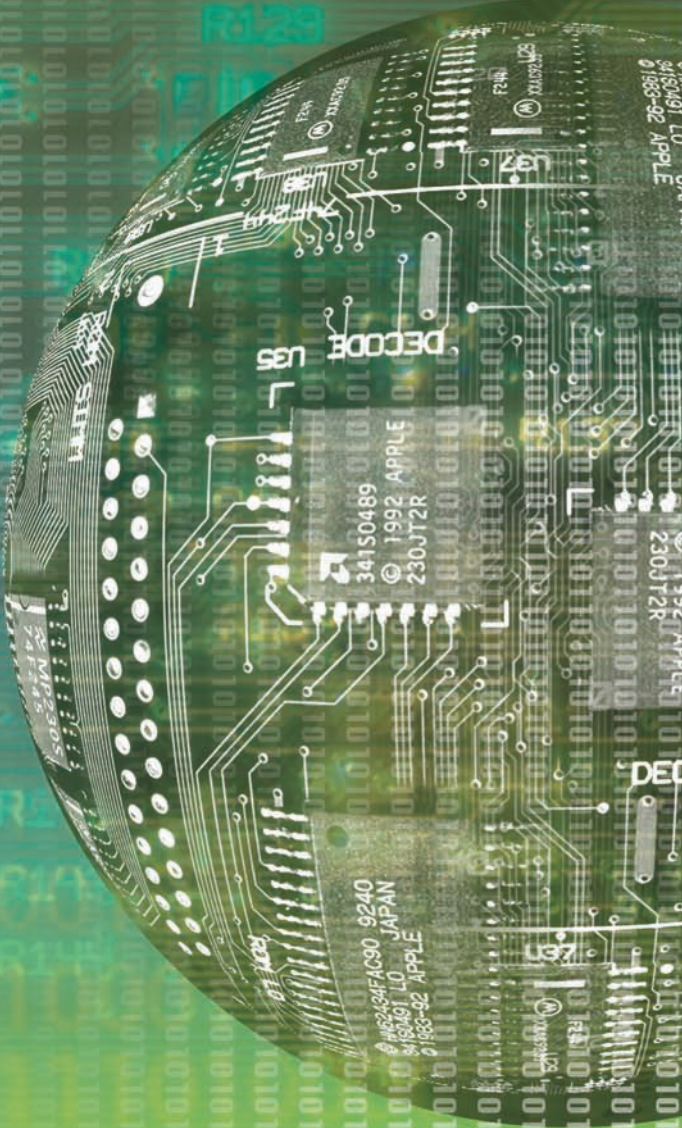


First Quarterly Report 2007



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)

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising from the emerging nature of companies listed on GEM and the business sectors of countries in which the companies operate. 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 principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcement in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock 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 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 2007, together with the unaudited comparative figures for the corresponding period in 2006, as follows:

		Three months ended	
		31 March	
		2007	2006
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	75,588	45,275
Cost of sales		<u>(56,005)</u>	<u>(34,640)</u>
Gross profit		19,583	10,635
Other revenue and gains		1,049	857
Selling and distribution costs		(2,529)	(2,455)
Administrative expenses		(6,043)	(5,448)
Other operating expenses		<u>(6,335)</u>	<u>(5,387)</u>
Profit/(loss) before tax		5,725	(1,798)
Tax	3	<u>(1,517)</u>	<u>(2)</u>
Profit/(loss) for the period		<u>4,208</u>	<u>(1,800)</u>
Attributable to:			
Equity holders of the parent		4,027	(1,829)
Minority interests		<u>181</u>	<u>29</u>
		<u>4,208</u>	<u>(1,800)</u>
		<i>RMB</i>	<i>RMB</i>
Earnings/(loss) per share			
– Basic	5	<u>0.65 cents</u>	<u>(0.29) 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 2006.

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 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 three months period ended 31 March 2007, income taxes on assessable income have been provided at the rate of 33% (2006: The Company had no assessable income and no provision for income tax was required).

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 2007 belongs, Sino IC is in its fourth profit making year and is entitled to the 50% concession on income tax (2006: 50% concession).

