



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)

Fudan
Microelectronics

* for identification only

2001 HALF-YEAR RESULTS REPORT



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This half-year results 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 half-year results 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 half-year results report misleading; and (3) all opinions expressed in this half-year results 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 subsidiary (the “Group”) for the half-year and three months ended 30 June 2001, together with the comparative unaudited figures for the corresponding periods in 2000 are as follows:

	<i>Notes</i>	Half-year ended 30 June		Three months ended 30 June	
		2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Turnover	2	19,427	11,481	11,358	7,534
Cost of sales		(13,083)	(8,046)	(7,369)	(5,470)
Gross profit		6,344	3,435	3,989	2,064
Other revenue		1,961	590	721	210
Distribution costs		(1,825)	(679)	(1,103)	(365)
Administrative expenses		(4,756)	(1,821)	(2,698)	(670)
Other operating expenses		(1,341)	(1,225)	(579)	(796)
Profit from operating activities		383	300	330	443
Finance costs		(4)	(216)	(2)	(126)
Profit before tax		379	84	328	317
Tax	3	(278)	—	(261)	—
Net profit from ordinary activities attributable to shareholders		101	84	67	317
		RMB	RMB	RMB	RMB
Earnings per share					
- Basic	5	0.02 cents	0.02 cents	0.01 cents	0.08 cents

Notes:

1. **Basis of presentation**

The Company was incorporated in the People's Republic of China (the "PRC") 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.

The principal accounting policies adopted in preparing the unaudited consolidated results conform with accounting standards issued by the Hong Kong Society of Accountants.

In April 2001, the Company incorporated a subsidiary company. As of 30 June 2001, the subsidiary company had not commenced its operations.

The 2000 comparative figures reflect the operating results of the Company and certain comparative amounts have been reclassified to conform with the current period's presentation.

2. **Turnover**

Turnover represents the invoiced value of goods sold, net of value-added tax, trade discounts and returns.

3. **Tax**

Under the Income Tax Law of the PRC, the Company is subject to income tax at a rate of 33%. However, pursuant to an approval document dated 2 February 2000 issued jointly by the local municipal tax bureau and the finance bureau, the Company has been designated a high technology entity and is exempted from income tax for the period from 1 January 2000 to 31 December 2000. The Company is now applying for tax concession to the year 2001 and the directors believe that the Company will be supported with tax benefit.

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

4. **Reserves**

There has been no transfer to or from reserves during the period, other than retained earnings (2000: Nil).

5. **Earnings per share**

The calculation of the basic earnings per share for the half-year and three months ended 30 June 2001 are based on net profits attributable to shareholders of approximately RMB101,000 and RMB67,000 respectively and the weighted average number of 518,750,000 shares in issue during the periods.

The calculation of the basic earnings per share for the half-year and three months ended 30 June 2000 are based on net profits attributable to shareholders of approximately RMB84,000 and RMB317,000 respectively and the weighted average number of 375,000,000 shares in issue during the periods, as if the 245,000,000 domestic shares issued to the existing shareholders of the Company pursuant to the capitalization issue made upon the completion of the placing of 125,000,000 H shares had been in issue from the respective date of the related existing shares were issued.

There is no diluted earnings per share because there were no dilutive potential shares in existence during the relevant periods.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the half-year ended 30 June 2001 (2000: Nil).

BUSINESS REVIEW

For the half-year and the three months ended 30 June 2001, the Group recorded turnover of approximately RMB19,427,000 and RMB11,358,000 respectively, representing approximately 69% and 51% increases as compared to the same periods in year 2000. Profit attributable to shareholders for the half-year and the three months ended 30 June 2001 amounted to approximately RMB101,000 and RMB67,000 respectively, representing approximately 20% increase and 79% decrease respectively as compared to the same periods in year 2000. Compared to the last corresponding periods, the respective profit margins for the half-year and the three months ended 30 June 2001 are approximately 2.7% and 7.7% higher.

In the first half year of 2001, the IC markets in the PRC as well as the overseas were adversely affected by the economic condition of the United States and Japan. Because the Group continued to strengthen and focus on its valued and core business and maintained its main market in the PRC, the Group's business was able to achieve stable growth. Nonetheless, to cope with future expansion and the expected accession of the PRC to the World Trade Organisation, the operating expenses relating to enlargement of sales force, recruitment of professional IC designers, research and development, and market promotion also increased.

