



# 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

THIRD  
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.**

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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.*

### 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 2010 together with the comparative figures for the corresponding periods in 2009 as follows:

	<i>Notes</i>	Nine months ended 30 September		Three months ended 30 September	
		2010 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
<b>Revenue</b>	2	<b>381,932</b>	233,459	<b>140,303</b>	96,857
Cost of sales		<u>(220,850)</u>	<u>(135,561)</u>	<u>(82,736)</u>	<u>(56,841)</u>
Gross profit		<b>161,082</b>	97,898	<b>57,567</b>	40,016
Other income and gains	2	<b>9,272</b>	5,360	<b>4,023</b>	1,415
Selling and distribution costs		<b>(13,523)</b>	(10,623)	<b>(4,894)</b>	(3,679)
Administrative expenses		<b>(30,707)</b>	(25,579)	<b>(10,662)</b>	(10,318)
Other operating expenses		<u><b>(35,483)</b></u>	<u>(33,580)</u>	<u><b>(11,888)</b></u>	<u>(9,702)</u>
<b>Operating profit</b>		<b>90,641</b>	33,476	<b>34,146</b>	17,732
Share of loss of an associate		<u><b>(5,096)</b></u>	<u>–</u>	<u><b>(300)</b></u>	<u>–</u>
<b>Profit before tax</b>		<b>85,545</b>	33,476	<b>33,846</b>	17,732
Tax	3	<u><b>(10,397)</b></u>	<u>(2,183)</u>	<u><b>(4,721)</b></u>	<u>(1,770)</u>
<b>Profit for the period</b>		<b>75,148</b>	31,293	<b>29,125</b>	15,962
<b>Other comprehensive income</b>					
Exchange differences on translation of foreign operations		<u>(17)</u>	<u>–</u>	<u>(9)</u>	<u>–</u>
<b>Total comprehensive income for the period</b>		<u><b>75,131</b></u>	<u>31,293</u>	<u><b>29,116</b></u>	<u>15,962</u>

	Nine months ended		Three months ended	
	30 September		30 September	
	2010	2009	2010	2009
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the period attributable to:</b>				
Owners of the parent	73,458	30,854	29,024	15,763
Non-controlling interests	<u>1,690</u>	<u>439</u>	<u>101</u>	<u>199</u>
	<u><b>75,148</b></u>	<u>31,293</u>	<u><b>29,125</b></u>	<u>15,962</u>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the parent	73,441	30,854	29,015	15,763
Minority interests	<u>1,690</u>	<u>439</u>	<u>101</u>	<u>199</u>
	<u><b>75,131</b></u>	<u>31,293</u>	<u><b>29,116</b></u>	<u>15,962</u>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<b>Earnings per share attributable to ordinary equity holders of the parent</b>				
Basic				
– For profit for the period	5	<u><b>11.90 cents</b></u>	<u>5.00 cents</u>	<u><b>4.70 cents</b></u>
			<u>2.55 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 2009.

The Group has adopted the new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are effective for the financial year beginning on or after 1 January 2010. Except certain changes in presentation and disclosure in the financial statements, the adoption of the new and revised standards, amendments and interpretations did not have any significant impact on the operating results and financial position of the Group.

All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

## **2. REVENUE, OTHER INCOME AND GAINS**

Revenue, which is also the Group’s turnover, represents the net invoiced value of goods sold, after allowances 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, income taxes on assessable income of the Company have been provided at the 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. For the financial year ended 31 December 2010, income taxes on assessable income of Sino IC have been provided at the rate of 15% (2009: 15%).

Under the New CIT Law, the Company’s subsidiary, Shanghai Fukong Hualong Micro-system Technology Co., Ltd. (“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 was 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, income taxes on assessable income of these subsidiaries have been provided at the 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.

