



## Company Profile Series

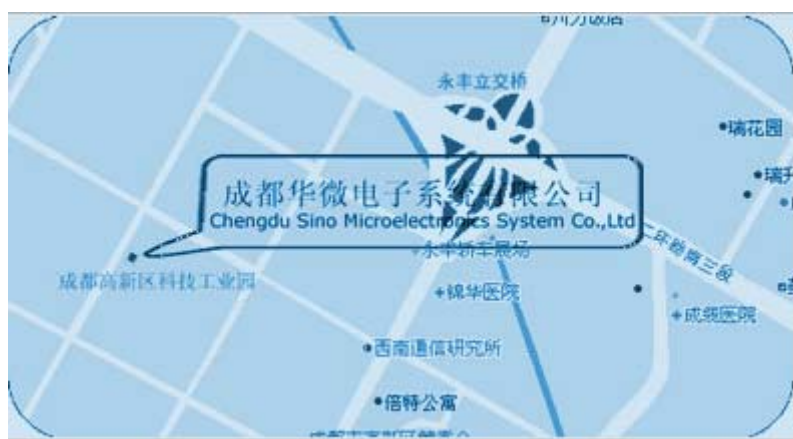
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## The Basics

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As one of the IC design companies of National No. 909 Project, Chengdu Sino Microelectronics System Co., Ltd (CSMSC) was registered in March 2000 with a registered capital of RMB 70, 000, 000. It was co-founded by China Integrated Circuit Design (Group) Corporation Limited, University of Electronics Science & Technology of China, Chengdu Venture Capital Co., Ltd and Shanghai China Micro-Electronics International Trade Co., Ltd. It mainly engages in the IC product design, development and application, as well as the design and technical service of products related to electronic information system.

## Key Information

<i>Stock Number</i>	<i>600360</i>
<i>Doing Business As</i>	Chengdu Sino Microelectronics System Co., Ltd
<i>Company Type</i>	Public
<i>Subsidiary</i>	Wuxi Jihua Electronics Co., Ltd Jilin Maijike Semiconductor Co., Ltd Shanghai Sino Microelectronics Science & Technology Co., Ltd Shanghai Fuhua Microelectronics Co., Ltd Shenzhen Powin Science & Technology Co., Ltd
<i>Year Of Founding or Chang In Control</i>	2000

## Key Numbers

<i>Fiscal Year-End</i>	<i>Dec</i>
<i>Sales (mil)</i>	RMB 892
<i>1-Year Sales Growth</i>	45.57%
<i>Total employee</i>	201-300

## Key Executives

Xia Zengwen Chairman of the Board

51, Senior Economist, ever the director of Jilin Semiconductor Factory from 1990 to 1998, chairman of the board of Jilin Huaxing Electronics Group Co., Ltd from 1998 to Sep 30 1999, and now chairman of the board of Jilin Sino Microelectronics Co., Ltd

Xu Tiezheng General Manager

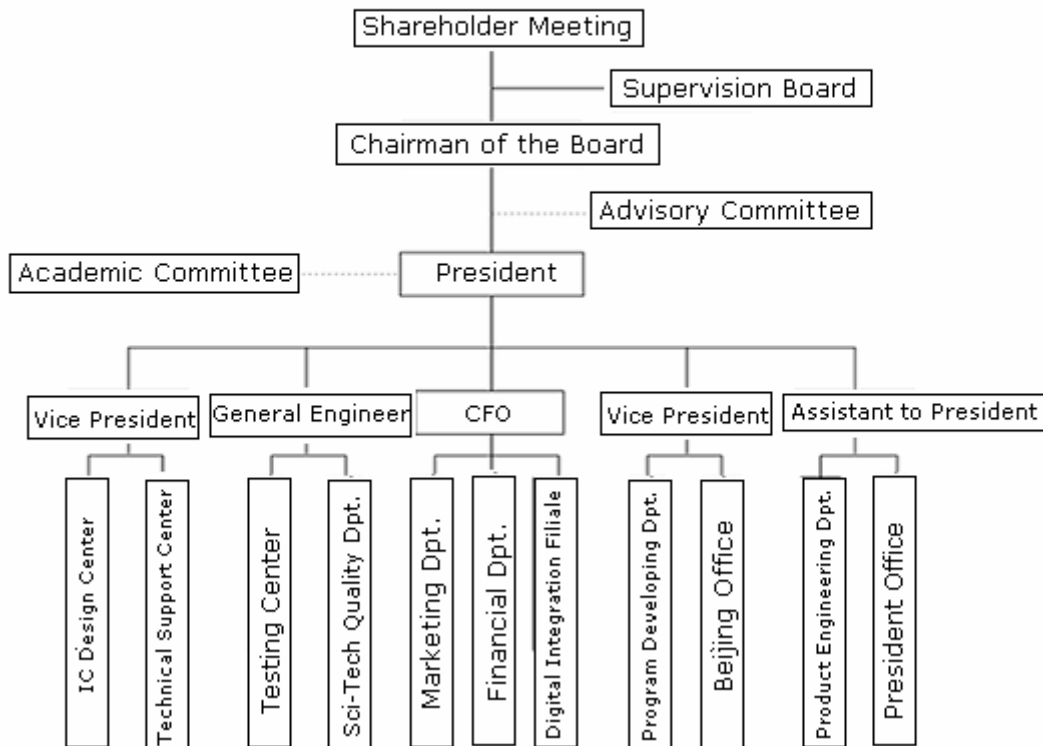
Bachelor degree, Senior Engineer, ever the director of technology department of Jilin Semiconductor Factory from 1990 to 1998, and assistant of general manager of Jilin Huaxing Electronics Group Co., Ltd from 1998 to Sep 30 1999, deputy general manager of Jilin Sino Microelectronics Co., Ltd and now general manager of Jilin Sino Microelectronics Co., Ltd

