

Half-Year Results Report

2007



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)

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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 of The Stock 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 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 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.

HALF-YEAR 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 half-year ended 30 June 2007, together with the unaudited comparative figures for the corresponding period in 2006, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Half-year ended 30 June		Three months ended 30 June	
		2007 (Unaudited) <i>RMB'000</i>	2006 (Unaudited) <i>RMB'000</i>	2007 (Unaudited) <i>RMB'000</i>	2006 (Unaudited) <i>RMB'000</i>
REVENUE	2	153,698	110,388	78,110	65,113
Cost of sales		<u>(109,895)</u>	<u>(82,249)</u>	<u>(53,890)</u>	<u>(47,609)</u>
Gross profit		43,803	28,139	24,220	17,504
Other revenue and gains	2	2,591	1,397	1,542	540
Selling and distribution costs		<u>(4,967)</u>	<u>(4,506)</u>	<u>(2,438)</u>	<u>(2,051)</u>
Administrative expenses		<u>(12,472)</u>	<u>(11,521)</u>	<u>(6,429)</u>	<u>(6,073)</u>
Other operating expenses		<u>(5,100)</u>	<u>(7,498)</u>	<u>1,235</u>	<u>(2,111)</u>
PROFIT BEFORE TAX	4	23,855	6,011	18,130	7,809
Tax	5	<u>(3,856)</u>	<u>(1,217)</u>	<u>(2,339)</u>	<u>(1,215)</u>
PROFIT FOR THE PERIOD		<u>19,999</u>	<u>4,794</u>	<u>15,791</u>	<u>6,594</u>
Attributable to:					
Equity holders of the parent		19,711	4,609	15,684	6,438
Minority interests		<u>288</u>	<u>185</u>	<u>107</u>	<u>156</u>
		<u>19,999</u>	<u>4,794</u>	<u>15,791</u>	<u>6,594</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	6	<u>3.19 cents</u>	<u>0.74 cents</u>	<u>2.54 cents</u>	<u>1.03 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2007	31 December 2006
	<i>Notes</i>	(Unaudited)	(Audited)
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	7	54,732	56,790
Intangible assets		11,327	8,543
Long term investments		4,500	4,500
		<u>70,559</u>	<u>69,833</u>
CURRENT ASSETS			
Inventories		71,044	65,293
Trade and bills receivables	8	45,866	51,417
Prepayments, deposits and other receivables		8,521	4,984
Held-to-maturity investments		–	1,000
Pledged bank deposits		225	2,417
Cash and bank balances		152,830	140,589
		<u>278,486</u>	<u>265,700</u>
CURRENT LIABILITIES			
Trade and bills payables	9	45,795	50,508
Other payables and accruals		18,467	20,906
Tax payable		7,876	4,277
		<u>72,138</u>	<u>75,691</u>
NET CURRENT ASSETS		<u>206,348</u>	<u>190,009</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		276,907	259,842
NON-CURRENT LIABILITY			
Deferred tax liabilities		388	384
NET ASSETS		<u>276,519</u>	<u>259,458</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		61,733	62,364
Reserves	10	209,505	192,101
		271,238	254,465
Minority interests		5,281	4,993
TOTAL EQUITY		<u>276,519</u>	<u>259,458</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital	Share premium	Treasury shares	Statutory surplus reserve	Statutory public welfare fund	Exchange fluctuation reserve	Retained profits	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	62,364	170,455	(223)	3,405	-	(859)	19,323	254,465	4,993	259,458
Net profit for the period	-	-	-	-	-	-	19,711	19,711	288	19,999
Repurchase of shares	(631)	(1,969)	223	-	-	-	-	(2,377)	-	(2,377)
Exchange realignment and total income and expenses or the period recognised directly in equity	-	-	-	-	-	(561)	-	(561)	-	(561)
At 30 June 2007	<u>61,733</u>	<u>168,486</u>	<u>-</u>	<u>3,405</u>	<u>-</u>	<u>(1,420)</u>	<u>39,034</u>	<u>271,238</u>	<u>5,281</u>	<u>276,519</u>
At 1 January 2006	62,435	170,717	-	272	136	(230)	1,222	234,552	4,115	238,667
Net loss for the period	-	-	-	-	-	-	4,609	4,609	185	4,794
Exchange realignment and total income and expenses for the period recognised directly in equity	-	-	-	-	-	(139)	-	(139)	-	(139)
At 30 June 2006	<u>62,435</u>	<u>170,717</u>	<u>-</u>	<u>272</u>	<u>136</u>	<u>(369)</u>	<u>5,831</u>	<u>239,022</u>	<u>4,300</u>	<u>243,322</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the half-year ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash inflow/(outflow) from operating activities	17,001	(4,086)
Net cash generated from/(used in) investing activities	12,997	(43,089)
Net cash outflow from financing activities	<u>(2,377)</u>	<u>—</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	27,621	(47,175)
Cash and cash equivalents at beginning of period	81,992	98,633
Effect of foreign exchange rate changes, net	<u>(558)</u>	<u>(139)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>109,055</u>	<u>51,319</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	108,830	48,419
Bank deposits pledged for banking facilities	<u>225</u>	<u>2,900</u>
	<u>109,055</u>	<u>51,319</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 2006.

