



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

Third Quarterly Report

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. 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 Exchange 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 (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 of the Exchange 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.

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 2008, together with the comparative unaudited figures for the corresponding periods in 2007, as follows:

	<i>Notes</i>	Nine months ended 30 September		Three months ended 30 September	
		2008 <i>RMB'000</i>	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Revenue	2	209,207	243,983	78,196	90,285
Cost of sales		<u>(122,065)</u>	<u>(170,552)</u>	<u>(44,857)</u>	<u>(60,657)</u>
Gross profit		87,142	73,431	33,339	29,628
Other income and gains	2	7,257	2,698	1,356	107
Selling and distribution costs		(9,025)	(7,839)	(2,974)	(2,872)
Administrative expenses		(19,290)	(19,515)	(6,943)	(7,043)
Other operating expenses		<u>(30,433)</u>	<u>(11,929)</u>	<u>(10,914)</u>	<u>(6,829)</u>
Profit before tax		35,651	36,846	13,864	12,991
Tax	3	<u>(4,925)</u>	<u>(4,998)</u>	<u>(2,072)</u>	<u>(1,142)</u>
Profit for the period		<u>30,726</u>	<u>31,848</u>	<u>11,792</u>	<u>11,849</u>
Attributable to:					
Equity holders of the parent		29,874	31,293	11,408	11,582
Minority interests		<u>852</u>	<u>555</u>	<u>384</u>	<u>267</u>
		<u>30,726</u>	<u>31,848</u>	<u>11,792</u>	<u>11,849</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>4.84 cents</u>	<u>5.07 cents</u>	<u>1.85 cents</u>	<u>1.88 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, 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 and the value of services rendered.

3. TAX

Under the Income Tax Law of the PRC, the Company is subject to income tax at a base rate of 25%. 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 2008, income taxes on assessable income of the Company have been provided at the rate of 25% (2007: 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 2008 belongs, Sino IC is in its fifth profit making year and thus is entitled to 50% concession on income tax (2007: 50%).

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.

	Nine months ended 30 September		Three months ended 30 September	
	2008	2007	2008	2007
	RMB’000	RMB’000	RMB’000	RMB’000
Provision for the period				
– PRC corporate income tax	4,083	3,275	1,559	893
– Hong Kong profits tax	842	1,723	513	249
	<u>4,925</u>	<u>4,998</u>	<u>2,072</u>	<u>1,142</u>

4. RESERVES

Details of movements in the reserves of the Group during the nine months ended 30 September 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	–	–	–	(1,139)	–	(1,139)
Net profit for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>29,874</u>	<u>29,874</u>
At 30 September 2008	<u>168,486</u>	<u>–</u>	<u>8,157</u>	<u>(3,008)</u>	<u>82,695</u>	<u>256,330</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	–	–	–	(585)	–	(585)
Repurchase of shares	(1,969)	223	–	–	–	(1,746)
Net profit for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>31,293</u>	<u>31,293</u>
At 30 September 2007	<u>168,486</u>	<u>–</u>	<u>3,405</u>	<u>(1,444)</u>	<u>50,616</u>	<u>221,063</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 2008 and the comparative periods are based on the unaudited net profit attributable to ordinary equity holders of the parent of approximately RMB29,874,000 and RMB11,408,000 respectively (2007: RMB31,293,000 and RMB11,582,000) and the weighted average number of 617,330,000 (2007: 617,485,000) 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.

SPECIAL INTERIM DIVIDEND

Subject to the approval by the shareholders in the extraordinary general meeting to be convened shortly, the Board recommended the payment of a special interim dividend of RMB0.03 per share in respect of the year ended 31 December 2008 (2007: nil).

BUSINESS REVIEW

For the nine months ended 30 September 2008, the Group recorded a turnover of approximately RMB209,207,000 (2007: RMB243,983,000), representing a drop of approximately 14% as compared to the same period in last financial year. Unaudited consolidated profit attributable to shareholders amounted to approximately RMB29,874,000 (2007: RMB31,293,000), a decrease of approximately 5% when compared with corresponding period last year. Earnings per share attributable to ordinary equity holders of the parent was RMB4.84 cents (2007: RMB5.07 cents).

During the period under review, the Group's turnover was adversely affected by termination of sales of certain products and the impact of surrounding financial crisis struck against the industry. The Group's core product IC card chips still attributed a majority of overall sales and kept a sales growth with satisfactory gross profit margin. Because of termination in sales of multi-media chips products, the turnover of consumer electronics was dropped but with compensation of sales growth in other products, there was only a slightly decrease in sales of this category. For power electronics, sales were recorded with considerable growth due to more stable customer base and increase in market share. Sales of automobile electronics and telecommunication electronics products continued to slow down and still suffered from highly competitive market and product generalisation.

During the period, the Group's overall gross profit margin increased from 30% of the same period in last year to 42% because of the increase in sales of IC card chips caused a decrease in overall production costs. Other income and gains sharply increased as compared with same period last year was due to increase in government grants and interest received. Regarding expenses, selling and distribution costs increased as a result of marketing promotion; administrative expenses incurred were almost the same as last comparative period; Other operating expenses surged due to increasing research and development projects and related costs; in addition, government grants received for research and development during the last comparative period were deducted from the costs of projects to which they related, however, the grants received during the period were unrelated to projects and have been accounted for as other income and gains.

FUTURE PROSPECTS

The Group's research and development of products are aimed at market demands that would bring with definite market space and predominance in competition. The Group will devote research and development to the IC card chips for the expansion of its application, widening its market and enhancing product promotion with a view to expand its market shares and strive for a leading position in the industry.

The Directors believe that with persistence in the Group's core business as a target, the Group will still be able to maintain a steady growth in the worst situation of the turnabout in economy.

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

As at 30 September 2008, 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					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	1.40
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. Xu Lenian	–	–	–	865,380	865,380	0.14
	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,923,070</u>	<u>6,923,070</u>	<u>1.12</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 2008, 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 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	<i>Notes</i>	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 30 September 2008, 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 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*
Shi Lei
Director

Shanghai, the PRC, 10 November 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*