



上海復旦微電子股份有限公司

Shanghai Fudan Microelectronics Company Limited*

FM (a joint stock limited company incorporated in the People's Republic of China)

FIRST QUARTERLY REPORT 2002

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.

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The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this first quarterly results announcement, 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 first quarterly results announcement.

This first quarterly results announcement, for which the directors of Shanghai Fudan Microelectronics Company Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Shanghai Fudan Microelectronics Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this first quarterly results announcement 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 first quarterly results announcement misleading; and (3) all opinions expressed in this first quarterly results announcement 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 (“Board”) of Shanghai Fudan Microelectronics Company Limited (“Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (“Group”) for the three months ended 31 March 2002, together with the comparative unaudited figures of the Company for the corresponding period in 2001, as follows:

		Group Three Months ended 31 March 2002 RMB'000	Company Three Months ended 31 March 2001 RMB'000
Turnover	2	6,956	8,069
Cost of sales		<u>(5,714)</u>	<u>(5,714)</u>
Gross profit		1,242	2,355
Other revenue and gains		284	1,240
Selling and distribution costs		(792)	(722)
Administrative expenses		(2,638)	(2,058)
Other operating expenses		<u>(1,640)</u>	<u>(762)</u>
Profit/(loss) from operating activities		(3,544)	53
Finance costs		<u>—</u>	<u>(2)</u>
Profit/(loss) before tax		(3,544)	51
Tax	3	<u>169</u>	<u>(17)</u>
Profit/ (loss) after tax but before minority interests		(3,375)	34
Minority interests		<u>50</u>	<u>—</u>
Net profit/(loss) from ordinary activities attributable to shareholders		<u>(3,325)</u>	<u>34</u>
Earnings/(loss) per share			
- Basic	5	<u>(0.59)cents</u>	<u>0.01cents</u>

Notes:

1. **Basis of presentation**

The Company was incorporated in the People's Republic of China on 10 July 1998 and its H shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 4 August 2000.

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, 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 except for long term equity investments .

2. Turnover and other revenue and gains Turnover represents the invoiced value of goods sold, after allowance for returns and trade discounts; the value of services rendered.

3. **Tax**

	Group	Company
	Three Months	
	ended 31 March	
	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>
Company		
PRC — overprovision in previous year/(provision)	<u>169</u>	<u>(17)</u>

Under the Income Tax Law of the PRC, the Company is subject to income tax at a basic rate of 33%. On 14 June 2001, the Company obtained a notice from Shanghai High Technology Enterprise (Products) Identified Office. According to the notice, the Company is continued to be qualified as a high technology entity and is entitled to an income tax rate of 15% for the 2001. The Company is now applying for tax concession in respect of the 2002 and the directors believe that the Company will be supported with tax benefit. No provision for income tax has been made for the Company's subsidiaries as they had not generated assessable profits during the period.

No deferred tax asset has been recognized as the directors consider it prudent not to recognize such benefit until it is recovered.

4. Reserves

Details of movements in the reserves of the Group during the three months ended 31 March 2002 together with the comparative unaudited figures of the Company for the corresponding period in 2001 are set out below:

	Share premium <i>RMB'000</i>	Statutory common reserve <i>RMB'000</i>	Statutory public welfare fund <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Accumulated profit/(losses) <i>RMB'000</i>	Total <i>RMB'000</i>
Group						
At 1 January 2002	70,375	456	456	—	(873)	70,414
New shares issued	100,416	—	—	—	—	100,416
Net loss for the period	—	—	—	—	(3,325)	(3,325)
Foreign exchange adjustments	—	—	—	6	—	6
At 31 March 2002	<u>170,791</u>	<u>456</u>	<u>456</u>	<u>6</u>	<u>(4,198)</u>	<u>167,511</u>
Company						
At 1 January 2001	70,375	324	324	—	753	71,776
Net profit for the period	—	—	—	—	34	34
At 31 March 2001	<u>70,375</u>	<u>324</u>	<u>324</u>	<u>—</u>	<u>787</u>	<u>71,810</u>

For the three months ended 31 March 2002, the share premium increased by approximately RMB100,416,000 as a result of placing of a total of 105,604,000 new H shares at HK\$1.07 each after deduction of placing expenses.

5. Earnings/(loss) per share

The calculation of the basic loss per share for the three months ended 31 March 2002 is based on net loss attributable to shareholders of approximately RMB3,325,000 and the weighted average number of approximately 564,512,000 shares in issue during the period.

The calculation of the basic earnings per share for the three months ended 31 March 2001 is based on net profits attributable to shareholders of approximately RMB34,000 and the weighted average number of 518,750,000 shares in issue during the period.

Diluted loss per share for the period ended 31 March 2002 and the comparative diluted earnings per share have not been calculated because no diluting events existed during the two periods ended 31 March 2002.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2002 (2001: Nil).

BUSINESS REVIEW AND PROSPECTS

Business review

For the three months ended 31 March 2002, the Group recorded turnover of approximately RMB6,956,000 (2001: the Company RMB8,069,000), representing approximately 14% decrease as compared to the same period in the previous financial year. Loss attributable to shareholders amounted to approximately RMB3,325,000 (2001: the Company profit of RMB34,000).