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

2. REVENUE, OTHER REVENUE 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.

An analysis of revenue, other revenue and gains is as follows:

	Half-year ended		Three months ended	
	30 June		30 June	
	2007	2006	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue				
Sale of goods	150,521	106,585	76,148	63,205
Services rendered	3,177	3,803	1,962	1,908
	153,698	110,388	78,110	65,113
Other revenue and gains				
Interest income	1,086	854	536	434
Subsidy income	590	137	109	54
Others	915	406	897	52
	2,591	1,397	1,542	540
	156,289	111,785	79,652	65,653

3. SEGMENT INFORMATION

The following tables present revenue, profit and certain assets, liability and expenditure information for the Group's business segments for the half-year ended 30 June 2007 and the comparative period:

	Design, development and selling of IC products		Testing services of IC products		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment turnover:								
Sales to external customers	150,521	106,585	3,177	3,803	-	-	153,698	110,388
Sales to other segments	-	-	1,239	1,025	(1,239)	(1,025)	-	-
Total	<u>150,521</u>	<u>106,585</u>	<u>4,416</u>	<u>4,828</u>	<u>(1,239)</u>	<u>(1,025)</u>	<u>153,698</u>	<u>110,388</u>
Segment results	<u>20,875</u>	<u>4,057</u>	<u>389</u>	<u>557</u>	<u>-</u>	<u>-</u>	<u>21,264</u>	<u>4,614</u>
Other revenue and gains							<u>2,591</u>	<u>1,397</u>
Profit before tax							<u>23,855</u>	<u>6,011</u>
Tax							<u>(3,856)</u>	<u>(1,217)</u>
Net profit for the period							<u>19,999</u>	<u>4,794</u>
Assets and liabilities								
Segment assets	239,234	200,621	16,322	13,911	-	-	255,556	214,532
Interest bearing time deposits	84,000	77,379	4,989	3,000	-	-	88,989	80,379
Available-for-sale equity investments/Long term investments	<u>4,500</u>	<u>4,500</u>	<u>-</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,500</u>	<u>8,500</u>
Total assets	<u>327,734</u>	<u>282,500</u>	<u>21,311</u>	<u>20,911</u>	<u>-</u>	<u>-</u>	<u>349,045</u>	<u>303,411</u>
Segment liabilities	<u>67,984</u>	<u>49,559</u>	<u>4,542</u>	<u>6,950</u>	<u>-</u>	<u>-</u>	<u>72,526</u>	<u>56,509</u>
Total liabilities	<u>67,984</u>	<u>49,559</u>	<u>4,542</u>	<u>6,950</u>	<u>-</u>	<u>-</u>	<u>72,526</u>	<u>56,509</u>
Other segment information:								
Capital expenditure	4,389	2,397	714	2,142	-	-	5,103	4,539
Depreciation	2,467	2,249	1,370	1,616	-	-	3,837	3,865
Amortisation of intangible assets	<u>541</u>	<u>2,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>541</u>	<u>2,445</u>
Other non-cash expenses	<u>436</u>	<u>670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>436</u>	<u>670</u>

The Group's information during the period presented by geographical segment is as follows:

	Mainland				
	China	Asia Pacific	Others	Eliminations	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the half-year ended 30 June 2007					
Segment revenue:					
Sales to external customers	<u>84,195</u>	<u>77,222</u>	<u>8,705</u>	<u>(16,424)</u>	<u>153,698</u>
Other segment information:					
Segment assets	311,400	38,141	-	(496)	349,045
Capital expenditure	<u>5,102</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>5,103</u>
For the half-year ended 30 June 2006					
Segment revenue:					
Sales to external customers	<u>65,286</u>	<u>47,402</u>	<u>5,635</u>	<u>(7,935)</u>	<u>110,388</u>
Other segment information:					
Segment assets	284,916	43,262	-	(24,767)	303,411
Capital expenditure	<u>4,495</u>	<u>44</u>	<u>-</u>	<u>-</u>	<u>4,539</u>

