



**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)

## 2004 Half-Year Results Report

## **Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”)**

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## 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 subsidiaries (the “Group”) for the half-year ended 30 June 2004, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Half-year ended 30 June		Three months ended 30 June	
		2004 (Unaudited)	2003 (Unaudited)	2004 (Unaudited)	2003 (Unaudited)
		RMB'000	RMB'000	RMB'000	RMB'000
<b>TURNOVER</b>	2	<b>53,340</b>	42,320	<b>29,642</b>	27,278
Cost of sales		<b>(37,670)</b>	(27,786)	<b>(21,422)</b>	(17,611)
Gross profit		<b>15,670</b>	14,534	<b>8,220</b>	9,667
Other revenue and gains	2	<b>1,260</b>	1,392	<b>1,174</b>	1,012
Selling and distribution costs		<b>(3,224)</b>	(2,803)	<b>(1,685)</b>	(1,325)
Administrative expenses		<b>(7,671)</b>	(7,247)	<b>(3,781)</b>	(3,601)
Other operating expenses		<b>(7,374)</b>	(3,942)	<b>(4,224)</b>	(2,182)
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>	4	<b>(1,339)</b>	1,934	<b>(296)</b>	3,571
Finance costs		–	(25)	–	(7)
Share of loss of an associate		<b>(259)</b>	(672)	–	(203)
Impairment loss on long term investment		<b>(397)</b>	–	<b>(397)</b>	–
Gain on disposal of interest in an associate		<b>4,166</b>	–	–	–
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>2,171</b>	1,237	<b>(693)</b>	3,361
Tax	5	<b>(113)</b>	(161)	<b>(113)</b>	(106)
<b>PROFIT/(LOSS) BEFORE MINORITY INTERESTS</b>		<b>2,058</b>	1,076	<b>(806)</b>	3,255
Minority interests		<b>(140)</b>	(50)	<b>(76)</b>	(42)
<b>NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>1,918</b>	1,026	<b>(882)</b>	3,213
		<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
<b>EARNINGS/(LOSS) PER SHARE – Basic</b>	6	<b>0.31 cents</b>	0.16 cents	<b>(0.14) cents</b>	0.51 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>30 June 2004</b>	31 December 2003
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Fixed assets	7	<b>37,959</b>	38,540
Construction in progress		<b>1,644</b>	–
Intangible assets:			
Deferred development costs		<b>12,782</b>	10,670
Interest in an associate		<b>245</b>	4,080
Long term investments		<b>5,345</b>	4,000
		<hr/> <b>57,975</b> <hr/>	<hr/> 57,290 <hr/>
<b>CURRENT ASSETS</b>			
Inventories		<b>33,643</b>	24,784
Trade and bills receivables	8	<b>29,792</b>	30,757
Prepayments, deposits and other receivables		<b>6,634</b>	6,294
Pledged cash and bank balances		<b>1,813</b>	775
Cash and bank balances		<b>116,369</b>	122,736
		<hr/> <b>188,251</b> <hr/>	<hr/> 185,346 <hr/>
<b>CURRENT LIABILITIES</b>			
Trade payables	9	<b>14,204</b>	12,569
Tax payable		<b>219</b>	–
Other payables and accruals		<b>9,319</b>	10,106
		<hr/> <b>23,742</b> <hr/>	<hr/> 22,675 <hr/>
<b>NET CURRENT ASSETS</b>		<hr/> <b>164,509</b> <hr/>	<hr/> 162,671 <hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>222,484</b>	219,961
Minority interests		<b>(1,060)</b>	(419)
		<hr/> <b>221,424</b> <hr/>	<hr/> 219,542 <hr/>
<b>CAPITAL AND RESERVES</b>			
Issued capital		<b>62,435</b>	62,435
Reserves	10	<b>158,989</b>	157,107
		<hr/> <b>221,424</b> <hr/>	<hr/> 219,542 <hr/>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2004	62,435	170,717	36	(13,646)	219,542
Net profit for the period	–	–	–	1,918	1,918
Exchange realignment not recognised in the income statement	–	–	(36)	–	(36)
<b>At 30 June 2004</b>	<b>62,435</b>	<b>170,717</b>	<b>–</b>	<b>(11,728)</b>	<b>221,424</b>
At 1 January 2003	62,435	170,717	–	(7,096)	226,056
Net profit for the period	–	–	–	1,026	1,026
At 30 June 2003	62,435	170,717	–	(6,070)	227,082

