



**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)

## **FIRST QUARTERLY REPORT 2004**

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

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*This 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 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

\* for identification purpose only

## 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 2004, together with the unaudited comparative figures for the corresponding period in 2003, as follows:

		Three months ended 31 March	
	<i>Notes</i>	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
<b>Turnover</b>	2	<b>23,698</b>	15,042
Cost of sales		<u>(16,248)</u>	<u>(10,175)</u>
Gross profit		<b>7,450</b>	4,867
Other revenue and gains		<b>86</b>	380
Selling and distribution costs		<b>(1,539)</b>	(1,478)
Administrative expenses		<b>(3,890)</b>	(3,646)
Other operating expenses		<u><b>(3,150)</b></u>	<u>(1,760)</u>
<b>Loss from operating activities</b>		<b>(1,043)</b>	(1,637)
Finance costs		–	(18)
Share of loss of an associate		<b>(259)</b>	(469)
Gain on disposal of interest in an associate		<u><b>4,166</b></u>	<u>–</u>
<b>Profit/(loss) before tax</b>		<b>2,864</b>	(2,124)
Tax	3	<u>–</u>	<u>(55)</u>
<b>Profit/(loss) after tax but before minority interests</b>		<b>2,864</b>	(2,179)
Minority interests		<u><b>(64)</b></u>	<u>(8)</u>
<b>Net profit/(loss) from ordinary activities attributable to shareholders</b>		<u><b>2,800</b></u>	<u>(2,187)</u>
<b>Earnings/(loss) per share</b>			
– Basic	5	<u><b>0.45cents</b></u>	<u>(0.35)cents</u>

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 and the value of services rendered.

### 3. Tax

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2004</b>	<b>2003</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Hong Kong		
Provision for the period	—	55
	<u>—</u>	<u>55</u>
	<u>—</u>	<u>55</u>

For the period ended 31 March 2004, the Company and its subsidiaries have no assessable income and no provision for income tax has been made accordingly.

The Group has tax losses arising in the PRC of approximately RMB9,737,000 (2003: RMB10,681,000) that are available, within a maximum period of five years, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the companies that have been loss-making for some time.

#### 4. Reserves

Details of movements in the reserves of the Group during the three months ended 31 March 2004 together with the comparative figures for the corresponding period in 2003 are set out below:

	<b>Share Premium</b> <i>RMB'000</i>	<b>Exchange fluctuation reserve</b> <i>RMB'000</i>	<b>Retained profits/ (accumulated losses)</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 1 January 2004	170,717	36	(13,646)	157,107
Net profit for the period	–	–	2,800	2,800
Exchange realignment arising from translation of a subsidiary	–	(36)	–	(36)
At 31 March 2004	<u>170,717</u>	<u>–</u>	<u>(10,846)</u>	<u>159,871</u>
At 1 January 2003	170,717	–	(7,096)	163,621
Net loss for the period	–	–	(2,187)	(2,187)
At 31 March 2003	<u>170,717</u>	<u>–</u>	<u>(9,283)</u>	<u>161,434</u>

#### 5. Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the unaudited net profit for the period attributable to shareholders of approximately RMB2,800,000 (2003: net loss of RMB2,187,000) and 624,354,000 (2003: 624,354,000) shares in issue during the period.

Diluted earnings/(loss) per share amounts for the current and comparative periods have not been presented because 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 2004 (2003: Nil).

## **BUSINESS REVIEW AND PROSPECTS**

### **Business review**

For the three months ended 31 March 2004, the Group recorded turnover of approximately RMB23,698,000 (2003: RMB15,042,000), representing approximately 58% increase as compared to the same period in the previous financial year. Profit attributable to shareholders amounted to approximately RMB2,800,000 (2003: Loss of RMB2,187,000) showing an improvement against the same period in last year.

In the period under review, the Group's sales turnover continued to record an increase as a result of the persistently economic growth in the People's Republic of China ("PRC") and the recovery of demand in the IC market. With stability in selling prices of the Group's products and the application of effective cost control measures, the overall profit margin was approximately 31%, which is almost the same as approximately 32% of the same period in prior year.