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Half-year ended		Three months ended	
	30 June		30 June	
	2007	2006	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	3,837	3,865	2,278	1,955
Provision/(reversal) for doubtful debts	(554)	217	(910)	17
Payments under operating leases in respect of land and buildings	599	526	321	232
Amortisation of research and development costs	541	2,445	209	1,269
Written back of inventory provision	(341)	(16)	(341)	(12)
Interest income	<u>(1,086)</u>	<u>(854)</u>	<u>(536)</u>	<u>(434)</u>

Note: The amortisation of deferred development costs for the period is included in "Other operating expenses" on the face of the consolidated income statement. Government grants received have been deducted from the research and development costs to which they relate.

5. 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 half-year ended 30 June 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 half-year ended 30 June 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.

	Half-year ended 30 June		Three months ended 30 June	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Current period				
– PRC	2,382	527	1,482	525
– Hong Kong	1,474	690	857	690
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Charge for the period	<u>3,856</u>	<u>1,217</u>	<u>2,339</u>	<u>1,215</u>

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

The calculation of the basic earnings per share for the half-year and three months ended 30 June 2007 are based on the unaudited net profit attributable to ordinary equity holders of the parent of approximately RMB19,711,000 and RMB15,684,000 respectively (half-year and three months ended 30 June 2006: RMB4,609,000 and RMB6,438,000 respectively) and the weighted average number of 617,563,000 (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.

7. PROPERTY, PLANT AND EQUIPMENT

During the half-year ended 30 June 2007, the Group acquired machinery and office equipment amounted to approximately RMB1,779,000 (31 December 2006: RMB9,068,000).

8. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit and the credit period is generally up to 90 days. An ageing analysis of trade and bills receivables at 30 June 2007 is as follows:

	30 June 2007 <i>RMB'000</i>	31 December 2006 <i>RMB'000</i>
Within 3 months	33,324	36,717
3 to 6 months	7,326	8,180
6 to 12 months	1,822	2,716
Over 12 months	3,394	3,804
	<hr/> 45,866 <hr/>	<hr/> 51,417 <hr/>

9. TRADE AND BILLS PAYABLES

An ageing analysis of trade and bills payables at 30 June 2007 is as follows:

	30 June 2007 <i>RMB'000</i>	31 December 2006 <i>RMB'000</i>
Within 3 months	33,993	47,860
3 to 6 months	11,271	1,712
6 to 12 months	77	936
Over 12 months	454	—
	<hr/> 45,795 <hr/>	<hr/> 50,508 <hr/>

10. RESERVES

Other than the profit for the periods, repurchase of shares, exchange realignment and minority interests as disclosed in the consolidated statement of changes in equity, there were no movements in the reserves of the Group for the relevant periods in 2007 and 2006.

11. COMMITMENTS

The Group had the following commitments at the balance sheet date:

	30 June 2007 <i>RMB'000</i>	31 December 2006 <i>RMB'000</i>
(a) Capital commitments		
Contracted, but not provided for in respect of:		
Land and buildings	–	72
Plant and machinery	84	333
Intangible assets	–	522
Repurchase of H shares	–	381
	<u>84</u>	<u>1,308</u>
Authorised, but not Contracted for:		
Capital contributions payable to a new subsidiary	<u>5,000</u>	<u>5,000</u>
	<u>5,084</u>	<u>6,308</u>

(b) Commitments under operating leases

At 30 June 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2007 <i>RMB'000</i>	31 December 2006 <i>RMB'000</i>
Within one year	1,064	1,362
In the second to fifth years, inclusive	<u>494</u>	<u>1,367</u>
	<u>1,558</u>	<u>2,729</u>

12. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transaction with the related party:

Name of related party	Relationship with the Group	Nature of transaction	Half-year ended 30 June	
			2007 RMB'000	2006 RMB'000
Shanghai Fudan University	Owner of Shanghai Fudan High Tech Company	Technical and equipment support fee	<u>135</u>	<u>9</u>

In the opinion of the independent non-executive directors, the above related party transactions were entered into in the ordinary course of the Group's business and were in accordance with the terms of the arrangements governing the transactions.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the half-year ended 30 June 2007(30 June 2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the half-year ended 30 June 2007, the Group recorded a turnover of approximately RMB153,698,000 (30 June 2006: RMB110,388,000), an increase of approximately 39% as compared to the same period in last year. Profit attributable to shareholders amounted to approximately RMB19,711,000 (30 June 2006: RMB4,609,000).

