



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)

SHANGHAI FUDAN

FIRST
QUARTERLY
REPORT
2010

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take 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 however 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 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 2010, together with the comparative figures for the corresponding period in 2009, as follows:

		For the three months ended 31 March	
	<i>Notes</i>	2010	2009
		RMB'000	RMB'000
Revenue	2	94,837	59,693
Cost of sales		<u>(54,956)</u>	<u>(31,970)</u>
Gross profit		39,881	27,723
Other revenue and gains		1,236	1,069
Selling and distribution costs		(4,793)	(3,578)
Administrative expenses		(9,728)	(7,835)
Other expenses		<u>(14,845)</u>	<u>(14,869)</u>
Profit before tax		11,751	2,510
Income tax expense	3	<u>(471)</u>	<u>(69)</u>
Profit for the period		11,280	2,441
Other comprehensive income			
Exchange differences on translation of foreign operations		<u>(16)</u>	<u>—</u>
Total comprehensive income for the period		<u>11,264</u>	<u>2,441</u>
Profit attributable to:			
Owners of the parent		11,162	2,335
Minority interests		<u>118</u>	<u>106</u>
		<u>11,280</u>	<u>2,441</u>
Total comprehensive income attributable to:			
Owners of the parent		11,146	2,335
Minority interests		<u>118</u>	<u>106</u>
		<u>11,264</u>	<u>2,441</u>
		RMB	RMB
Earnings per share attributable to ordinary equity holders of the parent			
–Basic	5	<u>1.81 cents</u>	<u>0.38 cent</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 2009.

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 PRC Corporate Income Tax Law (the “New CIT Law”), which became effective on 1 January 2008, the Company is subject to income tax at a base rate of 25%. The Company is eligible to a preferential income tax rate of 15% as a High New Technology Enterprise (“HNT Enterprise”). For the financial year ended 31 December 2010, the Company is subject to income taxes on assessable income at the tax rate of 15% (2009: 15%).

Under the New CIT Law, the Company’s subsidiary, Sino IC Technology Co., Ltd. (“Sino IC”) is subject to income tax at a base rate of 25%. Sino IC is entitled to a preferential income tax rate of 15% as a HNT Enterprise, so the applicable tax rate for the financial year ended 31 December 2010 is 15% (2009: 12.5%).

Under the New CIT Law, the Company’s subsidiary, Fukong Hualong is subject to income tax at a base rate of 25%. In the meantime, pursuant to an approval document dated 15 May 2009 issued by the Shanghai Pu Dong New Area Tax Bureau, with effect from 1 January 2008, Fukong Hualong is exempted from corporate income tax for its first two profit making years and is entitled to a 50% tax reduction for the succeeding three years. Fukong Hualong is in its third profit making year for the financial year ended 31 December 2010, so the applicable tax rate is 12.5% (2009: Nil).

Under the New CIT Law, three of the Company’s subsidiaries, Shenzhen Fudan Microelectronics Company Limited, Beijing Fudan Microelectronics Technology Company Limited and Shanghai Doublepoint Information Technology Co., Ltd., are subject to income taxes at a base rate of 25%. For the financial year ended 31 December 2010, these subsidiaries are subject to income taxes on assessable income at the tax rate of 25% (2009: 25%).

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	For the three months ended 31 March	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Current		
– PRC	1,192	69
– Hong Kong	110	–
Deferred	(831)	–
	<u>471</u>	<u>69</u>
Total tax charge for the period	<u>471</u>	<u>69</u>

4. RESERVES

Details of movements in the reserves of the Group during the period of three months ended 31 March 2010 are set out below:

	Share premium	Statutory surplus fund	Exchange fluctuation reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2010	168,486	17,086	(2,665)	78,799	261,706
Total comprehensive income for the period	–	–	(16)	11,162	11,146
Transfer from retained profits	–	996	–	(996)	–
At 31 March 2010	<u>168,486</u>	<u>18,082</u>	<u>(2,681)</u>	<u>88,965</u>	<u>272,852</u>
At 1 January 2009	168,486	12,400	(2,650)	61,346	239,582
Total comprehensive income for the period	–	–	–	2,335	2,335
Transfer from retained profits	–	231	–	(231)	–
At 31 March 2009	<u>168,486</u>	<u>12,631</u>	<u>(2,650)</u>	<u>63,450</u>	<u>241,917</u>

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

The calculation of the basic earnings per share amount is based on the unaudited profit for the period attributable to owners of the parent of approximately RMB11,162,000 (2009: RMB2,335,000) and the weighted average number of 617,330,000 (2009: 617,330,000) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods of three months ended 31 March 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2010 (2009: Nil).

BUSINESS REVIEW AND PROSPECTS

Business review

For the period of three months ended 31 March 2010, the Group has recorded a total revenue of approximately RMB96,073,000 (2009: RMB60,762,000), representing an increase of approximately 58% as compared to the same period in the last financial year. Profit attributable to owners of the parent amounted to approximately RMB11,162,000 (2009: RMB2,335,000), a sharp increase of approximately 3.78 times as compared with the corresponding period in previous year.

During the period, the Group has recorded increases both in turnover and profit as compared with the same period in last year. The increase in turnover was mainly attributable to the changes in market-oriented economy, as such, the sales records of IC card chips and consumer electronics chips within the period were satisfactory. The overall profit margin during the period was approximately 42.1% which is about the same as last year but lower than the 46.4% of the same period in last year due to the absence of certain high profit products that were launched in last corresponding period. Comparing with the same period in last year, the Group's other revenue and gains have increased slightly with increases in interest income and exchange difference. Selling and distribution costs and administrative expenses raised respectively by approximately 34% and 24% due to increase in sales. Other expenses were kept at the same level as last corresponding period following the implementation of a balancing control on research and development.

The current income tax expense for the period should have been increased in proportion with the increase in assessable income, as there was a set-off of timing difference of deferred tax assets recognised in the period, the income tax expense for the period was thus increased slightly.

Prospects

The Group will strengthen the business of IC card chips and related application platform to cope with the changes in market-oriented economy. The Group expects that the economy of the PRC will continue to develop and with the solid ground built up by the Group, it believes that the business and results for the year will keep a stable growth.

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

At 31 March 2010, 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. Wei Ran	–	–	–	288,460	288,460	0.05
	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,346,150</u>	<u>6,346,150</u>	<u>1.03</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 2010, 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 2010, 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 2010, 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 2010 have been reviewed by the committee.

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, 11 May 2010

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*