Wang Yufeng Vice Chairman of the Board

Bachelor degree, engineer & economist, ever the general manager of Shenzhen Zhongzhengxin Investment Co., Ltd, deputy general manager, general manager and chairman of the board of Shanghai Yinghan Science & Technology Co., Ltd.

# Company Structure

Orgnization Chart



## Company History

March 2000 - Founded

Oct 2000 - achieved the certification of Hi-Tech enterprise

2000 – sales revenue reached RMB11.84 million

Jul 2001 – achieved the certification of China's first group of IC design enterprise

Aug 2001 – obtained ISO-9001 certification

Sep 2001 – won self-support import & export rights

Dec 2001 – became one of board members of China Semiconductor Industry Association

IC Design Branch

Dec 2001 – awarded by provincial government to be technology-oriented growing enterprise in provincial electronic information sector

Dec 2001 – became one of members of the management committee of State Development and Investment Corporation

2001 – sales revenue totaled RMB55 million

Aug 2002 – turned into one of members of National IC IP Core Standardization workgroup

Year 2002 – sale revenue amounted to RMB 70.16 million

Feb 2002 – named as Excellent Enterprise by hi-tech zone

Jan 2003 – successfully registered in the National Registration Center for IC Card

Feb 2003 – named as Excellent Enterprise by hi-tech zone

Sep 2003 – named as Excellent Hi-Tech Enterprise by Chengdu Municipality

Dec 2003 – named as the industrialized base of National Hi-Tech Research & Development Program

Dec 2004 – achieved once more the certifications of GB/T 19001:2000 and ISO9001:2000

Dec 2004 – named as Excellent Hi-Tech Enterprise

Dec 2004 – managed to hold Chengdu Sino Microelectronics HWD-01 Design & Scientific Research Achievements Identification

2005 – awarded by Sichuan Province the encouragement certificate on scientific

technology

Dec 2005 – achieved the project check on Digital Audio Power Amplifier Chip Development and Module Manufacturing

Dec 2005 - managed to hold Chengdu Sino Microelectronics HWD-02 Design & Scientific Research Achievements Identification

## **Interests in Associates**

Shanghai Yinghan Science & Technology Co., Ltd                      28.58% owned

Principal Activity: Computer, Optical Communication products manufacturing

Jilin Huaxing Electronics Group Co., Ltd                                      9% owned

Principal Activity: Semiconductor products manufacturing

Beijing Guangda Huijin Investment Co., Ltd                                      8.11% owned