During the period, the market share of the Group's IC products continued to increase and the sales of the core business products of IC card chips kept with satisfactory growth. The increase in turnover was resulted from the widening applications of IC card chips with the market expansion in multi-fee power control meters and increasing sales of multi-media IC chips. With regard to other product categories, other than sales in communication electronics products dropped due to keen market competition, the sales of motor and automobile electronics products could still record a slightly growth.

The Group's overall products recorded an increase in gross profit margin from 25.5% of the same period in last year to 28.5% in the current period. The reason for such an increase in gross profit margin was because selling prices of some new products recently launched into market were satisfactory. At the same time, selling prices of certain products have been adjusted with a view to increase their market shares and to maintain sales level.

During the period under review, other revenue and gains increased as there were written back and reversal of provisions in doubtful debts and obsolete inventories. Selling and distribution costs and administrative expenses slightly increased as a result of raise in turnover. Other operating expenses decreased was due to government grants of RMB6,500,000 received during the period and have been deducted from the research and development costs to which they relate.

FINANCIAL REVIEW

As at 30 June 2007, net assets of the Group amounted to approximately RMB276,519,000 (31 December 2006: RMB259,458,000). Current assets amounted to approximately RMB278,486,000 (31 December 2006: RMB265,700,000), of which approximately RMB153,055,000 (31 December 2006: RMB143,006,000) were cash and bank deposits. The Group has sufficient financial resources and is able to meet its daily operations and future development.

The Group's current liabilities as at 30 June 2007 amounted to approximately RMB72,138,000 (31 December 2006: RMB75,691,000) and had non-current liabilities amounted to approximately RMB388,000 (31 December 2006: RMB384,000). The net assets value per share of the Group was approximately RMB0.45 (31 December 2006: RMB0.42). The Group's ratio of current liabilities over current assets was approximately 25.9% (31 December 2006: 28.5%) and the gearing ratio was approximately 26.2% (31 December 2006: 29.3%) on the basis of total liabilities over net assets. As at 30 June 2007, the Group had no bank or other borrowings (31 December 2006: nil).

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. It is the Group's policy not to enter into forward contracts until a firm commitment is in place. The Group's sales are made to several major customers and there is concentration of credit risks. The Group seeks to maintain strict control over its outstanding receivables and closely monitor the collection to minimise credit risk. The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, held-to-maturity investments, available-for-sale investments, trade and bills receivables, prepayments, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

During the half-year ended 30 June 2007, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries.

During the period, other than the repurchase of H shares disclosed in the section headed "Purchase, sale or redemption of the Company's listed securities", the capital structure of the Company has no change and only comprises of ordinary shares. The Group relies on its internal resources as a source of funding and keeps most of its cash in Renminbi in bank accounts as working capital.

As at 30 June 2007, the Group did not have any material contingent liabilities (31 December 2006: nil). Besides the fixed deposits of RMB225,000 (31 December 2006: RMB2,417,000) pledged for banking facilities, the Group has not pledged its assets to any third parties (31 December 2006: nil).

EMPLOYEE INFORMATION

As at 30 June 2007, the Group employed approximately 312 (30 June 2006: 287) staff and the total staff costs reflected in the income statement amounted to RMB18,976,000 (30 June 2006: RMB12,228,000) including amounts capitalised as development costs of RMB3,757,000 (30 June 2006: RMB4,843,000). The increase in staff costs is mainly due to recruitment of additional staff and adjustment of salaries.

PROSPECTS

The Group will continue to widen the sales scope of its IC card products and expects these products will achieve continuously growth that will bring with stable turnover and contribution to the Group. For consumer electronics products, the Group's will keep on the research and development of self-developed products to meet increasing market demands. In addition, the Group will launch its new products gradually that will make a considerable contribution to the Group's results.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 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					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 (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 June 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 June 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 Company's issued the share capital
SSAC Shanghai Fudan High Tech Company	(1)	Directly beneficially owned	144,230,000	23.36
SCI	(2)	Directly beneficially owned and through a controlled corporation	106,730,000	17.29
			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 Co., Limited, 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 June 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, as defined in the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the half-year ended 30 June 2007.

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. The audit committee comprises the three independent non-executive directors of the Company, Mr. Leung Tin Pui, Mr. Cheung Wing Keung and Mr. Guo Li. The Group's unaudited financial statements for the half-year ended 30 June 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the half-year ended June 2007, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry to all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, 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 the period is as follows:-

Trading date	Number of shares repurchased	Price per share or highest price paid <i>RMB</i>	Lowest price paid <i>RMB</i>
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
Jiang Guoxing
Chairman

Shanghai, PRC, 8 August 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. Leung Tin Pui, Mr. Cheung Wing Keung and Mr. Guo Li.