



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)

Fudan

Microelectronics

First Quarterly Report 2001

* for identification only



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FIRST QUARTERLY REPORT 2001

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 (<http://www.hkgem.com>) 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 first quarterly 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 report.

This first quarterly 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 first quarterly 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 first quarterly report misleading; and (3) all opinions expressed in this first quarterly report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FIRST 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 three months ended 31 March 2001, together with the comparative unaudited figures for the corresponding period in 2000, as follows:

		Three Months ended 31 March	
		2001	2000
	<i>Notes</i>	RMB'000	RMB'000
Turnover	2	8,069	3,947
Cost of sales		<u>(5,714)</u>	<u>(2,576)</u>
Gross profit		2,355	1,371
Other revenue		1,240	380
Distribution costs		(722)	(314)
Administrative expenses		(2,058)	(1,151)
Other operating expenses		<u>(762)</u>	<u>(429)</u>
Profit/(loss) from operating activities		53	(143)
Finance costs		<u>(2)</u>	<u>(90)</u>
Profit/(loss) before tax		51	(233)
Tax	3	<u>(17)</u>	<u>—</u>
Net profit/(loss) from ordinary activities attributable to shareholders		<u>34</u>	<u>(233)</u>
Earnings/(loss) per share			
- Basic	5	<u>0.01 cents</u>	<u>(0.06) cents</u>

Notes:

1. Basis of presentation

The Company was incorporated in the People's Republic of China (the "PRC") on 10 July 1998 and its H shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 4 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. Tax

Under the Income Tax Law of the PRC, the Company is subject to income tax at a rate of 33%. However, pursuant to an approval document dated 2 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 exempted from income tax for the period from 1 January 2000 to 31 December 2000. The Company is now applying for exemption status to the year 2001 and the directors believe that the Company will be supported with tax benefit.

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 period, other than retained earnings (2000: Nil).

5. Earnings/(loss) per share

The calculation of the basic earnings per share for the three months ended 31 March 2001 is based on net profits attributable to shareholders of approximately RMB34,000 and the weighted average number of 518,750,000 shares in issue during the period.

The calculation of the basic loss per share for the three months ended 31 March 2000 is based on net loss attributable to shareholders of approximately RMB233,000 and the weighted average number of 375,000,000 shares in issue during the period, 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 H shares had been in issue from the respective date of 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 three months ended 31 March 2001 (2000: Nil).

BUSINESS REVIEW AND PROSPECTS

Business review

Compared with the same period last year, the turnover for the three months period under review achieved a growth rate of 104% and recorded a profit of approximately RMB34,000.

Recently, the declining economic environment in foreign countries has reduced the demand in chips and products of integrated circuits, while the demand in the PRC domestic market continues to increase. Because the main market for the Company's products principally comprises the PRC domestic market, business has not been affected by such unfavourable conditions in foreign countries.

In the PRC domestic market, turnover of the Company's 8K Bits memory card circuit maintained a high growth rate and contributes significantly to the Company's turnover as well as profit. The sales of telecommunications and electric power electronic products continuously suffered from keen competition, as a result of lower turnover and selling prices, the consolidated profit margin and results were reduced. In view of the competitive environment in the PRC domestic market, the Company has to adjust its pricing policy flexibly in order to remain competitive against the foreign and domestic products, and to maintain its market share.

During the period under review, the Company has completed the research and development of several products. Trial sales of these products were satisfactory and sales network will be expanded accordingly to improve the current year results.

Future prospects

The Company has successfully completed the research and development of new products and will launch into the market for trial sales. The directors believe that these products will generate significant revenue and profits for the Company in the current year.

In accordance with the Company's business objectives, the establishment of Company's representative office in Hong Kong is actively under progress. Sales activities will be carried out upon its incorporation, and potential markets in the South East Asia region will be fully exploited. The directors believe that with the support of the most advanced technology, comparatively low production and operation costs of the Company's products are highly competitive in the South East Asia region markets.

With its current strong financial position, the Company will continuously expand the scale of its operations and actively seek for capable partners with advanced technology to help accelerate its research and development activities and further strengthen its market profile.

