



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 2004

* for identification only

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This 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 consolidated results of the Company and its subsidiaries (the “Group”) for the nine months and three months ended 30 September 2004, together with the comparative unaudited figures for the corresponding periods in 2003, as follows:

	<i>Notes</i>	Nine months ended 30 September		Three months ended 30 September	
		2004 <i>RMB'000</i>	2003 <i>RMB'000</i>	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Turnover	2	94,096	70,146	40,756	27,826
Cost of sales		(64,400)	(44,879)	(26,730)	(17,093)
Gross profit		29,696	25,267	14,026	10,733
Other revenue and gains		1,570	1,990	310	598
Selling and distribution costs		(4,680)	(4,393)	(1,456)	(1,590)
Administrative expenses		(12,692)	(11,248)	(5,021)	(4,001)
Other operating expenses		(10,978)	(6,100)	(3,604)	(2,158)
Profit from operating activities		2,916	5,516	4,255	3,582
Finance costs		–	(55)	–	(30)
Share of loss of an associate		(259)	(1,367)	–	(695)
Impairment loss on long term investment		(641)	–	(244)	–
Gain on disposal of interest in an associate		4,166	–	–	–
Profit before tax		6,182	4,094	4,011	2,857
Tax	3	(123)	(178)	(10)	(17)
Profit before minority interests		6,059	3,916	4,001	2,840
Minority interests		(215)	(97)	(74)	(47)
Net profit from ordinary activities attributable to shareholders		5,844	3,819	3,927	2,793
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Earnings per share					
– Basic	5	0.94 cents	0.61 cents	0.63 cents	0.45 cents

Notes:

1. Basis of presentation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for long term equity investments.

2. Turnover

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

3. Tax

	Nine months ended 30 September		Three months ended 30 September	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
PRC				
Provision for the period	105	-	-	-
Hong Kong				
Provision for the period	18	178	10	17
	<u>123</u>	<u>178</u>	<u>10</u>	<u>17</u>

For the period ended 30 September 2004, the Company has no assessable income and no provision for income tax has been made accordingly.

Provision for income tax in respect of a subsidiary in the PRC has been calculated at the preferential income tax rate of 15.0% in accordance with relevant regulations and Income Tax Law of the PRC.

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the period.

The Company has tax losses arising in the PRC of RMB5,826,000 (2003: RMB7,458,000) that are available, with a maximum period of 5 years, for offsetting against future taxable profits of the Company. Deferred tax assets have not been recognised in respect of these losses as the Company has been loss-making for some time.

4. Reserves

Details of movements in the reserves of the Group during the nine months ended 30 September 2004 are set out below:

	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2004	170,717	36	(13,646)	157,107
Net profit for the period	–	–	5,844	5,844
Foreign exchange adjustment	–	(36)	–	(36)
At 30 September 2004	170,717	–	(7,802)	162,915
At 1 January 2003	170,717	–	(7,096)	163,621
Net profit for the period	–	–	3,819	3,819
At 30 September 2003	170,717	–	(3,277)	167,440

5. Earnings per share

The calculation of the basic earnings per share for the nine months and three months ended 30 September 2004 are based on the unaudited consolidated net profit attributable to shareholders of approximately RMB5,844,000 and RMB3,927,000 respectively (Nine months and three months ended 30 September 2003: RMB3,819,000 and RMB2,793,000 respectively) and the 624,354,000 shares (2003: 624,354,000 shares) in issue, during the period.

Diluted earnings per share for the current period and the comparative period have not been calculated because no diluting events existed during these periods.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2004 (2003: Nil).

BUSINESS REVIEW

For the nine months ended 30 September 2004, the Group recorded a turnover of approximately RMB94,096,000 (2003: RMB70,146,000), representing an increase of approximately 34% as compared to the same period in the previous financial year. Unaudited consolidated profits attributable to shareholders for the nine months ended 30 September 2004 amounted to approximately RMB5,844,000 (2003: RMB3,819,000). Due to the fact that the Group has been aggressively strived for increase in market share, selling prices of its products have been adjusted in accordance with market competition and resulted with a decline of 4% in overall gross profit margin to 32%.

During the 3rd quarter ended 30 September 2004, market condition of the domestic IC products continued to be positive. For the period of nine months ended 30 September 2004, the Group's main product of IC card chips has achieved a considerable sales record, therein the market of contactless IC card chips which applied in the public transportation system has been well developed, a growth of 50% in sales turnover was recorded as compared with the same period in last year. With regard to sales of other categories, other than the sales of automobile and motorcycle products that were rather stable, sales of products in other categories were recorded with slightly growth.

