



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)
(Stock Code: 8102)

2008

First Quarterly Report

*for identification only

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This report, for which the directors (the “Directors”) of Shanghai Fudan Microelectronics Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to the Company. 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.

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “Board”) of Shanghai Fudan Microelectronics Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2008, together with the unaudited comparative figures for the corresponding period in 2007, as follows:

		Three months ended	
		31 March	
		2008	2007
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
Revenue	2	59,672	75,588
Cost of sales		<u>(37,883)</u>	<u>(56,005)</u>
Gross profit		21,789	19,583
Other revenue and gains		783	1,049
Selling and distribution costs		(3,006)	(2,529)
Administrative expenses		(6,461)	(6,043)
Other operating expenses		<u>(9,895)</u>	<u>(6,335)</u>
Profit before tax		3,210	5,725
Tax	3	<u>(266)</u>	<u>(1,517)</u>
Profit for the period		<u>2,944</u>	<u>4,208</u>
Attributable to:			
Equity holders of the parent		2,701	4,027
Minority interests		<u>243</u>	<u>181</u>
		<u>2,944</u>	<u>4,208</u>
		<i>RMB</i>	<i>RMB</i>
Earnings per share			
– Basic	5	<u>0.44 cents</u>	<u>0.65 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. 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 2007.

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

2. REVENUE

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

3. TAX

Under the Income Tax Law of the PRC, the Company and two of its subsidiaries, Shenzhen Fudan Microelectronics Company Limited and Beijing Fudan Microelectronics Technology Company Limited, are subject to income tax at a base rate of 25%. For the period of three months ended 31 March 2008, the Company and these two subsidiaries have no assessable income (2007: the Company’s income tax has been provided at the rate of 33%).

Under the Income Tax Law of the 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 three months period ended 31 March 2008 belongs, Sino IC is in its fifth profit making year and is entitled to the 50% concession on income tax (2007: 7.5%).

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Three months ended	
	31 March	
	2008	2007
	RMB'000	RMB'000
Current – PRC	58	900
– Hong Kong	208	617
	<u>266</u>	<u>1,517</u>

Deferred tax assets have not been recognised in respect of the temporary differences mainly arising from the Company's impairment provisions and government grants related to items of property, plant and equipment, as it is uncertain whether the Company will be able to generate taxable profits in the foreseeable future to fully utilise these temporary differences after considering tax incentives in relation to the additional deductible allowance for qualified research and development expenses to be incurred by the Company in the same periods.

4. RESERVES

Details of movements in the reserves of the Group during the period of three months ended 31 March 2008 together with the comparative figures for the corresponding period in 2007 are set out below:

	Share premium <i>RMB'000</i>	Treasury shares <i>RMB'000</i>	Statutory surplus 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 2008	168,486	–	8,157	(1,869)	52,821	227,595
Exchange realignment and total income and expenses for the period recognised in the income statement	–	–	–	(570)	–	(570)
Net profit for the period	–	–	–	–	2,701	2,701
At 31 March 2008	<u>168,486</u>	<u>–</u>	<u>8,157</u>	<u>(2,439)</u>	<u>55,522</u>	<u>229,726</u>
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	–	–	–	(336)	–	(336)
Repurchase of shares	(1,969)	223	–	–	–	(1,746)
Net profit for the period	–	–	–	–	4,027	4,027
At 31 March 2007	<u>168,486</u>	<u>–</u>	<u>3,405</u>	<u>(1,195)</u>	<u>23,350</u>	<u>194,046</u>

5. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the unaudited net profit for the period attributable to ordinary equity holders of the parent of approximately RMB2,701,000 (2007: RMB4,027,000) and the weighted average number of 617,330,000 (2007: 617,799,000) ordinary shares in issue during the period.

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 three months ended 31 March 2008 (2007: Nil).

BUSINESS REVIEW AND PROSPECTS

Business review

For the period of three months ended 31 March 2008, the Group recorded a total revenue of approximately RMB60,455,000 (2007: RMB76,637,000), representing a decrease of approximately 21% as compared to the same period in the previous financial year. Profit attributable to shareholders amounted to approximately RMB2,701,000 (2007: RMB4,027,000), a decrease of approximately 33% as compared with same period in last year.

During the period under review, the Group's products were recorded with a decrease in turnover as compared with corresponding period in last year because the multi-media chips of consumer electronics were faded out gradually following their long duration in the market that caused a sharp decrease in sales of these products. However, the sales of IC card chips and the IC card testing business have gained a considerable increase; save for the drop in sales of small scale telecommunication electronics products, power electronics and motor and mobile electronics have recorded a steady growth.

During the period, there were growth in businesses of high-profit-margin products of IC card chips and IC card testing, while the low-profit-margin multi-media chips of consumer electronics were faded out in the market, the common effect brought with a surge in overall gross profit margin of the Group's products to approximately 37% as compared with 26% in the same period of the previous year. Compared with the same period in last year, the Group recorded a drop in other income and gains as a result of decrease in government subsidies. The selling and distribution costs and administrative expenses increased as salaries were adjusted with reference to prevailing market condition and to keep high skilled and talented staff and there were increases in research and development projects.

Prospects

The Group's will expand the development and promotion of IC card chips market, at the same time, will also expedite the business development of Smart Mobile Application Platform. With diversification and extensive application scopes of its products, the Group expects to achieve a continuous improvement in its results.

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

At 31 March 2008, the interests and short positions of the directors and supervisors 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 register 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 (Note)	Total	
<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 ("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 31 March 2008, none of the directors and supervisors 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 IN SHARES AND UNDERLYING SHARES

At 31 March 2008, 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
Shanghai Fudan Technology Enterprise Holdings Limited	(2)	Directly beneficially owned	109,620,000	17.76
SCI	(2)	Through a controlled corporation	109,620,000	17.76

Notes:

- (1) Shanghai Fudan High Tech Company is a state-owned enterprise wholly owned by Shanghai Fudan University.
- (2) The ordinary shares are directly held by Shanghai Fudan Technology Enterprise Holdings Limited, which is 90% owned by SCI. SCI is a state-owned enterprise wholly owned by the Shanghai Municipal Government.

Save as disclosed above, as at 31 March 2008, no person, 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, 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, as defined in the GEM Listing Rules.

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 two independent non-executive directors, Mr. Cheung Wing Keung and Mr. Guo Li and the non-executive director, Mr. Shen Xiaozu. The Group's unaudited financial statements for the three months ended 31 March 2008 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

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
Jiang Guoxing
Chairman

Shanghai, the PRC, 13 May 2008

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.

* *For identification purpose only*