

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “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 out of the emerging nature of companies listed on GEM and the business sectors or 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 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 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 report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 2007, together with the comparative unaudited figures for the corresponding periods in 2006, as follows:

		Nine months ended 30 September		Three months ended 30 September	
		2007	2006	2007	2006
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	243,983	190,583	90,285	80,195
Cost of sales		<u>(170,552)</u>	<u>(139,837)</u>	<u>(60,657)</u>	<u>(57,588)</u>
Gross profit		73,431	50,746	29,628	22,607
Other income and gains		2,698	2,340	107	943
Selling and distribution costs		(7,839)	(6,093)	(2,872)	(1,587)
Administrative expenses		(19,515)	(17,656)	(7,043)	(6,135)
Other operating expenses		(11,929)	(12,409)	(6,829)	(4,911)
Profit before tax		36,846	16,928	12,991	10,917
Tax	3	<u>(4,998)</u>	<u>(3,137)</u>	<u>(1,142)</u>	<u>(1,920)</u>
Profit for the period		<u>31,848</u>	<u>13,791</u>	<u>11,849</u>	<u>8,997</u>
Attributable to:					
Equity holders of the parent		31,293	13,477	11,582	8,868
Minority interests		<u>555</u>	<u>314</u>	<u>267</u>	<u>129</u>
		<u>31,848</u>	<u>13,791</u>	<u>11,849</u>	<u>8,997</u>
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Earnings per share					
attributable to ordinary equity holders of the parent					
Basic	5	<u>5.07 cents</u>	<u>2.16 cents</u>	<u>1.88 cents</u>	<u>1.42 cents</u>

Notes:

1. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. Except for available-for-sale equity investments, they have been prepared under the historical cost convention. The accounting policies adopted in preparing these unaudited consolidated results are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 December 2006.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

2. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group’s turnover, represents the net invoiced value of goods sold, after allowance for returns and trade discounts; the value of services rendered and gross rental income.

3. TAX

Under the Income Tax Law of the PRC, the Company is subject to income tax at a base rate of 33%. Pursuant to an approval document dated 15 January 2004 issued by the local municipal tax bureau, the Company was subject to a preferential income tax rate of 15% from 1 January 2004 to 31 December 2004. The Company is seeking approval of the relevant tax authorities for its continued entitlement to the aforesaid preferential income tax rate. For the nine months ended 30 September 2007, income taxes on assessable income of the Company have been provided at the rate of 33% (2006: 33%).

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 financial year in which this nine months ended 30 September 2007 belongs, Sino IC is in its fourth profit making year and thus is entitled to 50% concession on income tax (2006: 50%).

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Nine months ended 30 September		Three months ended 30 September	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Provision for the period				
– PRC corporate income tax	3,275	1,436	893	909
– Hong Kong profits tax	1,723	1,701	249	1,011
	<u>4,998</u>	<u>3,137</u>	<u>1,142</u>	<u>1,920</u>

4. RESERVES

Details of movements in the reserves of the Group during the nine months ended 30 September 2007 together with the comparative figures for the corresponding period in 2006 are set out below:

	Share premium <i>RMB'000</i>	Treasury shares <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>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2007	170,455	(223)	3,405	-	(859)	19,323	192,101
Exchange realignment and total income and expenses for the period recognised in the income statement	-	-	-	-	(585)	-	(585)
Repurchase of shares	(1,969)	223	-	-	-	-	(1,746)
Net profit for the period	-	-	-	-	-	31,293	31,293
At 30 September 2007	<u>168,486</u>	<u>-</u>	<u>3,405</u>	<u>-</u>	<u>(1,444)</u>	<u>50,616</u>	<u>221,063</u>
At 1 January 2006	170,717	-	272	136	(230)	1,222	172,117
Exchange realignment and total income and expenses for the period recognised in the income statement	-	-	-	-	(339)	-	(339)
Net profit for the period	-	-	-	-	-	13,477	13,477
At 30 September 2006	<u>170,717</u>	<u>-</u>	<u>272</u>	<u>136</u>	<u>(569)</u>	<u>14,699</u>	<u>185,255</u>

5. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share for the nine months and three months ended 30 September 2007 and the comparative periods are based on the unaudited net profit attributable to ordinary equity holders of the parent of approximately RMB31,293,000 and RMB11,582,000 respectively (Nine months and three months ended 30 September 2006: RMB13,477,000 and RMB8,868,000) and the weighted average number of 617,485,000 (2006: 624,354,000) ordinary shares in issue during the periods.

