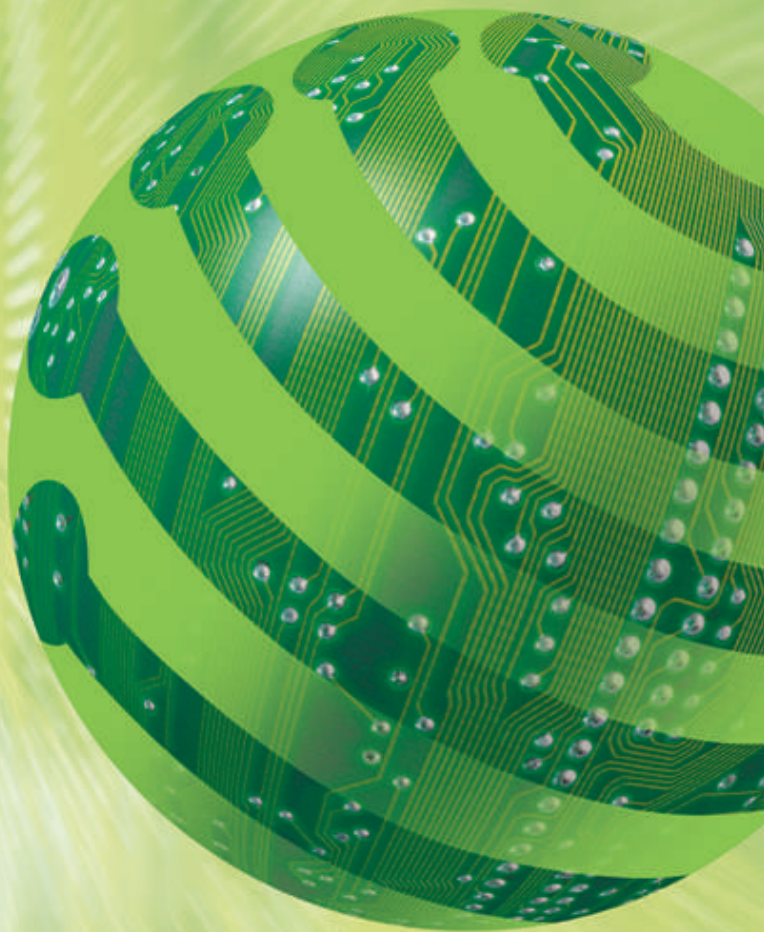




**上海復旦微電子股份有限公司**  
**Shanghai Fudan Microelectronics Company Limited\***  
*(a joint stock limited company incorporated in the People's Republic of China)*



Third Quarterly Report 2000

\* for identification only



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## 3RD QUARTERLY REPORT 2000

**Characteristics of The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")**

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising from the emerging nature of companies listed on GEM and the business sectors of countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this third quarterly results report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this quarterly results report.*

*This third quarterly results report, for which the directors of Shanghai Fudan Microelectronics Company Limited (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Shanghai Fudan Microelectronics Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

### THIRD QUARTERLY RESULTS (UNAUDITED)

The Board of Directors ("Board") of Shanghai Fudan Microelectronics Company Limited ("Company") is pleased to announce the unaudited results of the Company for the nine months and three months ended 30th September, 2000, together with the comparative unaudited figures for the corresponding periods in 1999, as follows:

|   | Notes | Nine Months ended<br>30th September |             | Three Months ended<br>30th September |             |
|---|-------|-------------------------------------|-------------|--------------------------------------|-------------|
|   |       | 2000                                | 1999        | 2000                                 | 1999        |
|   |       | RMB'000                             | RMB'000     | RMB'000                              | RMB'000     |
| Turnover  | 2     | 21,232                              | 6,912       | 9,751                                | 3,081       |
| Cost of inventories<br>sold                       |       | (15,486)                            | (4,001)     | (7,440)                              | (1,871)     |
| Gross profit                                      |       | 5,746                               | 2,911       | 2,311                                | 1,210       |
| Other revenue                                     |       | 1,675                               | 39          | 1,085                                | 12          |
| Selling expenses                                  |       | (1,168)                             | (845)       | (489)                                | (336)       |
| Administrative expenses                           |       | (5,465)                             | (3,101)     | (2,419)                              | (1,292)     |
| Profit/(loss) from operating<br>activities        |       | 788                                 | (996)       | 488                                  | (406)       |
| Finance cost                                      |       | (393)                               | (47)        | (177)                                | (47)        |
| Profit/(loss) before taxation                     |       | 395                                 | (1,043)     | 311                                  | (453)       |
| Taxation  | 3     | —                                   | —           | —                                    | —           |
| Net profit/(loss) attributable to<br>shareholders |       | 395                                 | (1,043)     | 311                                  | (453)       |
| Earnings/(loss) per share                         |       |                                     |             |                                      |             |
| - Basic   | 5     | 0.10 cent                           | (0.34) cent | 0.07 cent                            | (0.14) cent |

Notes:

#### 1. Basis of presentation

The Company was incorporated in the People's Republic of China on 10th July, 1998 and its H shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 4th August, 2000.