During the period under review, the Group's main product 8K Bits memory card circuit continued to contribute significantly to both the Group's turnover and profit. This product has won an award in Science and Technology Advancement of Shanghai presented by the Shanghai Municipal Government

and its development of other applications is in progress. While the sales of products relating to automobile electronics and telecommunications remained stable, both of their selling prices and profits dropped due to strong competition.

The Group has successfully developed and launched several new products including a Screen Touch Controller; this product has won an accolade as one of “New Technology and Innovation Projects” under the “2001 Shanghai New Technology and Innovation Plan” held by the Shanghai Economic Committee. Commercial production of this product has commenced and will be launched into the market. With the burgeoning markets in Personal Digital Assistants and other electronic products in the Mainland, this product is anticipated to be a successful item with strong demand.

FUTURE PROSPECTS

Recently, the Company has reached an agreement with some experienced professionals in the IC industry and incorporated a subsidiary with a 90% shareholding held by the Company, which is expected to commence operation in August this year. The business of this subsidiary comprises provision of IC testing software development, IC chips and IC products testing, production of probe card, research and consultancy of IC technology. The directors believe that with the support of this subsidiary, the Group would further strengthen its ability in research, development and testing of IC products.

Under a formal arrangement, an IC Engineering Technology Centre (the “Centre”) located in Shanghai Fudan University (“Fudan University”) jointly set up by the Company with Fudan University has commenced its operation in conducting medium to long term research and development of IC products for the Company. The Company is responsible for the daily operation, product design and establishing training programmes for IC design engineers at the Centre.

In addition, the Group also co-operated with the University of Science & Technology of China (“USTC”) and set up an ASIC System Laboratory of USTC (the “Laboratory”). The Laboratory is an independent technology research organisation which provides the Group with access to valuable research capabilities and talents in science and technology. The directors believe that such collaboration will enhance the Group’s development in System-On-Chip (“SOC”) and related operations, and build up a sound base for its future expansion.

Lately, the Company was one of the winners of the China’s best managed company awards in 2001 organised by FinanceAsia. The award is not only proof of the contribution attributed by management and staff members, but

also an important foundation for the future development and expansion of the Group. The directors believe that with an outstanding management team, a consolidated core business, prudent business policies, and advanced equipments equipped with the ASIC System State-Key Laboratory of Fudan University ("University Laboratory"), the Group is optimistic about its ability to build up its leadership in the IC design market and anticipates a stable outlook for the second half-year of 2001.

BUSINESS OBJECTIVES REVIEW

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives as stated in the prospectus dated 31 July 2000

Actual business progress to 30 June 2001

Product development

To develop a series of IC cards that can be used as stored value tickets on public transportation and for toll payment on toll roads and social security cards, on the basis of prior experience and technical know-how in developing IC cards.

IC cards developed by the Group are increasingly well-recognised by the market and aggregate sales augmented to 10 million pieces. The development stage of 1K to 16K CPU chips series have been completed and co-operation with SOC suppliers in system development is under progress. The design of contactless IC cards that can be used as stored value tickets on public transportation and for toll payment on toll roads has been completed.

To develop communication ICs for installation in intelligent household electrical appliances that can receive communication signals sent over electrical wiring in buildings (which enables the electrical appliance to respond to operation command sent, for example, by a computer when properly connected).

Because of the technical issues and the level of reliability of communication signals, the development of communication ICs for installation in intelligent household electrical appliances has been suspended. Resources have been shifted to multi-fee power control circuits and metre systems which have penetrated the market.

Product development

To upgrade product design and testing software due to the increasing complexity of product design in order to raise the reliability of products.

To set up a representative office in the Silicon Valley in the United States primarily to monitor the latest technological developments and market trends of the IC industry worldwide (approximately 30 ex-staff of University Laboratory are currently working in the Silicon Valley and the Company has maintained close contact with them which would facilitate the establishment of the representative office).

Marketing

To set up sales office in Shenzhen and a representative office in Hong Kong for the promotion of its products.

To raise the reliability of products and improve the quality of product design, the Group has acquired a series of advance EDA design software, testing equipment and other compact software and hardware.

