



上海復旦微電子股份有限公司  
Shanghai Fudan Microelectronics Company Limited\*

FM (a joint stock limited company incorporated in the People's Republic of China)

Third Quarterly Report  
2005

## **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 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 2005, together with the comparative unaudited figures for the corresponding periods in 2004, as follows:

	<i>Notes</i>	Nine months ended 30 September		Three months ended 30 September	
		2005 <i>RMB'000</i>	2004 <i>RMB'000</i>	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
<b>Turnover</b>	2	<b>102,214</b>	94,096	<b>50,166</b>	40,756
Cost of sales		<b>(74,182)</b>	(64,400)	<b>(38,159)</b>	(26,730)
Gross profit		<b>28,032</b>	29,696	<b>12,007</b>	14,026
Other revenue and gains		<b>2,981</b>	1,570	<b>812</b>	310
Selling and distribution costs		<b>(5,958)</b>	(4,680)	<b>(2,377)</b>	(1,456)
Administrative expenses		<b>(15,038)</b>	(12,692)	<b>(5,214)</b>	(5,021)
Other operating expenses		<b>(16,504)</b>	(10,978)	<b>(5,333)</b>	(3,604)
<b>Profit/(loss) from operating activities</b>		<b>(6,487)</b>	2,916	<b>(105)</b>	4,255
Share of loss of an associate		–	(259)	–	–
Impairment loss on long term investment		<b>(784)</b>	(641)	<b>(293)</b>	(244)
Gain on disposal of interest in an associate		–	4,166	–	–
<b>Profit/(loss) before tax</b>		<b>(7,271)</b>	6,182	<b>(398)</b>	4,011
Tax	3	<b>(15)</b>	(123)	<b>(15)</b>	(10)
<b>Profit/(loss) before minority interests</b>		<b>(7,286)</b>	6,059	<b>(413)</b>	4,001
Minority interests		<b>(63)</b>	(215)	<b>(43)</b>	(74)
<b>Net profit/(loss) from ordinary activities attributable to shareholders</b>		<b>(7,349)</b>	5,844	<b>(456)</b>	3,927
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<b>Earnings/(loss) per share</b>					
– Basic	5	<b>(1.18) cents</b>	0.94 cents	<b>(0.07) cents</b>	0.63 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 have a significant impact on the Group’s results of operations and financial position except certain presentations and disclosures of the financial statements.

### 2. Turnover

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

### 3. Tax

	Nine months ended		Three months ended	
	30 September		30 September	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
PRC				
Provision for the period	-	105	-	-
Hong Kong				
Provision for the period	15	18	15	10
	<u>15</u>	<u>123</u>	<u>15</u>	<u>10</u>

Under the Income Tax Law of PRC, the Company’s subsidiary, Sino IC Technology Co., Ltd. (“Sino IC”) is subject to a preferential income tax rate of 15%. Pursuant to an approval document dated 8 October 2004 issued by the Shanghai Pu Dong New Area Tax Bureau, with effect from 1 January 2004, Sino IC is exempt from corporate and local income tax for its first two profit making years and is entitled to a 50% tax reduction for the succeeding three years.

For the period ended 30 September 2005, the Company has no assessable income and no provision for income tax has been made accordingly.

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's tax losses, primarily incurred in the PRC, of approximately RMB11,460,000 (2004: RMB5,826,000) 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 2005 are set out below:

	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Statutory public welfare <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
Net loss for the period	-	-	-	-	(7,349)	(7,349)
Foreign exchange adjustment	-	-	-	(20)	-	(20)
<b>At 30 September 2005</b>	<b>170,717</b>	<b>179</b>	<b>89</b>	<b>-</b>	<b>(14,024)</b>	<b>156,961</b>
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

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

The calculation of the basic loss per share for the nine months and three months ended 30 September 2005 are based on the unaudited consolidated net loss attributable to shareholders of approximately RMB7,349,000 and RMB456,000 respectively (Nine months and three months ended 30 September 2004: profit of RMB5,844,000 and RMB3,927,000 respectively) and the weighted average number of 624,354,000 shares (2004: 624,354,000 shares) in issue during the period.

Diluted earnings/(loss) 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 2005 (2004: Nil).

## **BUSINESS REVIEW**

For the nine months ended 30 September 2005, the Group recorded a turnover of approximately RMB102,214,000 (2004: RMB94,096,000), representing an increase of approximately 9% as compared to the same period in last financial year. Unaudited consolidated loss attributable to shareholders for the nine months ended 30 September 2005 amounted to approximately RMB7,349,000 (2004: profit of RMB5,844,000).

During the 3rd quarter ended 30 September 2005, domestic market condition of the IC products was stable. Compared with the same period in last year, the Group's sales in IC card chips and power electronics have slightly decreased; the segments of telecommunication and consumer electronics recorded a little increase while the market of automobile and motorcycle products was rather calm. As prices of certain products have been adjusted due to keen market competition, overall gross profit margin has dropped by approximately 4% to 27% as compared with the same period in previous year.

During the period, other revenue and gains have increased; interest income increased as a result of increase in interest rate and additional subsidies were received from local government authorities. Expenses increased due to adjustment in staff salaries and increase in research and development costs.

## **FUTURE PROSPECTS**

The Group will remain concentrate in the market of contactless IC card chips. In view of its contactless IC card chips having successfully penetrated into the single journey ticketing system of Shanghai Rail Transit Line 3 ("All-in-one ticket") and being its sole provider, the Group expects that this product will gradually replace the magnetic tickets presently used in other lines. Besides, the Group's multi-media processing IC chips that apply to movable terminals, like mobile phones, have been launched into the market by end of this season. The directors believe that the Group's results would be improved.

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

As at 30 September 2005, the interests or short positions of the directors, supervisors and chief executive of the Company in the share capital and underlying shares of the Company or any of 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					Total	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>			
<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 (the "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, as at 30 September 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 OR DEBENTURES**

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures 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 30 September 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>	<i>Notes</i>	<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 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 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.

## **CORPORATE GOVERNANCE**

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period ended 30 September 2005.

## **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 control system 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 nine months ended 30 September 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.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the nine months ended 30 September 2005, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. 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**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period under review.

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

Shanghai, PRC, 8 November 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.*