The directors believe that with the continuing sales growth of 8K Bits memory card circuit together with the launch of new products, the Company's business will grow steadily.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 March 2001, the interests of the directors and supervisors in the share capital of the Company as recorded in the registers maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or otherwise notified to the GEM or the Company as required by Chapter 5.40 of the GEM Listing Rules were as follows:

	Number of shares held and nature of interests				Total
	Personal	Family	Corporate	Other (note)	
Directors					
Mr. Jiang Guoxing	7,210,000	—	—	1,442,300	8,652,300
Mr. Shi Lei	7,210,000	—	—	12,980,000	20,190,000
Mr. Yu Jun	—	—	—	10,961,530	10,961,530
Ms. Cheng Junxia	—	—	—	8,076,920	8,076,920
Mr. Wang Su	—	—	—	7,211,530	7,211,530
Mr. Chen Xiaohong	—	—	—	7,211,530	7,211,530
Ms. Zhang Qianling	—	—	—	1,733,650	1,733,650
Mr. He Lixing	—	—	—	1,442,300	1,442,300
Mr. Shen Xiaozu	—	—	—	1,442,300	1,442,300
	<u>14,420,000</u>	<u>—</u>	<u>—</u>	<u>52,502,060</u>	<u>66,922,060</u>

	Number of shares held and nature of interests				Total
	Personal	Family	Corporate	Other (note)	
Supervisors					
Mr. Li Wei	—	—	—	6,057,690	6,057,690
Mr. Ding Shengbiao	—	—	—	7,211,530	7,211,530
Mr. Xu Lenian	—	—	—	865,380	865,380
	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,134,600</u>	<u>14,134,600</u>

Note:

These shares are held by the Staff Shareholding Association of the Company (“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, at 31 March 2001, none of the directors and supervisors had any personal, family, corporate or other interests in the equity of the Company, as defined in the SDI Ordinance.

DIRECTORS’ AND SUPERVISORS’ RIGHTS TO ACQUIRE SHARES

At no time during the period was the Company a party to any arrangement to enable the directors and supervisors of the Company or their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in the Company.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2001, the following interest of 10% or more of the share capital of the Company were recorded in the register of interests pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of interests
SSAC	144,230,000	27.80
Shanghai Fudan High Tech Company (note 1)	106,730,000	20.57
SCI (note 2)	95,200,000	18.35

Notes:

- (1) Shanghai Fudan High Tech Company is a state-owned enterprise wholly owned by Shanghai Fudan University.
- (2) SCI is a state-owned enterprise wholly owned by Shanghai Municipal Government. Of the 95,200,000 domestic shares in which SCI is interested, 46,160,000 shares are held in its own name, 34,620,000 shares are held by a wholly-owned subsidiary of SCI, Shanghai Pacific Commercial Trust Company, and 14,420,000 shares are held by a 74.3%-owned subsidiary, Ningbo Lirong Co., Limited. The 46,160,000 domestic shares held in its own name represent approximately 8.90% of the registered share capital of the Company.

Save as disclosed above, no persons, other than the directors and supervisors of the Company, whose interests are set out in the section “Directors’ and supervisors’ interests in shares” above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

SPONSOR’S INTERESTS

Pursuant to the sponsor’s agreement dated 28 July 2000 entered between BOCI Asia Limited (“BOCI Asia”) and the Company, BOCI Asia 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 31 December 2002.

To the knowledge of BOCI Asia, its directors, employees and associates, as of 31 March 2001, 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.

COMPETING INTERESTS

None of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Company.

AUDIT COMMITTEE

As required by Rule 5.23 of the GEM Listing Rules, the Company established an audit committee on 19 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. The principal duties of the audit committee are to review and supervise the Company's financial reporting process and internal control systems.

BUSINESS OBJECTIVES

The directors are not aware of any material adverse change in the financial position or prospects of the Company from the information provided in the statement of business objectives as set out in the prospectus dated 31 July 2000.

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

During the three months ended 31 March 2001, 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, 14 May 2001

* *for identification purpose only*