The Group's IC card products accounted for a major part of the overall turnover during the period, out of which, the "One Card Pass" contactless IC card chips used in public transportation and the 2K bytes memory card circuits are the main products and their market demands have been continuously increased. For products in other categories, markets were rather stable and recorded growths as compared with the same period in last year.

During the period, the Company has entered into an agreement with Shanghai Commercial Investment Enterprise Holdings Limited, a subsidiary of Shanghai Commerce Invest (Group) Corporation Limited which is a major shareholder of the Company, for the disposal of the Company's 20% equity interest in Shanghai Fudan Communication Company Limited at a cash consideration of RMB6,000,000, such transaction has contributed the Group with a gain of approximately RMB4,166,000. Other operating expenses of the Group were increased by approximately 79% during the period as a result of increases in research and development projects.

### **Prospects**

The Group has gained extensive experience in the IC card chips market and implemented mass production for its products; series of contactless IC card chips that are applicable to the public transportation system of modern mainland cities have been fully accredited and well tested by the relevant authorities, thus, these products are enabled to penetrate into the markets and applications of the public transportation network system of various provinces and cities within the PRC.

For other products, the Company endeavours to explore its business by carrying out research and development on various self-developed products, including multi-media chips for mobile phone communications, 8K contactless IC card circuits for road toll system, 32K contactless IC card for electronic data application and multi-fee power control meter chips for satisfying the various requirements and the maximum power burden of different provinces and municipalities, etc.

The directors expect that the business of the Group will continue to grow during the year and with implementation of effective cost control, the overall results of the year are expected to be improved.

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

At 31 March 2004, the interests of the directors and supervisors of the Company in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and the GEM of the Stock Exchange of Hong Kong (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Rule 5.40 of the Rules governing the Listing of Securities on GEM of the Stock Exchange (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	1.38
Mr. Shi Lei	7,210,000	–	–	12,980,000	20,190,000	3.23
Mr. Yu Jun	–	–	–	10,961,530	10,961,530	1.76
Ms. Cheng Junxia	–	–	–	8,076,920	8,076,920	1.29
Mr. Wang Su	–	–	–	7,211,530	7,211,530	1.16
Mr. Chen Xiaohong	–	–	–	7,211,530	7,211,530	1.16
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>52,502,060</u>	<u>66,922,060</u>	<u>10.72</u>
<i>Supervisors</i>						
Mr. Li Wei	–	–	–	6,057,690	6,057,690	0.97
Mr. Ding Shengbiao	–	–	–	7,211,530	7,211,530	1.16
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>2.27</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, as at 31 March 2004, none of the directors and supervisors 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 5.40 of the GEM Listing Rules.

## **DIRECTORS’ RIGHTS TO ACQUIRE SHARES**

At no time during the year were rights to acquire benefits by means of the acquisition of shares 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 31 March 2004, the following interest 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>	<b>Capacity and nature of interest</b>	<b>Number of shares held</b>	<b>Percentage of interests</b>
SSAC Shanghai Fudan High Tech Company ( <i>note 1</i> )	Directly beneficially owned	144,230,000	23.10
SCI ( <i>note 2</i> )	Directly beneficially owned and through a controlled corporation	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, as at 31 March 2004, no person, other than the directors and supervisors of the Company, whose interests are set out in the section “Directors’ and supervisors’ interests and short positions in shares and underlying shares” above, had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

## **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**

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review the Company’s annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the board of directors and supervise the financial reporting process and internal control system of the Group. The audit committee has three members comprising the three independent non-executive directors, Mr. David Yung, Mr. Leung Tin Pui and Mr. Xu Juyan. The Company’s and the Group’s financial statements for the period ended 31 March 2004 have been reviewed by the committee.

## **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, 12 May 2004

As at the date of this announcement, the executive directors of the Company are Mr. Jiang Guoxing, Mr. Shi Lei, Mr. Yu Jun, Ms. Cheng Junxia, Mr. Wang Su and Mr. Tsai Kao Chung; the non-executive directors are Mr. Chen Xiaohong, Ms. Zhang Qianling, Mr. He Lixing and Mr. Shen Xiaozu; the independent non-executive directors are Mr. David Yung, Mr. Leung Tin Pui and Mr. Xu Juyan.

*This announcement will remain on the GEM website on the “Latest Company Announcement” pages for at least 7 days from the day of its posting.*