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the half year ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (outflow)/inflow from operating activities	(4,819)	10,380
Net cash used in investing activities	(4,938)	(27, 818)
Net cash generated from financing activities	500	–
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(9,257)</b>	<b>(17,438)</b>
Cash and cash equivalents at beginning of period	127,439	144,877
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>118,182</b>	<b>127,439</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	116,369	123,866
Cash and bank balances pledged for banking facilities	1,813	3,573
	<b>118,182</b>	<b>127,439</b>

Notes:

## 1. Basis of presentation

The financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAPs”) including SSAP 25: “Interim financial reporting”, 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 accounting policies adopted in the financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2003.

## 2. Turnover and other revenue and gains

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered. An analysis of turnover, other revenue and gains is as follows:

	Half-year ended 30 June		Three months ended 30 June	
	2004	2003	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Turnover</b>				
Sale of goods	<b>50,694</b>	40,344	<b>28,690</b>	26,114
Services rendered	<b>2,646</b>	1,976	<b>952</b>	1,164
	<b>53,340</b>	42,320	<b>29,642</b>	27,278
<b>Other revenue and gains</b>				
Interest income	<b>233</b>	611	<b>150</b>	456
Value-added tax refunds	<b>584</b>	715	<b>584</b>	490
Subsidy income	<b>73</b>	66	<b>73</b>	66
Exchange gains, net	<b>3</b>	–	<b>–</b>	–
Others	<b>367</b>	–	<b>367</b>	–
	<b>1,260</b>	1,392	<b>1,174</b>	1,012
	<b>54,600</b>	43,712	<b>30,816</b>	28,290

### 3. Segment information

The following tables present revenue, profit and loss and certain assets, liability and expenditure information for the Group's business segments for the half year ended 30 June 2004 and the comparative period:

	Design, development and selling of IC products		Testing services of IC products		Eliminations		Consolidated	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
<b>Segment turnover:</b>								
Sales to external customers	50,695	40,344	2,645	1,976	-	-	53,340	42,320
Sales to other segments	7,848	6,276	1,369	439	(9,217)	(6,715)	-	-
Total	<u>58,543</u>	<u>46,620</u>	<u>4,014</u>	<u>2,415</u>	<u>(9,217)</u>	<u>(6,715)</u>	<u>53,340</u>	<u>42,320</u>
Segment results	<u>(4,019)</u>	<u>36</u>	<u>1,420</u>	<u>506</u>	<u>-</u>	<u>-</u>	<u>(2,599)</u>	<u>542</u>
Other revenue and gains							1,260	1,392
<b>Profit/(loss) from operating activities</b>							(1,339)	1,934
Finance costs							-	(25)
Share of loss of an associate							(259)	(672)
Impairment loss on long term investment							(397)	-
Gain on disposal of interest in an associate							4,166	-
<b>Profit before tax</b>							2,171	1,237
Tax							(113)	(161)
<b>Profit before minority interests</b>							2,058	1,076
Minority interests							(140)	(50)
<b>Net profit from ordinary activities attributable to shareholders</b>							<u>1,918</u>	<u>1,026</u>
Segment assets	172,749	198,051	12,887	8,268	-	-	185,636	206,319
Interest bearing time deposits							55,000	27,000
Interest in an associate							245	8,390
Long term investments							5,345	4,000
Total assets							<u>246,226</u>	<u>245,709</u>
Segment liabilities	21,233	17,323	2,509	1,030	-	-	23,742	18,353
Total liabilities	<u>21,233</u>	<u>17,323</u>	<u>2,509</u>	<u>1,030</u>	<u>-</u>	<u>-</u>	<u>23,742</u>	<u>18,353</u>
<b>Other segment information:</b>								
Capital expenditure	7,545	27,640	2,431	631	-	-	9,976	28,271
Depreciation	1,625	2,032	918	26	-	-	2,543	2,058
Amortisation of deferred expenditure	1,673	1,098	-	-	-	-	1,673	1,098
Other non-cash expenses	<u>695</u>	<u>941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>695</u>	<u>941</u>