Under the circumstances that the global economy was still slowdown and the IC market continued to depress, our business during the period was also affected. As a result of adjustments in market demand and supply, the sales of the Group's main product 8K Bits memory card circuit were influenced with a consequential decrease in overall turnover and resulted in loss. Market share of other products were comparatively stable, however, selling prices were slightly dropped. The new products launched during the period were in small scales and therefore contribution of the results in this period from the new products is relatively small.

As far as other revenue and gains are concerned, interest income was decreased as interest rates continued to drop. Beside, the Group's other operating expenses increased because of taking a provision of RMB625,000 against its doubtful debts which was made as a result of delayed settlement of the Group's receivables.

During the period, the Company has successfully completed the process of placing of new H shares and a total of 105,604,000 new H shares were issued at HK\$1.07 with net proceeds amounted to approximately HK\$104,000,000. Part of the proceeds has been applied in accordance with the use of proceeds as disclosed in the circular issued to the Company's shareholders on 12 November 2001 ("Circular").

Prospects

Pursuant to the use of proceeds stated in the Circular, the Group has reached an agreement with experts in telecommunication IC industry and set up an associated company in the PRC, Shanghai Fudan Telecommunication Company Limited, with a shareholding interest of 39%. The company is principally engaged in development of System On Chip (“SOC”) for telecommunication products and enables the Group to strengthen its position in overall IC design industry.

The directors believe that the application of SOC will become increasingly popular in the future. The directors consider that the ability to combine a wide range of intellectual property to develop SOC is a critical factor in determining the Group’s future success. Therefore, for the interests of the Group, the Group has applied resources to transform its products from a single chip to SOC as soon as possible to further consolidate its position in the PRC market.

The Group currently has sufficient financial resources and good liquidity. The Group will continue to extend its product range, acquire advanced equipment, recruit more overseas IC design professionals and seek for strategic business partners with advanced technology, for the purpose of accelerating the process of development and research and enhancing market promotion. The directors believe that the business of the Group will continue to grow in the rest of the year.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN SHARES

As at 31 March 2002, the interests of the directors and supervisors in the share capital of the Company as recorded in the registers maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”) or otherwise notified to the GEM or the Company as required by Chapter 5.40 of the GEM Listing Rules were as follows:

Number of shares held and nature of interests

	Personal	Family	Corporate	Other <i>(Note)</i>	Total
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Directors

Mr. Jiang Guoxing	7,210,000	—	—	1,442,300	8,652,300
Mr. Shi Lei	7,210,000	—	—	12,980,000	20,190,000
Mr. Yu Jun	—	—	—	10,961,530	10,961,530
Ms. Cheng Junxia	—	—	—	8,076,920	8,076,920
Mr. Wang Su	—	—	—	7,211,530	7,211,530
Mr. Chen Xiaohong	—	—	—	7,211,530	7,211,530
Ms. Zhang Qianling	—	—	—	1,733,650	1,733,650
Mr. He Lixing	—	—	—	1,442,300	1,442,300
Mr. Shen Xiaozu	—	—	—	1,442,300	1,442,300
	<u>14,420,000</u>	<u>—</u>	<u>—</u>	<u>52,502,060</u>	<u>66,922,060</u>

Supervisors

Mr. Li Wei	—	—	—	6,057,690	6,057,690
Mr. Ding Shengbiao	—	—	—	7,211,530	7,211,530
Mr. Xu Lenian	—	—	—	865,380	865,380
	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,134,600</u>	<u>14,134,600</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, at 31 March 2002, none of the directors and supervisors had any personal, family, corporate or other interests in the equity of the Company, as defined in the SDI Ordinance.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during the period was the Company, or of its subsidiaries a party to any arrangement to enable the directors and supervisors of the Company or their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in the Company.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2002, the following interest of 10% or more of the share capital of the Company were recorded in the register of interests pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of interests
SSAC	144,230,000	23.10
Shanghai Fudan High Tech Company (<i>note 1</i>)	106,730,000	17.09
SCI (<i>note 2</i>)	95,200,000	15.25

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 Company, 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 7.39% of the registered share capital of the Company.

Save as disclosed above, no persons, other than the directors and supervisors of the Company, whose interests are set out in the section "Directors' and supervisors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

SPONSOR'S INTERESTS

Pursuant to the sponsor's agreement dated 28 July 2000 entered between BOCI Asia Limited ("BOCI Asia") and the Company, BOCI Asia has agreed to provide advisory services to the Company for the purposes of the GEM Listing Rules at an agreed amount of fee for the period ending 31 December 2002.

To the knowledge of BOCI Asia, its directors, employees and associates, as of 31 March 2002, did not have any interests in the securities of the Company, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company.

COMPETING INTERESTS

None of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

As required by Rule 5.23 of the GEM Listing Rules, the Company established an audit committee on 19 July 2000 with written terms of reference in compliance with Rules 5.20 and 5.25 of the GEM Listing Rules which deal clearly with its authority and duties. The members of the audit committee comprise two independent non-executive directors, Mr. David Yung and Mr. Leung Tin Pui. The principal duties of the audit committee are to review and supervise the Group's financial reporting process and internal control systems.

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

During the three months ended 31 March 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Jiang Guoxing
Chairman

Shanghai, PRC, 13 May 2002

* *for identification purpose only*

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