



**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)*



**First Quarterly Report 2003**



**上海復旦微電子股份有限公司**

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## **FIRST QUARTERLY REPORT 2003**

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

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*This report, 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 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 (“Board”) of Shanghai Fudan Microelectronics Company Limited (“Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (“Group”) for the three months ended 31 March 2003, together with the unaudited comparative figures for the corresponding period in 2002, as follows:

|   |              | <b>Three months<br/>ended 31 March</b> |                |
|---|--------------|--|----------------|
|   |              | <b>2003</b>                            | 2002           |
|   | <i>Notes</i> | <b>RMB'000</b>                         | <i>RMB'000</i> |
| <b>Turnover</b>   | 2            | <b>15,042</b>                          | 6,956          |
| Cost of sales   |              | <b>(10,175)</b>                        | (5,714)        |
| Gross profit  |              | <b>4,867</b>                           | 1,242          |
| Other revenue and gains   |              | <b>380</b>                             | 284            |
| Selling and distribution costs  |              | <b>(1,478)</b>                         | (792)          |
| Administrative expenses   |              | <b>(3,646)</b>                         | (2,638)        |
| Other operating expenses  |              | <b>(1,760)</b>                         | (1,640)        |
| <b>Loss from operating activities</b>   |              | <b>(1,637)</b>                         | (3,544)        |
| Finance costs   |              | <b>(18)</b>                            | —              |
| Share of loss of an associate   |              | <b>(469)</b>                           | —              |
| <b>Loss before tax</b>  |              | <b>(2,124)</b>                         | (3,544)        |
| Tax   | 3            | <b>(55)</b>                            | 169            |
| <b>Loss after tax but before<br/>minority interests</b>                       |              | <b>(2,179)</b>                         | (3,375)        |
| Minority interests  |              | <b>(8)</b>                             | 50             |
| <b>Net loss from ordinary<br/>activities attributable<br/>to shareholders</b> |              | <b>(2,187)</b>                         | (3,325)        |
| <b>Loss per share</b>   |              |  |                |
| — Basic   | 5            | <b>(0.35) cents</b>                    | (0.59) cents   |

Notes:

### 1. Basis of presentation

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.

The principal accounting policies adopted in preparing the unaudited consolidated results conform with accounting standards issued by the Hong Kong Society of Accountants. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

### 2. Turnover

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

### 3. Tax

|                             | <b>Three months<br/>ended 31 March</b> |              |
|-----------------------------|--|--------------|
|                             | <b>2003</b>                            | 2002         |
|                             | <b>RMB'000</b>                         | RMB'000      |
| PRC                         |  |              |
| Overprovision in prior year | —                                      | (169)        |
| Hong Kong                   |  |              |
| Provision for the period    | <u>55</u>                              | <u>—</u>     |
|                             | <u>55</u>                              | <u>(169)</u> |

For the period ended 31 March 2003, the Company has no assessable income and no provision for income tax has been made accordingly.

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong 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 2003 together with the comparative figures for the corresponding period in 2002 are set out below:

|                                | Share<br>premium | Statutory<br>common<br>reserve | Statutory<br>public<br>welfare<br>fund | Exchange<br>fluctuation<br>reserve | Accumulated<br>losses | Total          |
|--------------------------------|------------------|--------------------------------|--|------------------------------------|-----------------------|----------------|
|                                | RMB'000          | RMB'000                        | RMB'000                                | RMB'000                            | RMB'000               | RMB'000        |
| At 1 January 2003              | 170,717          | —                              | —                                      | —                                  | (7,096)               | 163,621        |
| Net loss for the period        | —                | —                              | —                                      | —                                  | (2,187)               | (2,187)        |
|                                | <u>170,717</u>   | <u>—</u>                       | <u>—</u>                               | <u>—</u>                           | <u>(9,283)</u>        | <u>161,434</u> |
| At 1 January 2002              | 70,375           | 456                            | 456                                    | —                                  | (873)                 | 70,414         |
| Issue of shares (note)         | 100,416          | —                              | —                                      | —                                  | —                     | 100,416        |
| Net loss for the period        | —                | —                              | —                                      | —                                  | (3,325)               | (3,325)        |
| Foreign exchange<br>adjustment | —                | —                              | —                                      | 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> |

Note: On 21 February 2002, the Company issued additional 105,604,000 new H shares of RMB0.10 each to investors at HK\$1.07 each through a private placement.

#### 5. Loss per share

The calculation of the basic loss per share for the three months ended 31 March 2003 is based on net loss attributable to shareholders of approximately RMB2,187,000 and the weighted average number of 624,354,000 shares in issue during the period.

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.