The principal accounting policies adopted in preparing the unaudited results conform with accounting standards issued by the Hong Kong Society of Accountants.

## **2. Turnover**

Turnover represents the invoiced value of goods sold, net of value-added tax, trade discounts and returns.

## **3. Taxation**

No income tax has been provided for in all periods as the Company has obtained a tax concession from the local municipal finance bureau and is exempted from paying income tax for the period from July 1998 to June 1999. Further, pursuant to an approval document dated 2nd February, 2000 issued jointly by the local municipal tax bureau and the finance bureau, the Company has been designated a high technology entity and is further exempted from income tax for the period from 1st January, 1999 to 31st December, 2000.

No deferred tax asset has been recognized as the directors consider it prudent not to recognize such benefit until it is recovered.

## **4. Reserves**

There has been no transfer to or from reserves during the periods (1999: Nil).

## **5. Earnings/(loss) per share**

The calculation of the basic earnings per share for the nine months and three months ended 30th September, 2000 is based on net profit attributable to shareholders of approximately RMB395,000 and RMB311,000 respectively and the weighted average number of approximately 404,904,000 and 464,063,000 shares in issue during the respective periods.

The calculation of the basic loss per share for the nine months and three months ended 30th September, 1999 is based on net loss attributable to shareholders of approximately RMB1,043,000 and RMB453,000 respectively and the weighted average number of approximately 302,727,000 and 330,790,000 shares in issue during the respective periods, as if the 245,000,000 domestic shares issued to the existing shareholders of the Company pursuant to the capitalization issue made upon the completion of the placing of 125,000,000 shares had been in issue from the respective dates the related existing shares were issued.

There is no diluted earnings and loss per share because there were no dilutive potential shares in existence during the relevant periods.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the nine months and three months ended 30th September, 2000 (1999: Nil).

## **BUSINESS REVIEW AND PROSPECTS**

### **General**

During the nine months under review, turnover achieved a high growth rate of 207% and a profit of approximately RMB395,000 was recorded, compared with a loss of approximately RMB1,043,000 for the same period in 1999.

Recently, there has been a surge in the cost of chips in global markets and serious shortages have been experienced in certain countries. However, the Company is mainly engaged in IC design and sales without involvement in IC production, and our supplies were sourced from many countries, therefore, business was only slightly affected by such unfavourable market condition.

In a highly competitive environment, profit margin in the PRC domestic telecommunications and electric power electronic market has decreased. To survive in the market, certain manufacturers have continued to use lower price IC products or to use cheaper substitutes. Because these types of products consume relatively substantial amounts of chips, the Company has decreased sales price levels and offered a higher discount to sustain its market share.

In addition, as most of our products are competitive in relation to imported products, the Company needs to be flexible in setting the prices of products in order to compete against these foreign suppliers.

As a result of the adjustment in product prices, although there has been a marked increase in turnover, there has been a decrease in profit margin.

The Company with its competitive strengths, its close relationship with Shanghai Fudan University, its continuing research and development, and its strong management team, has been able to introduce new products and improve its market presence.

Revenue received from the products of 8K memory card chips, and the 2 types of IC used in caller ID telephones and power electronics respectively was satisfactory and expected to be a stable source of revenue.

## Future prospects

The Company has been successful in the research and development of new products. More than 5 new products will be launched into the market within the 4th quarter, which the Directors believe will generate significant revenue and profits for the Company.

At present, the Company is in a strong financial position which will provide support for the initiatives in business operation and product range expansion and in research and development. The management will focus on business development, expanding its sales network, and positioning the Company to take the best advantages of China's entry into the WTO.