The analysis of the Group's turnover by geographical segment which is based on the country in which the customer is located, is as follows:

	<b>For the half year ended 30 June 2004</b>				<b>Consolidated</b>
	<b>Mainland China</b>	<b>Asia Pacific</b>	<b>Others</b>	<b>Eliminations</b>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Segment revenue:</b>					
Sales to external customers	48,464	10,008	4,085	(9,217)	53,340

**Other segment information:**

Segment assets	173,939	11,697	–	–	185,636
Capital expenditure	8,248	1,728	–	–	9,976

	<b>For the half year ended 30 June 2003</b>				<b>Consolidated</b>
	<b>Mainland China</b>	<b>Asia Pacific</b>	<b>Others</b>	<b>Eliminations</b>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Segment revenue:</b>					
Sales to external customers	32,993	13,050	2,992	(6,715)	42,320

**Other segment information:**

Segment assets	195,924	10,395	–	–	206,319
Capital expenditure	28,269	2	–	–	28,271

#### 4. Profit/(loss) from operating activities

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	<b>Half-year ended 30 June</b>		<b>Three months ended 30 June</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	<b>2,543</b>	960	<b>1,358</b>	472
Provision/(written back)				
for doubtful debts	<b>(357)</b>	941	<b>(345)</b>	227
Provision for inventories	<b>369</b>	857	<b>369</b>	–
Payments under operating leases in respect of land and buildings	<b>1,187</b>	725	<b>539</b>	318
Amortisation of research and development costs	<b>1,673</b>	1,098	<b>823</b>	511
Interest income	<b>(233)</b>	(611)	<b>(150)</b>	(456)



## 5. Tax

	Half-year ended 30 June		Three months ended 30 June	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
PRC				
Provision for the period	105	–	105	–
Hong Kong				
Provision for the period	8	161	8	106
	<u>113</u>	<u>161</u>	<u>113</u>	<u>106</u>

For the period ended 30 June 2004, the Company has no assessable income and no provision for income tax has been made accordingly.

Provision for income tax in respect of a subsidiary in the PRC has been calculated at the preferential income tax rate of 15.0% in accordance with relevant regulations and Income Tax Law of the PRC.

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.

The Company has tax losses arising in the PRC of RMB10,305,000 (31 December 2003: RMB10,681,000) that are available, with a maximum period of 5 years, for offsetting against future taxable profits of the Company. Deferred tax assets have not been recognised in respect of these losses as the Company has been loss-making for some time.

## 6. Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share for the half-year and three months ended 30 June 2004 are based on net profit/(loss) attributable to shareholders of profit of approximately RMB1,918,000 and loss of approximately RMB882,000 respectively (half-year and three months ended 30 June 2003: profits of RMB1,026,000 and RMB3,213,000 respectively) and the weighted average number of 624,350,000 shares (2003: 624,350,000 shares) in issue during the periods.

Diluted earnings/(loss) per share for the current period and the comparative period have not been calculated because no diluting events existed during these periods.

## 7. Fixed assets

During the half-year ended 30 June 2004, the Group acquired machinery and office equipment amounted to approximately RMB5,898,000 (31 December 2003: land and building, machinery and office equipment of RMB26,582,000).

## 8. Trade and bills receivable

The Group's trading terms with its customers are mainly on credit and the credit period is generally up to 90 days. An ageing analysis of trade and bills receivables at 30 June 2004 is as follows:

	<b>30 June 2004</b> <i>RMB'000</i>	31 December 2003 <i>RMB'000</i>
Within 3 months	<b>18,311</b>	19,375
More than 3 months to within 6 months	<b>5,781</b>	6,661
More than 6 months to within 12 months	<b>5,057</b>	3,353
More than 12 months	<b>643</b>	1,368
	<u><b>29,792</b></u>	<u>30,757</u>

## 9. Trade payables

An ageing analysis of trade payables at 30 June 2004 is as follows:

	<b>30 June 2004</b> <i>RMB'000</i>	31 December 2003 <i>RMB'000</i>
Within 3 months	<u><b>14,204</b></u>	<u>12,569</u>

## 10. Reserves

Other than the profit for the period and exchange realignment as disclosed in the consolidated statement of changes in equity, there were no movements in the reserves of the Group for the relevant periods in 2003 and 2004.