Diluted loss per share for the period ended 31 March 2003 and the comparative diluted loss per share have not been calculated because no diluting events existed during the two periods ended 31 March 2003.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2003 (2002: Nil).

## **BUSINESS REVIEW AND PROSPECTS**

### **Business review**

For the three months ended 31 March 2003, the Group recorded turnover of approximately RMB15,042,000 (2002: RMB6,956,000), representing approximately 116% increase as compared to the same period in the previous financial year. Loss attributable to shareholders amounted to approximately RMB2,187,000 (2002: RMB3,325,000) representing a decrease by approximately 34% from the same period in last year.

In the period under review, the global economy was still soft and the recovery of the IC market was slow. With the advantage of persistently economic growth in the People's Republic of China ("PRC") and the increasing market demand in electronics products, the Group recorded a continuing sales growth with sharp increase over the same period in last year. Cost of sales of certain Group's products were gradually declined as a result of decrease in customs duties on imported goods and economic scale of production; together with higher profit margin on new launched products, the overall profit margin has jumped from approximately 18% of the same period in prior year to approximately 32% of the current period.

During the period, IC card products continued to be the Group's core business, despite the drop in sales of our main product 8K bits memory card circuits resulted from the adjustments in market demand and supply, there was an overall turnover growth due to increasing sales of the new launched 2K bits memory card circuits which were launched for different market demand. For products of power electronics and consumer electronics, sales turnover and volume of earth leakage current detector circuits and automatic power meter readers were increased satisfactory. The business of telecommunication was operated under tough conditions as market demand decreased and selling price reduced caused by promotional sales. Sales in other products were comparatively steady, however, selling prices have to be decreased in order to meet keen competition and to maintain their market share.

To cope with rapid development of the IC technologies and the increasing implementation of research and development projects, the Group was required to acquire new equipment to meet its business expansion; in addition, because of long operating cycle in research and development and extra time taken for products to be accredited, the Group's results were suffered from high levels of depreciation in fixed assets, research and development costs and distribution expenses.

## **Prospects**

With its advanced technology gained in the IC smartcard industry over the years and the relevant experience in mass production, the Group has determined to launch a series of contactless IC card products specialized for the application of public traffic system in modernized cities of the PRC, and the products has been accredited and well tested in public traffic of many mainland cities. With competitively low prices, high reliabilities and constant supply cycles, the Group's products are good substitutions for foreign imported products and have been approved by the local authorities of Shanghai and will be adopted for the application in its public traffic system. Besides, the Group will also expedite the marketing and application of its products to cover the public traffic network system of provinces and cities in the PRC.

With regard to the agreement entered between the Company and Shanghai Commercial Investment Enterprise Holdings Limited in relation to the acquisition of a controlling interest in Shanghai Commercial High Technology Development Limited, as certain strategic investors have indicated their intention to join the acquisition, terms of investment are still under negotiation between the Company and the investors. Upon completion of the acquisition, the directors believe that the Group will be enabled to accelerate the transformation of present products from a single chip to system on chip ("SOC"), strengthen the Group's business in SOC application, enhance its capability in integrating its chips and SOC, and resulting with a positive impact and contribution in revenue.

In view of the fast growing economy of the PRC and its huge market, the Group will remain focus on its core business in the PRC domestic market and strengthen its relationship with government authorities with the aim of penetrating its products into the related market to further improve market presence and consolidate its market position in the PRC.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 March 2003, 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:

### Domestic shares of the Company

|                    | Number of shares held and nature of interests |          |           |                   | Total             |
|--------------------|---|----------|-----------|-------------------|-------------------|
|                    | Personal                                      | Family   | Corporate | Other<br>(Note)   |                   |
| <b>Directors</b>   |   |          |           |                   |                   |
| 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> |
| <b>Supervisors</b> |   |          |           |                   |                   |
| 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 2003, 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' RIGHTS TO ACQUIRE SHARES

At no time during the period were rights to acquire benefits by means of the acquisition of shares of the Company granted to any director or their respective spouse or children under 18 years of age, 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

At 31 March 2003, 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:

| <b>Name</b>  | <b>Number of shares held</b> | <b>Percentage of interests</b> |
|--|------------------------------|--------------------------------|
| 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.

## DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the directors of the Company 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 three independent non-executive directors, Mr. David Yung, Mr. Leung Tin Pui and Mr. Xu Juyan. The principal duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The Group's unaudited consolidated results report for the period ended 31 March 2003 has been reviewed by the committee, who were of the opinion that such report 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, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

By Order of the Board  
**Jiang Guoxing**  
*Chairman*

Shanghai, PRC, 13 May 2003

\* *for identification purpose only*