	Nine months ended 30 September		Three months ended 30 September	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Current – Mainland China				
Charge for the period	10,462	2,209	4,089	1,839
Refund of income tax	–	(156)	–	(156)
Current – Hong Kong				
Charge for the period	202	130	8	87
Deferred	(267)	–	624	–
Total tax charge for the period	<u>10,397</u>	<u>2,183</u>	<u>4,721</u>	<u>1,770</u>

#### 4. RESERVES

Details of movements in the reserves of the Group during the nine months ended 30 September 2010 together with the comparative figures for the corresponding period in 2009 are set out below:

	Share premium RMB'000	Statutory surplus fund RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2010	168,486	17,086	(2,665)	78,799	261,706
Net profit and total comprehensive income for the period	–	–	(17)	75,148	75,131
Transfer from retained profits	–	6,818	–	(6,818)	–
<b>At 30 September 2010</b>	<u>168,486</u>	<u>23,904</u>	<u>(2,682)</u>	<u>147,129</u>	<u>336,837</u>
At 1 January 2009	168,486	12,400	(2,650)	61,346	239,582
Net profit and total comprehensive income for the period	–	–	–	30,854	30,854
<b>At 30 September 2009</b>	<u>168,486</u>	<u>12,400</u>	<u>(2,650)</u>	<u>92,200</u>	<u>270,436</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 2010 and the comparative periods are based on the unaudited net profit attributable to ordinary equity holders of the parent of approximately RMB73,458,000 and RMB29,024,000 respectively (2009: RMB30,854,000 and RMB15,763,000) and the weighted average number of 617,330,000 (2009: 617,330,000) ordinary shares in issue during the periods.

No adjustment has been made to the basic earnings per share amounts presented for the nine months ended 30 September 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 nine months ended 30 September 2010 (2009: Nil).

## **BUSINESS REVIEW**

For the nine months ended 30 September 2010, the Group recorded a turnover of approximately RMB381,932,000 (2009: RMB233,459,000), representing an increase of approximately 64% as compared to the same period in last year. Unaudited profit attributable to owners of the parent amounted to approximately RMB73,458,000 (2009: RMB30,854,000), an increase of approximately 138% when compared with the corresponding period in last year. Earnings per share attributable to ordinary equity holders of the parent was RMB11.90 cents (2009: RMB5.00 cents).

The Group recorded a satisfactory sales growth during the period under review and the main reasons were the benefits derived from economic growth of the PRC market and the increase in market demand of the Group's products. Sales of the Group's main product, IC card chips, kept a considerable growth with gross profit margin maintained at an ideal level. Sales of consumer electronics products also increased significantly as a result of new products being launched during the period. Turnover for other products has been slowed down, however, sales revenue of these products is comparatively low and had small impact to the Group's overall turnover.

As selling prices of most of the Group's products could be maintained and costs were effectively controlled, the Group's overall profit margin was almost the same as the corresponding period in last year just with a slightly increase from 41.9% to 42.2% in the current period. The increases in government subsidy income and interest income led to an increase in other income and gains as compared to the same period last year. Selling and distribution costs, administrative expenses and other operating expenses fairly increased in pace with the increase in turnover. The Group shared a loss of approximately RMB5,096,000 on the results of an associate during the period as business performance of that associate company has not been reflected. The provision of tax expenses for the period increased significantly as a result of increase in assessable profits.

## FUTURE PROSPECTS

The Group's IC chips have gradually penetrated into the public transportation markets other than the Shanghai city and also popularly adopted in many other application scopes that brought the Group's products with a diversified development and a leading position in relevant markets. Based on the past development experiences and technical skills, the Group will concentrate in the development of IC card chips as its core business. In addition, the Group will also concern the participation in development of government projects with a view to create a long term stable business development and to build a solid profit base.

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

As at 30 September 2010, 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 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

	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust (Note)	Total	Percentage of the Company's issued share capital
<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>



**Number of issued shares held, capacity and nature of interest**

	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust <i>(Note)</i>	Total	Percentage of the Company's issued share capital
<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 (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 2010, 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 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 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:

<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	23.36
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 2010, 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 two independent non-executive directors, namely Mr. Cheung Wing Keung and Mr. Guo Li and the non-executive director Mr. Shen Xiaozu. The Group's unaudited financial statements for the nine months ended 30 September 2010 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, 12 November 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*