Principal Activity: Equity Investment

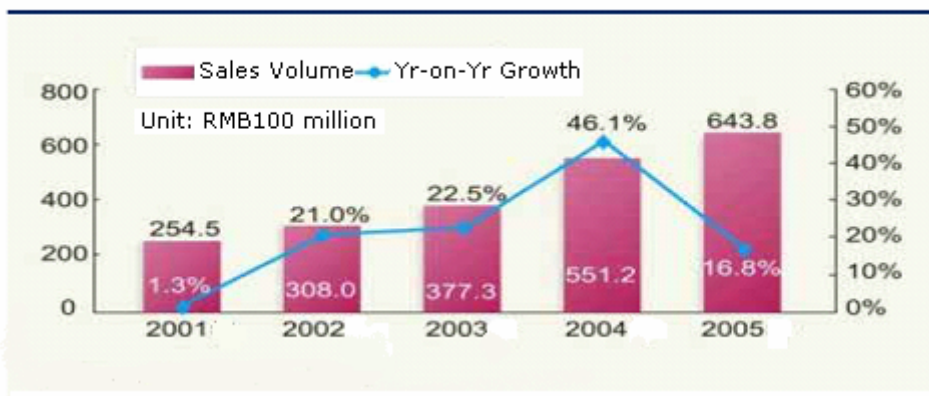


# Industry Analysis

## Overview of Discrete Semiconductor Device Industry

China has become the largest discrete device market worldwide, with market size in 2005 up to RMB 64.38 billion, accounting for more than 40% of world's total, and China has now approximately 200 discrete device enterprises(Including chip manufacturing, packaging and testing ). The total output of discrete device in china was 66.283 billion pieces in 2005, up by 13.2% compared to the year of 2004; the sales revenue has reached RMB9.079 billion, up by 31.4%. However, it still cannot meet the domestic demand; the self-sufficiency rate is as low as 14.1%.

China is global largest discrete device market



## Products

Sino Microelectronics produces six series of products including audio amplifier, CPLD/FPGA, peripheral IC, battery management IC, switching regulator and microprocessor reset IC.

Sino Microelectronics is responsible for PLD design and development under State No. 863 Program, development of digital broadband cable TV system and key ASIC, and R & D and production of charging protection circuit of LI battery, etc.

All the products developed by Sino Microelectronics have independent intellectual property rights, and in the meanwhile, Sino Microelectronics keeps in hand many key technologies, including



High-precision band-gap reference design

Design and application of FOLDING/INTERPOLATING arithmetic

High-frequency digital output LVDS design

PWM and PFM design

Boundary scan testing technology

Low energy consumption design of CMOS IC

Test bench compression

Design of integrated, mapping and programming arithmetic of programmable devices

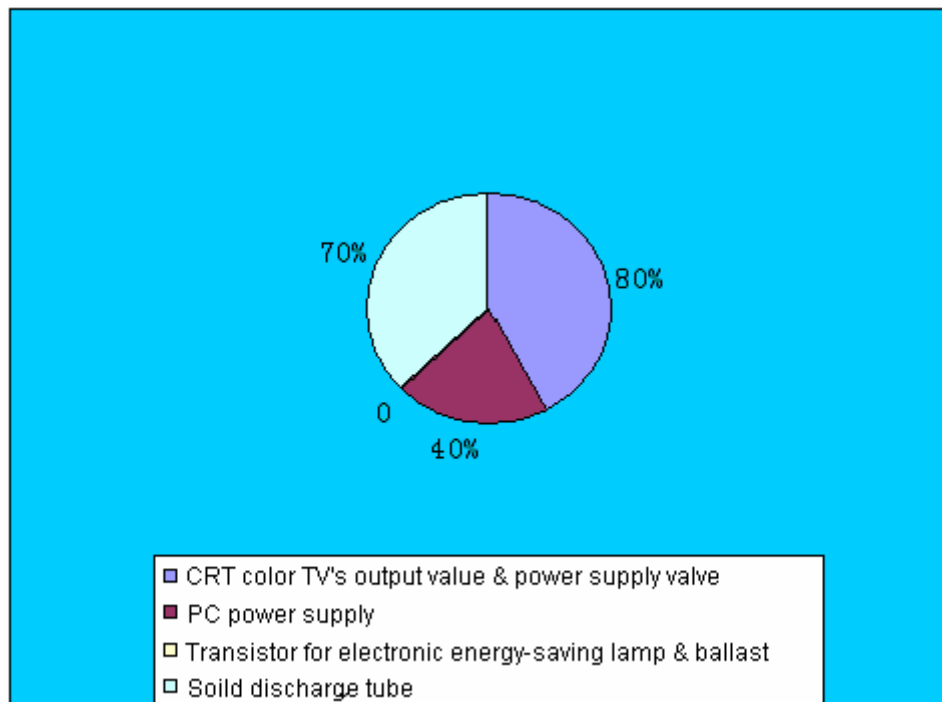
Embedded programmable logic SOPC design

Design of circuit using public-key encryption/identity-based encryption arithmetic