Hong Kong profits tax has been provided at the rate of 17.5% (2006: The Hong Kong subsidiary had no assessable income and no provision for profits tax was required) on the estimated assessable profits arising in Hong Kong during the period.

	Three months ended 31 March	
	2007	2006
	RMB’000	RMB’000
Current – PRC	900	2
– Hong Kong	617	–
	<u>1,517</u>	<u>2</u>

Deferred tax assets have not been recognised in respect of the temporary differences mainly arising from provisions of the Company, as it is uncertain whether the Company will be able to fully utilise the 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.

4. Reserves

Details of movements in the reserves of the Group during the three months ended 31 March 2007 together with the comparative figures for the corresponding period in 2006 are set out below:

	Share premium <i>RMB'000</i>	Treasury shares <i>RMB'000</i>	Statutory surplus fund <i>RMB'000</i>	Statutory public welfare fund <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits/ losses) (accumulated) <i>RMB'000</i>	Total <i>RMB'000</i>
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>–</u>	<u>(1,195)</u>	<u>23,350</u>	<u>194,046</u>
At 1 January 2006	170,717	–	272	136	(230)	1,222	172,117
Exchange realignment and total income and expenses for the period recognised in the income statement	–	–	–	–	(56)	–	(56)
Net loss for the period	–	–	–	–	–	(1,829)	(1,829)
At 31 March 2006	<u>170,717</u>	<u>–</u>	<u>272</u>	<u>136</u>	<u>(286)</u>	<u>(607)</u>	<u>170,232</u>

5. Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the unaudited net profit/(loss) for the period attributable to ordinary equity holders of the parent of profit approximately RMB4,027,000 (2006: Loss of RMB1,829,000) and the weighted average number of 617,799,000 (2006: 624,354,000) ordinary shares in issue during the period.

Diluted earnings/(loss) 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 2007 (2006: Nil).

BUSINESS REVIEW AND PROSPECTS

Business review

For the three months ended 31 March 2007, the Group recorded turnover of approximately RMB75,588,000 (2006: RMB45,275,000), representing an increase of approximately 67% as compared to the same period in the previous financial year. Profit attributable to shareholders amounted to approximately RMB4,027,000 (2006: Loss of RMB1,829,000).

During the period under review, the turnover of the Group's products has a steady growth, out of which, the sales of IC card chips have surged following the expansion in their applications; the market of multi-media chips has continuously developed and the predominant Electrically Erasable Programmable Read-Only Memory ("EEPROM") products have been increasingly accepted by the market; with more stable consumer bases, turnover of power electronics, motor and mobile electronics and telecommunication products has been maintained at a definite level.

Within the period, the overall gross margin of the Group's products was approximately 26% and was slightly improved when compared with 23% in the same period in previous year. As compared with the same period in last year, the Group has recorded an increase in other income and gains as a result of increase in government subsidies. The reasons of slight increase in selling and distribution costs and administrative expenses were due to salaries adjusted with reference to prevailing market condition and increase in turnover. The increase in other operating expenses was because of increase in projects under research and development.

Prospects

In view of definite market competitiveness in the Group's presently launched IC card chips, multi-media chips and EEPROM products, the Group will concentrate and enhance the market promotion on these products in order to widen its market space. At the same time, besides the continuous improving of functions and widening of application scopes of the existing products, the Group will also apply more resources into research and development of new products and related application systems with a view to further consolidate the Group's development with diversified product series.

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

At 31 March 2007, the interests and short positions of the directors, supervisors and chief executive 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					Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust (Note)			
<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 ("SCT"), 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 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 IN SHARES AND UNDERLYING SHARES

At 31 March 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 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
SCI	(2)	Directly beneficially owned and through a controlled corporation	95,200,000	15.42

Notes:

- (1) Shanghai Fudan High Tech Company is a state-owned enterprise wholly owned by Shanghai 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., Ltd. 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 31 March 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.

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 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 three months ended 31 March 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.

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	1,108,000	0.420	0.415
	<u>4,928,000</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
Shi Lei
Executive Director

Shanghai, the PRC, 11 May 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.