## DISCLOSURE OF INTERESTS

As at 30th September, 2000, the interests of the directors, supervisors and the chief executive of the Company in the shares of the Company (the "Shares") and in the share capital of any of its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under section 31 of, or Part 1 of the Schedule to, the SDI Ordinance) or which were required, pursuant to section 29 of the SDI Ordinance, to Rules 5.40 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

### (a) DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

#### (i) Equity interests in the Company

| Name             | Personal interest | Number of Shares held |  | Total      | Percentage of interests |
|------------------|-------------------|-----------------------|--|------------|-------------------------|
|                  |                   | Other interest (+)    |  |            |                         |
| <b>Directors</b> |                   |                       |  |            |                         |
| Jiang Guoxing    | 7,210,000         | 1,442,300             |  | 8,652,300  | 1.67                    |
| Shi Lei          | 7,210,000         | 12,980,000            |  | 20,190,000 | 3.89                    |
| Yu Jun           | —                 | 10,961,530            |  | 10,961,530 | 2.11                    |
| Cheng Junxia     | —                 | 8,076,920             |  | 8,076,920  | 1.56                    |
| Wang Su          | —                 | 7,211,530             |  | 7,211,530  | 1.39                    |
| Cheng Xiaohong   | —                 | 7,211,530             |  | 7,211,530  | 1.39                    |

| Name               | Number of Shares held |                    | Total     | Percentage of interests |
|--------------------|-----------------------|--------------------|-----------|-------------------------|
|                    | Personal interest     | Other interest (+) |           |                         |
| Zhang Qianling     | —                     | 1,733,650          | 1,733,650 | 0.33                    |
| He Lixing          | —                     | 1,442,300          | 1,442,300 | 0.28                    |
| Shen Xiaozu        | —                     | 1,442,300          | 1,442,300 | 0.28                    |
| <b>Supervisors</b> |                       |                    |           |                         |
| Li Wei             | —                     | 6,057,690          | 6,057,690 | 1.17                    |
| Ding Shengbiao     | —                     | 7,211,530          | 7,211,530 | 1.39                    |
| Xu Lenian          | —                     | 865,380            | 865,380   | 0.17                    |

+: Shares held through the Staff Shareholding Association of the Company

(ii) Directors' and supervisors' right to acquire shares in the Company

Save as disclosed above, at no time during the period was the Company a party to any arrangement to enable the directors and supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

(b) **SUBSTANTIAL SHAREHOLDERS**

So far as the Directors are aware, as at 30th September, 2000, the holders of 10% or more of Shares were as follows:

| Name  | Number of Shares | Percentage of interests |
|---|------------------|-------------------------|
| The Staff Shareholding Association of the Company | 144,230,000      | 27.80                   |
| Shanghai Fudan University (Note 1)                | 106,730,000      | 20.57                   |
| Shanghai Fudan High Tech Company (Note 1)         | 106,730,000      | 20.57                   |
| Shanghai Commerce and Investment Co. (Note 2)     | 95,200,000       | 18.35                   |

Note 1. The shareholding in which Shanghai Fudan University is interested is held through Shanghai Fudan High Tech Company which is wholly-owned by Shanghai Fudan University.

*Note 2.* Of the 95,200,000 shareholding in which Shanghai Commerce and Investment Co. is interested, 34,620,000 are held by Shanghai Pacific Commercial Trust Company, a wholly-owned subsidiary of Shanghai Commerce and Investment Co., and 14,420,000 are held by Ningbo Lirong Co., Ltd., its majority-owned subsidiary.

Save as disclosed above, the Directors are not aware of any other persons who were, as at 30th September, 2000, interested in 10% or more of the Shares.

**(c) SPONSOR'S INTERESTS**

BOCI Asia Limited, the Sponsor, has agreed to provide advisory services to the Company for the purposes of the GEM Listing Rules at an agreed amount of fee for the period ending 31st December, 2002.

To the knowledge of BOCI Asia Limited, its directors, employees and associates, at 30th September, 2000, did not have any interests in the securities of the Company, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company.

**(d) COMPETING INTERESTS**

The Directors are not aware of any competing business or conflicting interest, as of 30th September, 2000, of the directors, initial management shareholders of the Company or their respective associates which was required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules.

**AUDIT COMMITTEE**

As required by Rule 5.23 of the GEM Listing Rules, the Company established an audit committee on 19th July, 2000 with written terms of reference in compliance with Rules 5.20 and 5.25 of the GEM Listing Rules which deal clearly with its authority and duties. The members of the audit committee comprise two independent non-executive directors Mr. David Yung and Mr. Leung Tin Pui. Its principal duties are to review and supervise the Company's financial reporting process and internal control systems.



## **YEAR 2000 COMPLIANCE**

The Company does not have computer systems that are not Year 2000 compliant. In addition, the Directors, based on information provided by its external suppliers and service providers, do not believe that Year 2000 compliance issues (if any) relating to its suppliers and services providers will have any material adverse effect on the Company's operations. As of the date of this report, the Group has not experienced any disruptions to its operations resulting from Year 2000 issues.

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

During the nine months and three months ended 30th September, 2000, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board

**Jiang Guoxing**

*Chairman*

Shanghai, PRC, 13th November, 2000

\* for identification purpose only