



**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

Third Quarterly Report 2001

\* for identification only



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## **3RD 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 3rd Quarterly Reports 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 3rd 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 3rd quarterly report.*

*This 3rd 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 3rd 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 3rd quarterly report misleading; and (3) all opinions expressed in this 3rd quarterly 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 consolidated results of the Company and its subsidiary (the “Group”) for the nine months and three months ended 30 September 2001, together with the comparative unaudited figures for the corresponding periods in 2000 are as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
<b>Turnover</b>	2	<b>29,323</b>	21,232	<b>9,896</b>	9,751
Cost of sales		<b>(21,338)</b>	(15,486)	<b>(8,255)</b>	(7,440)
Gross profit		<b>7,985</b>	5,746	<b>1,641</b>	2,311
Other revenue		<b>6,234</b>	1,675	<b>4,273</b>	1,085
Distribution costs		<b>(2,735)</b>	(1,168)	<b>(910)</b>	(489)
Administrative expenses		<b>(7,117)</b>	(3,799)	<b>(2,361)</b>	(2,094)
Other operating expenses		<b>(2,464)</b>	(1,666)	<b>(1,123)</b>	(325)
<b>Profit from operating activities</b>		<b>1,903</b>	788	<b>1,520</b>	488
Finance costs		<b>(6)</b>	(393)	<b>(2)</b>	(177)
<b>Profit before tax</b>		<b>1,897</b>	395	<b>1,518</b>	311
Tax	3	<b>(738)</b>	—	<b>(460)</b>	—
<b>Profit after tax but before minority interests</b>		<b>1,159</b>	395	<b>1,058</b>	311
Minority interests		<b>74</b>	—	<b>74</b>	—
<b>Net profit from ordinary activities attributable to shareholders</b>		<b>1,233</b>	395	<b>1,132</b>	311
		<b>RMB</b>	RMB	<b>RMB</b>	RMB
Earnings per share					
- Basic	5	<b>0.24 cents</b>	0.10 cents	<b>0.22 cents</b>	0.07 cents

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 consolidated results conform with accounting standards issued by the Hong Kong Society of Accountants. Significant transactions among the companies comprising the Group have been eliminated on consolidation.

The 2000 comparative figures reflect the operating results of the Company and certain comparative amounts have been reclassified to conform with the current period's presentation.

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 tax concession 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 per share**

The calculation of the basic earnings per share for the nine months and three months ended 30 September 2001 are based on net profits attributable to shareholders of approximately RMB1,233,000 and RMB1,132,000 respectively and the weighted average number of 518,750,000 shares in issue during the periods.

The calculation of the basic earnings per share for the nine months and three months ended 30 September 2000 are based on net profits 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 periods.

There is no diluted earnings 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 3rd quarter ended 30 September 2001 (2000: Nil).

## **BUSINESS REVIEW**

For the nine months and the three months ended 30 September 2001, the Group recorded turnover of approximately RMB29,323,000 and RMB9,896,000 respectively, representing approximately 38% and 1% increases as compared to the same periods in the previous financial year. Profit attributable to shareholders for the nine months and the three months ended 30 September 2001 amounted to approximately RMB1,233,000 and RMB1,132,000 respectively, representing approximately 212% and 264% increases respectively as compared to the same periods in 2000.

In the 3rd quarter ended 30 September 2001, the global economy was still soft, demand of IC products in overseas markets continued to shrink, as a result, lots of foreign products dumped into the PRC market with a consequential desperate pricing amongst competitors. However, there exists a huge room between the demand of IC products in the PRC domestic market and the supply from local manufacturers. Besides, most of the Group's products are competitive and substitutes to foreign products; the Group also has its own intellectual rights on certain products, thus enable the Group to be more flexible in its marketing and sales, and maintained a growth in turnover.

During the period under review, the Group's main product 8K Bits memory card circuit continued to achieve satisfactory sales but with slightly decrease in profitability. Markets of products of earth leakage current detector circuit and multi-fee power control circuit resulted with considerable growth. The sales of telecommunication products were also improved. However, automobile electronics products remained highly affected by intensive competition, both turnover, selling prices and profits were dropped.

The Group has successfully launched several new products including Screen Touch Controller, Smart Card and lightening. Certain new products are at the final stage of development and research and will be launched into the market shortly.

The Group's subsidiary, Shanghai Hua Lin Integrated Circuits Technology Limited ("Hua Lin") which located in Shanghai Zhang Jiang Software Zone has commenced its business during the period under review. Hua Lin's business comprises provision of IC testing software development, IC chips and IC products testing, production of probe card, research consultancy of IC

technology. With the support of this subsidiary, the Group would further strengthen its ability in research, development and testing of IC products. Because of extended preliminary set up period and being in an infant stage, the interest in this subsidiary resulted in the Group's share of net loss of approximately RMB663,000 for the quarter ended 30 September 2001, of which RMB646,000 was related to the written off of preliminary expenses.

## **FUTURE PROSPECTS**

Besides an IC Engineering Technology Centre located in Shanghai Fudan University ("Fudan University") jointly set up by the Group with Fudan University and the co-operation with the University of Science & Technology of China ("USTC") to set up an ASIC System Laboratory of USTC, the Group is also actively seeking for new developments. With the Group's competitive advantage of having a strong market presence in the PRC, the Group has, from time to time, been approached by potential business partners with advanced technical know-how for cooperation opportunities. The directors believe that it is in the interests of the Group to pursue such opportunities as they may help provide new directions in the future growth and enhance the competitiveness of the Group. In this connection, the Group is in discussions with certain business partners with a view to achieve its best interests.

On 12 November 2001, the Board despatched to shareholders a circular of possible major transaction relating to proposed placing of new H shares and granting of a specific mandate and general mandate to issue new shares. If it proceeds, the Group will obtain additional funds to further consolidate its position in the PRC market, expand its business for future growth, reduce its costs of operation, and extend product range of the Group and their promotion.

It is the Group's overall business objectives to capture a significant share of the IC design and system integration business in the PRC and to be one of the leading ASIC design companies in the world. In order to achieve its business objectives, the Group will continue to strengthen and focus on its core business, maintain its main market in the PRC and to capture the business opportunities arising from the accession of the PRC to the World Trade Organization.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 30 September 2001, the interests of the directors and supervisors in the share capital of the Company as recorded in the register 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)	
<b>Directors</b>					
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>
<b>Supervisors</b>					
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 University Laboratory and Shanghai Commerce Invest (Group) Corporation ("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 30 September 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 or its subsidiary 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 30 September 2001, the following interests 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:

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

*Notes:*

- (1) Shanghai Fudan High Tech Company is a state-owned enterprise wholly-owned by 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 domestic shares are held in its own name, 34,620,000 domestic shares are held by a wholly-owned subsidiary of SCI, Shanghai Pacific Commercial Trust Company, and 14,420,000 domestic 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 30 September 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 Group.

## **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 Group'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 Group 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 nine months ended 30 September 2001, neither the Company nor its subsidiary purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board  
**Jiang Guoxing**  
*Chairman*

Shanghai, PRC, 13 November 2001

\* *for identification purpose only*