During the period, save for the other operating expenses which increased as a result of continuing input of research and development expenditure, other expenses incurred in operating activities were slightly increased in proportion to sales growth. Provision for doubtful debts has been partly written back as a result of improved credit control. In addition, the Group's shares of loss and impairment on an associate during the period have been relatively decreased following the disposal of part of interests in an associate company.

FUTURE PROSPECTS

The Group will continue to concentrate in its core business, especially in the market of contactless IC card chips. Owing to the fact that the market demand of contactless IC card is blooming and the widening of scope in its applications, the Group will continue to apply its resources in enhancing the functions and expanding the scope of applications of contactless IC card chips. The directors believe that following the common usage of contactless IC card, the Group will be able to further strengthen and consolidate its leading position in the market.

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

As at 30 September 2004, the interests or short positions of the directors and supervisors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, 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 (Note)	Total	
<i>Directors</i>						
Mr. Jiang Guoxing	7,210,000	-	-	1,442,300	8,652,300	1.38
Mr. Shi Lei	7,210,000	-	-	12,980,000	20,190,000	3.23
Mr. Yu Jun	-	-	-	10,961,530	10,961,530	1.76
Ms. Cheng Junxia	-	-	-	8,076,920	8,076,920	1.29
Mr. Wang Su	-	-	-	7,211,530	7,211,530	1.16
Mr. Chen Xiaohong	-	-	-	7,211,530	7,211,530	1.16
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>52,502,060</u>	<u>66,922,060</u>	<u>10.72</u>
<i>Supervisors</i>						
Mr. Li Wei	-	-	-	6,057,690	6,057,690	0.97
Mr. Ding Shengbiao	-	-	-	7,211,530	7,211,530	1.16
Mr. Xu Lenian	-	-	-	865,380	865,380	0.14
	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,134,600</u>	<u>14,134,600</u>	<u>2.27</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, none of the directors or supervisors or their associates had, as at 30 September 2004, any interests or short positions in any shares, underlying shares or debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 of the GEM Listing Rules, to be notified to Company and the Stock Exchange.

DIRECTORS’ AND SUPERVISORS’ RIGHTS TO ACQUIRE SHARES

At no time during the period were rights to acquire benefits by means of the acquisition of shares of the Company granted to any director or their respective spouse or children under 18 years of age, 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

So far as was known to any director of the Company, as at 30 September 2004, 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” above, the persons or companies who had equity interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

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	23.10
Shanghai Fudan High Tech Company	(1)	Directly beneficially owned	106,730,000	17.09
SCI	(2)	Directly beneficially owned and through a controlled corporation	95,200,000	15.25

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 7.39% of the registered share capital of the Company.

Save as disclosed above, as at 30 September 2004, no other persons had equity interests or short positions in the shares or underlying share of the Company which would fall to be disclosed under Division 2 and 3 or Part XV of the SFO; or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the directors of the Company had an interest in a business which competes or may compete with the business of the Group.

BOARD PRACTICES AND PROCEDURES

In the opinion of the directors, the Company complied with the board practices and procedures requirements in GEM Listing Rules 5.28 to 5.39 throughout the accounting period covered by the 3rd quarterly results report, except for the Rule GEM 5.29 which requires full board meetings to be held no less frequently than every three months. The Company's directors are resided and worked in China, Hong Kong and Taiwan respectively, in this connection, the Company has not convened a full board meeting during the period.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the Board of Directors and supervise the financial reporting process and internal control system of the Group. The audit committee has four members comprising the four independent non-executive directors, Mr. David Yung, Mr. Leung Tin Pui, Mr. Xu Juyan and Mr. Cheung Wing Keung. The Group's financial statements for the nine months ended 30 September 2004 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 30 September 2004, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

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

During the nine months ended 30 September 2004, 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, 12 November 2004

As at the date of this report, the executive directors of the Company are Mr. Jiang Guoxing, Mr. Shi Lei, Mr. Yu Jun, Ms. Cheng Junxia, Mr. Wang Su and Mr. Tsai Kao Chung; the non-executive directors are Mr. Chen Xiaohong, Ms. Zhang Qianling, Mr. He Lixing and Mr. Shen Xiaozu; the independent non-executive directors are Mr. David Yung, Mr. Leung Tin Pui, Mr. Xu Juyan and Mr. Cheung Wing Keung.