## 11. Commitments

	<b>30 June 2004</b> <i>RMB'000</i>	31 December 2003 <i>RMB'000</i>
<i>(a) Capital commitments</i>		
Contracted, but not provided for in respect of:		
Purchase of fixed assets	<b>2,100</b>	5,413
Authorised, but not contracted for	-	6,000
	<u><b>2,100</b></u>	<u>11,413</u>

(b) *Commitments under operating leases*

At 30 June 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2004</b> <i>RMB'000</i>	31 December 2003 <i>RMB'000</i>
Within one year	<b>1,176</b>	1,341
In the second to fifth years, inclusive	<b>2,948</b>	3,087
	<b>4,124</b>	4,428

## 12. Related party transactions

During the period, the Group had the following material transactions with the following related parties:

Name of related party	Relationship with the Company	Nature of transaction	Half-year ended 30 June	
			2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Shanghai Fudan University	Owner of Shanghai Fudan High Tech Company	Technical and equipment support fee	400	400
Shanghai Commercial Investment Enterprise Holdings Limited	A subsidiary of Shanghai Commerce Invest (Group) Corporation Limited	Disposal of 20% equity interest in an associate	6,000	–

The technical and equipment support fee was based on the agreement entered between the Company and the related party with reference to the market price. The consideration for the disposal of interest in an associate was determined by the directors with reference to the fair value.

In the opinion of the independent non-executive directors, the above related party transactions were entered into in the ordinary course of the Company's business and were in accordance with the terms of the arrangements governing the transactions.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the half-year ended 30 June 2004 (30 June 2003: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the half-year ended 30 June 2004, the Group recorded turnover of approximately RMB53,340,000 (30 June 2003: RMB42,320,000) increased by approximately 26% as compared to the same period in last year. Profit attributable to shareholders amounted to approximately RMB1,918,000 (30 June 2003: RMB1,026,000).

The Group's turnover in the first half year still maintained a growth and the main reason was due to rising in demand of IC electronic products market brought about by the economic development of the Mainland China. As a result of continuous increase in market demand, the turnover of IC cards, which is a main product and contributed to 70% of the Group's overall sales, has increased by approximately 58% as compared with the last corresponding period. For other product categories, except the sales of consumer products shown an increase of approximately 21%, due to keen market competition, the other categories like telecommunications, electric electronics and motor vehicles could only record slightly growths.

The gross profit margin of overall products has dropped from 34% in the same period of last year to 29% in the current period due to changes in selling prices.

During the period, other revenue and gains dropped as interest income decreased due to lower interest rate. Slight increases in selling and distribution costs and administrative expenses were because of strengthening in market promotion. In other operating expenses, as a result of increase in number of projects, expenditure on research and development has increased sharply when compared with the same period in last year. However, due to improvement in internal control system, there was a written back of provision for doubtful debts amounted to RMB357,000 (30 June 2003: provision of RMB941,000). Moreover, 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 ("Shanghai Fudan Communication") at a cash consideration of RMB6,000,000, such transaction has contributed the Group with a gain of approximately RMB4,166,000. Upon disposal of the said interest in Fudan Communication, the Group's share of loss of this associate and impairment loss on this investment for the period was RMB656,000 in total and was almost the same as compared with share of loss of RMB672,000 in the same period last year.

## **Financial Review**

As at 30 June 2004, net assets of the Group amounted to approximately RMB221,424,000 (31 December 2003: RMB219,542,000). Current assets amounted to approximately RMB188,251,000 (31 December 2003: RMB185,346,000), of which approximately RMB118,182,000 (31 December 2003: RMB123,511,000) were cash and bank deposits. The Group has sufficient financial resources and is able to meet its daily operations and future development.

