



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)

First Quarterly Report  
2005

\* for identification only

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)**

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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 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 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.*

## FIRST 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 (“Group”) for the three months ended 31 March 2005, together with the unaudited comparative figures for the corresponding period in 2004, as follows:

		<b>Three months ended</b>	
		<b>31 March</b>	
		<b>2005</b>	2004
	<i>Notes</i>	<b>RMB'000</b>	<i>RMB'000</i>
Turnover	2	<b>22,785</b>	23,698
Cost of sales		<b>(15,953)</b>	(16,248)
Gross profit		<b>6,832</b>	7,450
Other revenue and gains		<b>1,165</b>	86
Selling and distribution costs		<b>(1,683)</b>	(1,539)
Administrative expenses		<b>(4,812)</b>	(3,890)
Other operating expenses		<b>(4,299)</b>	(3,150)
<b>Loss from operating activities</b>		<b>(2,797)</b>	(1,043)
Share of loss of an associate		–	(259)
Gain on disposal of interest in an associate		–	4,166
<b>Profit/(loss) before tax</b>		<b>(2,797)</b>	2,864
Tax	3	–	–
<b>Profit/(loss) after tax but before minority interests</b>		<b>(2,797)</b>	2,864
Minority interests		<b>(4)</b>	(64)
<b>Net profit/(loss) from ordinary activities attributable to shareholders</b>		<b>(2,801)</b>	2,800
<b>Earnings/(loss) per share</b>			
– Basic	5	<b>(0.45) cents</b>	0.45 cents

*Notes:*

**1. Basis of presentation**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (collectively referred to as “new HKFRSs”) 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. All significant inter-company transactions and balances within the Group are eliminated on consolidation. In 2005, the Group has adopted all new HKFRSs which are effective for financial periods beginning or after 1 January 2005 and are pertinent to its operations. The adoption of new HKFRSs does not result in substantial changes to the Group’s accounting policies except certain presentations and disclosures of the financial statements would be affected in the 2005 half yearly and annual reports.

**2. Turnover**

Turnover represents the invoiced value of goods sold, after allowance for returns and trade discounts and the value of services rendered.

**3. Tax**

For the period ended 31 March 2005, the Company and its subsidiaries have no assessable income and no provision for income tax has been made accordingly.

The Group has tax losses, primarily incurred by the Company, of RMB6,821,000 (2004: RMB9,737,000) that are available for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is uncertain as to whether the Company will be able to fully utilise the unused tax losses which can only be carried forward for a maximum period of five years.

#### 4. Reserves

Details of movements in the reserves of the Group during the three months ended 31 March 2005 together with the comparative figures for the corresponding period in 2004 are set out below:

	Share premium <i>RMB'000</i>	Statutory surplus fund <i>RMB'000</i>	Statutory public welfare fund <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Accu- mulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2005	170,717	179	89	20	(6,675)	164,330
Exchange realignment and net gains and losses not recognised in the income statement	–	–	–	(9)	–	(9)
Net loss for the period	–	–	–	–	(2,801)	(2,801)
<b>At 31 March 2005</b>	<b><u>170,717</u></b>	<b><u>179</u></b>	<b><u>89</u></b>	<b><u>11</u></b>	<b><u>(9,476)</u></b>	<b><u>161,520</u></b>
At 1 January 2004	170,717	–	–	36	(13,646)	157,107
Exchange realignment and net gains and losses not recognised in the income statement	–	–	–	(36)	–	(36)
Net profit for the period	–	–	–	–	2,800	2,800
<b>At 31 March 2004</b>	<b><u>170,717</u></b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>(10,846)</u></b>	<b><u>159,871</u></b>

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

The calculation of the basic earnings/(loss) per share is based on the unaudited net loss for the period attributable to shareholders of approximately RMB2,801,000 (2004: profit of RMB2,800,000) and 624,354,000 (2004: 624,354,000) shares in issue during the period. Diluted earnings/(loss) per share amounts for the current and comparative periods have not been presented because no diluting events existed during these periods.

#### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2005 (2004: Nil).

## **BUSINESS REVIEW AND PROSPECTS**

### **Business review**

For the three months ended 31 March 2005, the Group recorded turnover of approximately RMB22,785,000 (2004: RMB23,698,000), representing approximately 4% decrease as compared to the same period in the previous financial year. Loss attributable to shareholders amounted to approximately RMB2,801,000 (2004: profit of RMB2,800,000). The main reason for the drop in turnover was due to the fact that re-orders of the Group's main product of IC card chips were affected as customers have overstocked during the last financial year end and could not consume in a short period.

In the period under review, notwithstanding that overseas markets of IC products started to slow down, the domestic market could kept a stable demand and product prices still be maintained. The Group's overall profit margin during the period was approximately 30%, which was slightly decreased as compared with 31% of the same period in prior year.

During the period, with regard to the sales performance of the Group's products, besides the sale of IC card products which was dropped for the aforesaid reason, sale of power electronics products has boosted up as compared with same period in last year due to launch of new products. For other product categories, sale performances were rather stable.

As compared with same period in last year, the other revenue of the Group during the period has shown a significant increase, which was mainly derived from subsidy income of government authorities and transfer of design. Administrative expenses increased by about 24% as a result of reorganisation of staff structure and increase in provision for doubtful debts. There was an increase of approximately 36% in other operating expenses, which was primarily related to the increase of research and development costs incurred for new projects.

### **Prospects**

The Group's product of IC card chips has penetrated into the markets of public transportation and certain government projects. The directors consider that the scope of applications of these products has been increasingly widened and there is huge roominess in the related market with brilliant outlook for development. As such, the Group will enhance the research and development in application functions of these products and plan to participate actively in the government projects. Besides looking for diversification of its products, the Group will also expedite its research and development on power electronics and consumer electronics products with a view to launch more advanced products in order to achieve its business growth and improve its results.

## DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2005, the interests and short positions of the directors, supervisors and chief executive of the Company in the share capital and underlying shares of the Company or 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 Stock 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 <i>(Note)</i>	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 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 31 March 2005, no 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 Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

At no time during the year were rights to acquire benefits by means of the acquisition of shares 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 31 March 2005, 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:**

<b>Name</b>	<b>Notes</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
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 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 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 Co., Ltd. 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 31 March 2005, 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**

None of the directors of the Company had an interest in a business which competes or may compete with the business 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 controls of the Group. The audit committee comprises the three independent non-executive directors of the Company, Mr. Leung Tin Pui, Mr. Xu Juyan and Mr. Cheung Wing Keung. The Group’s unaudited financial statements for the three months ended 31 March 2005 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**

During the period, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities.

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

Shanghai, the PRC, 13 May 2005

*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 and Mr. Wang Su; 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. Leung Tin Pui, Mr. Xu Juyan and Mr. Cheung Wing Keung.*