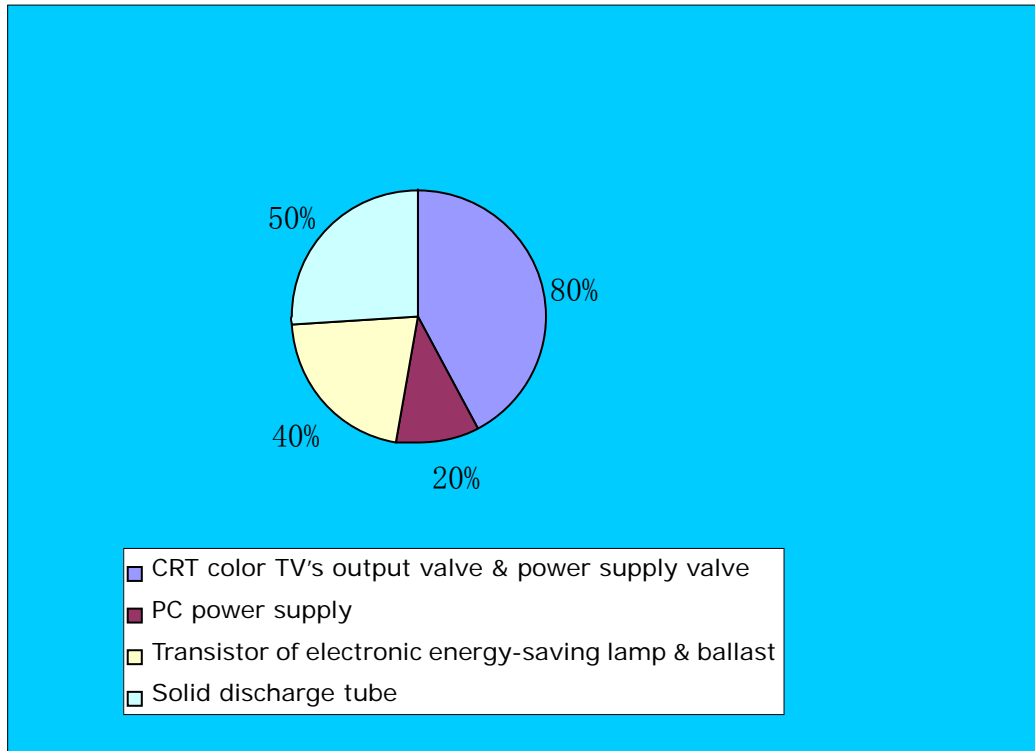
## Market Share

CRT color television's output valve and power supply valve occupied 80% of shares in China's domestic market in the last three years; power transistors for electronic energy-saving lamp and ballast accounted for 40%. PC power supply accounted for 20% in 2004 and 50% in 2005; and solid discharge tube shared 70% of China's local markets in 2003, 50% in 2004 and 40% in 2005.

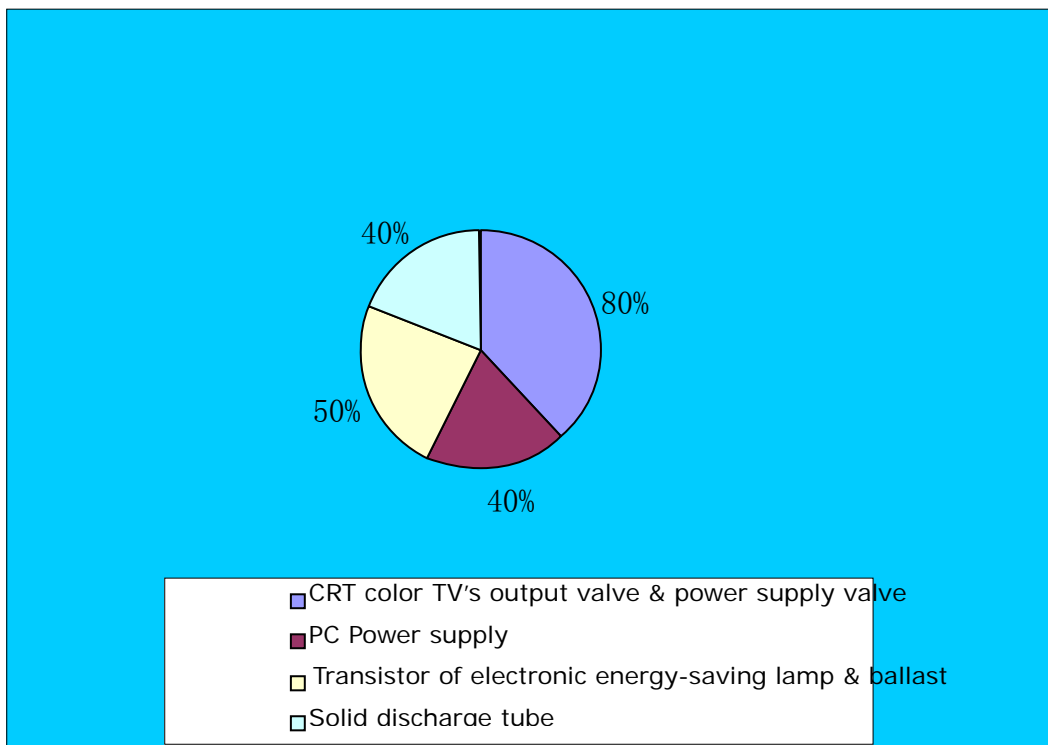
**Market Share Distribution by Product in 2003**