The Group's current liabilities as at 30 June 2004 amounted to approximately RMB23,742,000 (31 December 2003: RMB22,675,000) and had no non-current liabilities (31 December 2003: nil). The net assets value per share of the Group was approximately RMB0.35 (31 December 2003: RMB0.35). The Group's ratio of current liabilities over current assets was approximately 12.6% (31 December 2003: 12.2%) and the gearing ratio was approximately 10.7% (31 December 2003: 10.3%) on the basis of total liabilities over net assets. As at 30 June 2004, the Group had no bank or other borrowings (31 December 2003: nil).

The Group has no bank or other borrowings, but there may be a slight foreign currency risk as part of the Group's purchases of equipment and raw materials are denominated in U.S. dollars. Since the Group's sales are principally in Renminbi, fluctuation of the exchange rates of Renminbi against foreign currencies would not have a material effect to the operating results of the Group.

During the period ended 30 June 2004, other than the disposal of interest in Shanghai Fudan Communication as disclosed in the section headed "Business review" above, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries and associated companies.

As at 30 June 2004, the Group did not have any material contingent liabilities (31 December 2003: nil). Besides the fixed deposit of RMB1,813,000 (31 December 2003: RMB775,000) pledged for banking facilities, the Group has not pledged its assets to any third parties (31 December 2003: nil).

### **Employee Information**

As at 30 June 2004, the Group employed approximately 295 (30 June 2003: 245) staff and the total remuneration reflected in the income statement amounted to RMB10,086,000 (30 June 2003: RMB7,896,000) including amounts capitalised as development costs of RMB3,880,000 (30 June 2003: RMB1,990,000). The increase in staff costs is mainly due to increase in number of staff for research and development and marketing.

### **Prospects**

In addition to continue strengthening its product lines into series, the Group will also further expand the product lines on chips for measurement and control of power meters; to carry out further research and develop chips related to multi-media processing on mobile phones; and to increase the variety of IC card products and the scope of their applications.

Other than as disclosed, no current information which has changed materially from the information disclosed in the Group's latest annual report for the year ended 31 December 2003 in relation to those matters set out in Rule 18.41 of the GEM Listing Rules.

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

As at June 30, 2004, the interests or short positions of the directors and supervisors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions 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, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in domestic shares of the Company:

	Number of issued shares held, capacity and nature of interest				Percentage of the Company's issued share capital	
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust (Note)	Total	share capital
<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, none of the directors or supervisors or their associates had, as at June 30, 2004, any interests or short positions in any shares, underlying shares or debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions 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, pursuant to Rules 5.46 of the GEM Listing Rules, to be notified to Company and the Stock Exchange.

## **DIRECTORS' AND SUPERVISORS' 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' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

So far as was known to any director of the Company, as at 30 June 2004, 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, the persons or companies who had equity interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in domestic shares of the Company:

<b>Name</b>	<i>Notes</i>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
SSAC		Directly beneficially owned	144,230,000	23.10
Shanghai Fudan High Tech Company	(1)	Directly beneficially owned	106,730,000	17.09
SCI	(2)	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 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 Co., Limited, 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 30 June 2004, no other persons had equity interests or short positions in the shares or underlying share of the Company which would fall to be disclosed under Division 2 and 3 or Part XV of the SFO; or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

#### **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.

#### **BOARD PRACTICES AND PROCEDURES**

In the opinion of the directors, the Company complied with the board practices and procedures requirements in GEM Listing Rules 5.28 to 5.39 throughout the accounting period covered by the half-year results report, except for the Rule GEM 5.29 which requires full board meetings to be held no less frequently than every three months. The Company's directors are resided and worked in China, Hong Kong and Taiwan respectively, in this connection, the Company has not convened a full board meeting during the period.

#### **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 four members comprising the four independent non-executive directors, Mr. David Yung, Mr. Leung Tin Pui, Mr. Xu Juyan and Mr. Cheung Wing Keung. The Group's financial statements for the half-year ended 30 June 2004 have been reviewed by the committee, who were of the opinion that such statements complied with the applicable accounting standards, the GEM and legal requirements, and that adequate disclosures had been made.



## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the six months ended June 2004, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

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

During the half-year ended 30 June 2004, 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**  
*Director*

Shanghai, PRC, 12 August 2004

*As at the date of this report, 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, Mr. Xu Juyan and Mr. Cheung Wing Keung.*