To cope with the rapid development in global IC products, the Group will set up a representative office in the United States to search for strategic partners. Recently, preliminary contacts were carried out in Silicon Valley and Austin. Application to the Shanghai Foreign Trade and Economic Relations Commission for the setting up of a representative office in the United States is under progress.

To expand the Group's market presence, to monitor the latest technological developments and to improve customers' contact and better understanding of the Group's products, the Group has applied for the setting up of a sales office in Shenzhen and a representative office in Hong Kong. At present, the Shenzhen sales office is undergoing registration procedures while the Hong Kong representative office has been approved by the Shanghai Foreign Trade and Economic Relations Commission and are pending approvals of other authorities in Shanghai. Preliminary preparations have been carried out in these areas.

Marketing

To recruit 10 additional sales staff (some of whom are expected to be based in Shenzhen or Hong Kong).

To engage distributors or sales agents for the Company's products as the geographical coverage of the markets for its products expands.

To keep pace with its expansion, the Group has hired 7 sales persons, out of which 2 are now based in Shenzhen and 1 in Hong Kong. Further sales forces will be recruited when required.

The Group's products have focused on direct sales. In view of increasing product series and market presence, and to cope with its customer requirements, the Group has built up relationships with distributors and sales agents to enlarge its sales network. The Group will continue to seek and approach other new customers.

Human resources

To enter into formal arrangements with Fudan University jointly to establish training programmes for IC design engineers.

An IC Engineering Technology Centre and an ASIC System Laboratory have been set up by the Group with Fudan University and the University of Science & Technology of China respectively. (see details set out in the paragraph headed "Future Prospects").

Revenue

To increase sales through the engagement of distributors and sales agents for the Company's products.

To continue focusing on IC cards and power supply IC products as principal products.

During the period, the Group has built up relationship with distributors and sales agents in Jiangsu, Zhejiang, Shenzhen, Shanghai and Singapore. Because of the duplication in the PRC market distribution and the new business relationships built up with overseas enterprises, total sales only accounted for 10% of the Group's turnover. With more and more products launched and development in sales activities, turnover for distribution and sales agents is anticipated to increase.

IC cards and power supply IC products attributed to approximately 54% and 17% respectively of the total turnover of the period under review. Following the promotion of Gold Card Project and improvements in electric power in cities and towns in the Mainland, these products have a brilliant market outlook and capacity. The Group has focused on these principal products; besides the completion of memory IC card chips and FM916 electric power metre chips, further development in CPU card chips series and contactless IC card design have been finalized. In addition, development work on FM946 multi-free power metre chips has been completed. With joint development with SOC System suppliers, these products are expected to be launched shortly.

Cost

Product development costs are estimated to amount to approximately HK\$9 million.

Research and development costs are estimated to amount to approximately HK\$3 million which will be incurred mainly for the establishment of the representative office in Silicon Valley in the United States.

Marketing costs are estimated to amount to approximately HK\$6 million which include the costs of establishing the sale office in Shenzhen and the representative office in Hong Kong.

Product development costs expended during the period amounted to approximately RMB3.99 million. The reason for the lower than expected costs is mainly due to some projects being still under the research and development stage, while costs for the final stage of development have not yet incurred. In addition, improved cost controls and management has reduced the costs of product development accordingly.

Research and development costs incurred amount to approximately RMB1.15 million. As the operation of the representative office in the United States has not yet commenced, the costs incurred are lower than expected.

Marketing costs for the period amounted to approximately RMB1.75 million. As a result of promotion costs already incurred in the previous periods, and since the establishment of sale office in Shenzhen and a representative office in Hong Kong are still pending for approval, marketing costs have been reduced.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 30 June 2001, the interests of the directors and supervisors in the share capital of the Company as recorded in the register 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				Total
	Personal	Family	Corporate	Other (note)	
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 University Laboratory and Shanghai Commerce Invest (Group) Corporation ("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 30 June 2001, 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 its subsidiary 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 30 June 2001, the following interests 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	27.80
Shanghai Fudan High Tech Company (<i>note 1</i>)	106,730,000	20.57
SCI (<i>note 2</i>)	95,200,000	18.35

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 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 8.90% 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 30 June 2001, 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 half-year ended 30 June 2001, neither the Company nor any of its subsidiary purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Jiang Guoxing
Chairman

Shanghai, PRC, 13 August 2001

* *for identification purpose only*