### Market Share Distribution by Product in 2004



### Market Share Distribution by Product in 2005



## Competitive Analysis

The cost advantage leads Sino Microelectronics reaching a rapid growth. In order to have a reasonable evaluation to the competitiveness of Sino Micro electronics, the following three companies engaging in discrete semiconductor devices are taken as examples:

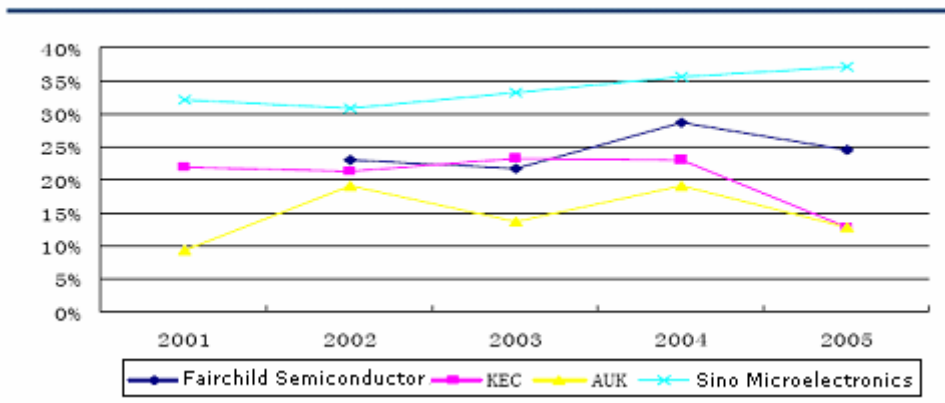
Fairchild Semiconductor: its power discrete device sales in 2005 was 802 million U.S. dollars, and other standardized semiconductor device sales was approximately 100 million U.S. dollars.

KEC: it is a Korea-based small signal transistor manufacturer and has now started MOSFET chip manufacturing business. The sales revenue in 2005 was 319.5 billion won (336 million U.S. dollars).

AUK: it is mainly engaged in production and sales of power transistor, and sales revenue in 2005 was 111 billion won (117 million U.S. dollars)

Compared to above-mentioned three companies, Sino Microelectronics are the weakest in sales scale but strongest in profitability. The gross margin of Sino Microelectronics has been keeping at more than 30% since 2001 while that of overseas counterparts fluctuates around 20%. In particular, in 2005, as semiconductor industry declined and raw material prices rose, the gross margin of overseas companies fell down, even by 5%, whereas, Sino Microelectronics increased gross margin by 1% through improving production efficiency and thus scaling up market shares.