Diluted earnings per share amounts for the current and comparative periods have not been presented as 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 2007 (2006: nil).

BUSINESS REVIEW

For the nine months ended 30 September 2007, the Group recorded a turnover of approximately RMB243,983,000 (2006: RMB190,583,000), representing an increase of approximately 28% as compared to the same period in last financial year. Unaudited consolidated profit attributable to shareholders amounted to approximately RMB31,293,000 (2006: RMB13,477,000), an increase of 132% when compared with corresponding period last year.

During the period under review, sales of the Group's products continued to grow steadily. Out of these products, the extensive applications of the Group's core business of IC card chips have resulted with considerable increases in its market share as well as sales. Multi-media chips kept a satisfactory growth trend and the renowned EEPROM products, with its increasingly market influence and high accredited level, recorded a significant increase in sales. Besides, as products of power electronics, automobile electronics and telecommunication electronics have comparatively stable consumer bases, sales were kept at constant levels.

During the period, gross profit margin of the Group's overall products increased from 27% of the same period in last year to 30% due to increase in sales of IC card chips that brought with reduction in production costs. Other income and gains were more or less the same as last comparative period. With regard to expenses, selling and distribution costs and administrative expenses increased at reasonable levels in proportion to increase in sales; other operating expenses decreased as government grants received for research and development during the period have been deducted from the costs to which they relate.

FUTURE PROSPECTS

The Group's IC card chips and EEPROM products have gained competitive predominance in the market, the Group will concentrate in enhancing the marketing in these major product categories with a view to expand their market shares.

At the same time, besides the improvements to the functions and applications of the existing products, the Group will apply more resources in research and development of new products and application systems, and expects that diversified product range would help to build up a solid foundation for the Group's future business development.

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

As at 30 September 2007, 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 (Note)			
<i>Directors</i>							
Mr. Jiang Guoxing	7,210,000	-	-	1,442,300	8,652,300	1.40	
Mr. Shi Lei	7,210,000	-	-	12,980,000	20,190,000	3.27	
Mr. Yu Jun	-	-	-	10,961,530	10,961,530	1.78	
Ms. Cheng Junxia	-	-	-	8,076,920	8,076,920	1.31	
Mr. Wang Su	-	-	-	7,211,530	7,211,530	1.17	
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>45,290,530</u>	<u>59,710,530</u>	<u>9.67</u>	
<i>Supervisors</i>							
Mr. Li Wei	-	-	-	6,057,690	6,057,690	0.98	
Mr. Ding Shengbiao	-	-	-	7,211,530	7,211,530	1.17	
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>2.29</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 cooperation with the University Laboratory.

Save as disclosed above, as at 30 September 2007, none of the 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 2007, 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:

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	23.36
Shanghai Fudan High Tech Company	(1)	Directly beneficially owned	106,730,000	17.29
SCI	(2)	Directly beneficially owned and through a controlled corporation	95,200,000	15.42

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 7.48% of the registered share capital of the Company.

Save as disclosed above, as at 30 September 2007, 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

During the period, none of the directors of the Company had an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses 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 control system of the Group. At the date of this report, the audit committee comprises three members, two are independent non-executive directors, Mr. Cheung Wing Keung and Mr. Guo Li and a non-executive director, Mr. Shen Xiaozu. The Group's unaudited financial statements for the nine months ended 30 September 2007 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 nine months period ended 30 September 2007, the Company repurchased on the Stock Exchange a total of 4,928,000 H shares of RMB0.10 each of the Company for an aggregate consideration of approximately RMB2,002,000 and such shares were subsequently cancelled within the period. A summary of shares repurchase transactions during this nine months period is as follows:-

Trading date	Number of shares repurchased	Price per share or highest price paid HK\$	Lowest price paid HK\$
2 January 2007	700,000	0.410	-
3 January 2007	700,000	0.400	-
4 January 2007	644,000	0.400	0.395
5 January 2007	576,000	0.400	-
8 January 2007	1,200,000	0.415	-
9 January 2007	<u>1,108,000</u>	0.420	0.415
	<u><u>4,928,000</u></u>		

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

By Order of the Board
Shanghai Fudan Microelectronics Company Limited
Shi Lei
Director

Shanghai, the PRC, 12 November 2007

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 Ms. Zhang Qianling, Mr. He Lixing and Mr. Shen Xiaozu; the independent non-executive directors are Mr. Cheung Wing Keung, Mr. Guo Li and Mr. Chen Baoying.