Profitability Stronger than International Counterparts

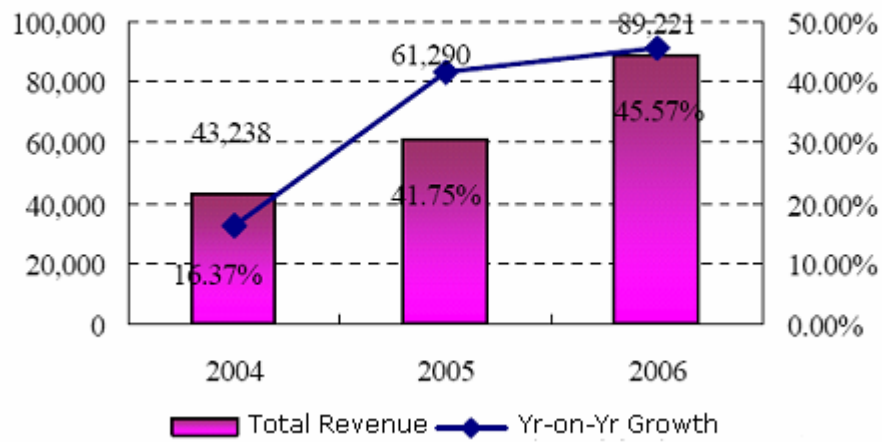


## Operations

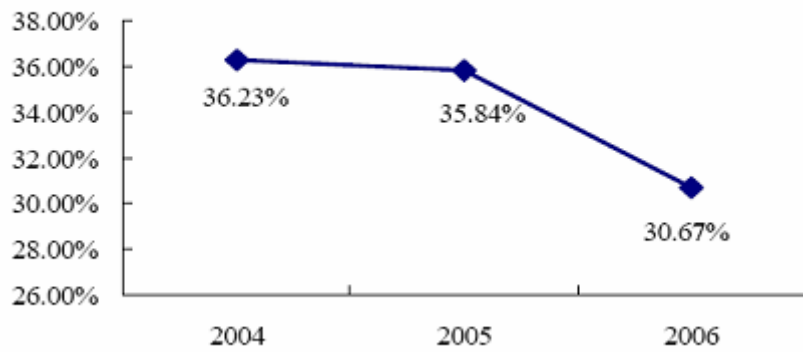
In 2006, its prime operating revenue has reached RMB892 million, up by 45.57% compared to 2005; net profits totaled RMB120 million, up by 34.45%. Revenue from IC chip amounted to RMB52.48 million and revenue from small-sized server and technical services was RMB23.76 million, with gross margin reaching 41.63% and 40.65% respectively.

In the upcoming 2-3 years, Sino Microelectronics will devote itself to developing Schottky special-power devices and VDMOS power devices, recovering high-end products such as diode series, double-electrode IC and BICMOS & BCD IC, etc, and optimizing product structure so as to tap into high-end market and compete with international counterparts while enhancing competitiveness.

Prime Operating Revenue unit: 1,000 yuan



Gross Margin of Prime Operations



# Profit Forecast

## Capacity Forecast of Main Production Lines

Company Name	Equity	Specification of Production Line	Production Capacity	2007 Production Capacity Estimated	2008 Production Capacity Estimated
Parent Company	100%	3 inch	30,000 pieces/month	30,000 pieces/month	30,000 pieces/month
		4 inch	100,000 pieces/month	110,000 pieces/month	120,000 pieces/month
		6 inch	Put into operation since Dec 2006	Under the construction	Production test period
Maijike	99.60%	4 inch	20,000 pieces/month	30,000 pieces/month	40,000 pieces/month
		5 inch	30,000 pieces/month	40,000 pieces/month	50,000 pieces/month
		6 inch	10,000 pieces/month	20,000 pieces/month	30,000 pieces/month



**Profitability Forecast (10,000 Yuan)**

Items	2005	2006	2007E	2008E
Prime operating revenue	61,290.30	89,221.18	121,596.55	160,168.22
Less: operating costs	39,325.92	61,853.58	85,510.23	113,039.49
Tax and associate charge	325.84	922.58	1,215.97	1,601.68
Main business profits	21,638.54	26,445.02	34,870.35	45,527.05
Plus: other operating profits	616.85	1,204.03	1,580.76	1,922.02
Operating expenses	1,925.77	2,218.95	3,112.87	4,004.21
Administrative expenses	7,661.51	7,295.53	8,592.50	9,930.43
Financial expenses	2,817.73	3,475.75	3,891.09	4,164.37
Operating profits	9,850.38	14,658.82	20,854.65	29,350.06
Plus: investment returns	224.12	-36.68	10.00	10.00
Subsidy income	0.00	9.00	10.00	11.00
Non-operating income	27.05	46.01	24.00	10.00
Less: non-operating expenses	81.59	3.45	83.00	100.00
Gross profits	10,019.96	14,673.70	20,815.65	29,281.06
Less: income tax	1,080.33	1,990.06	2,851.74	4,070.07
Minority of shareholders' Profits and losses	-7.62	654.37	850.68	1,105.89
After-tax profits	8,947.25	12,029.27	17,113.22	24,105.11