



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)

Half-Year Results Report
2005

* for identification only

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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 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 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.

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 2005, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Half-year ended 30 June		Three months ended 30 June	
		2005 (Unaudited) <i>RMB'000</i>	2004 (Unaudited) <i>RMB'000</i>	2005 (Unaudited) <i>RMB'000</i>	2004 (Unaudited) <i>RMB'000</i>
TURNOVER	2	52,048	53,340	29,263	29,642
Cost of sales		(36,023)	(37,670)	(20,070)	(21,422)
Gross profit		16,025	15,670	9,193	8,220
Other revenue and gains	2	2,169	1,260	1,004	1,174
Selling and distribution costs		(3,581)	(3,224)	(1,898)	(1,685)
Administrative expenses		(9,824)	(7,671)	(5,012)	(3,781)
Other operating expenses		(11,171)	(7,374)	(6,872)	(4,224)
LOSS FROM OPERATING ACTIVITIES	4	(6,382)	(1,339)	(3,585)	(296)
Share of loss of an associate		–	(259)	–	–
Impairment loss on long term investment		(491)	(397)	(491)	(397)
Gain on disposal of interest in an associate		–	4,166	–	–
PROFIT/(LOSS) BEFORE TAX		(6,873)	2,171	(4,076)	(693)
Tax	5	–	(113)	–	(113)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(6,873)	2,058	(4,076)	(806)
Minority interests		(20)	(140)	(16)	(76)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(6,893)	1,918	(4,092)	(882)
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
EARNINGS/(LOSS) PER SHARE					
– Basic	6	(1.10) cents	0.31 cents	(0.66) cents	(0.14) cents

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2005 (Unaudited) RMB'000	31 December 2004 (Audited) RMB'000
NON-CURRENT ASSETS			
Fixed assets	7	65,046	67,208
Construction in progress		30	138
Intangible assets:			
Deferred development costs		9,642	7,629
Interest in an associate		–	241
Long term investments		4,256	4,747
		78,974	79,963
CURRENT ASSETS			
Inventories		47,708	37,487
Trade and bills receivables	8	30,519	34,773
Prepayments, deposits and other receivables		3,129	6,209
Pledged cash and bank balances		640	772
Cash and bank balances		102,611	109,900
		184,607	189,141
CURRENT LIABILITIES			
Trade and bills payables	9	19,162	21,038
Other payables and accruals		17,753	14,507
		36,915	35,545
NET CURRENT ASSETS		147,692	153,596
TOTAL ASSETS LESS CURRENT LIABILITIES		226,666	233,559
NON-CURRENT LIABILITIES			
Long term payables		(5,615)	(5,615)
Minority interests		(1,199)	(1,179)
		219,852	226,765
CAPITAL AND RESERVES			
Issued capital		62,435	62,435
Reserves	10	157,417	164,330
		219,852	226,765

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005	62,435	170,717	179	89	20	(6,675)	226,765
Net loss for the period	-	-	-	-	-	(6,893)	(6,893)
Exchange realignment not recognised in the income statement	-	-	-	-	(20)	-	(20)
At 30 June 2005	62,435	170,717	179	89	-	(13,568)	219,852
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)
At 30 June 2004	62,435	170,717	-	-	-	(11,728)	221,424

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the half year ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash inflow/(outflow) from operating activities	(3,071)	3,179
Net cash used in investing activities	(4,330)	(8,972)
Net cash generated from financing activities	—	500
DECREASE IN CASH AND CASH EQUIVALENTS	(7,401)	(5,293)
Cash and cash equivalents at beginning of period	110,672	123,511
Effect of foreign exchange rate changes, net	(20)	(36)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>103,251</u>	<u>118,182</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	102,611	116,369
Cash and bank balances pledged for banking facilities	640	1,813
	<u>103,251</u>	<u>118,182</u>

Notes:

1. Basis of presentation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (collectively referred to as “new HKFRSs”) 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. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

In 2005, the Group has adopted all new HKFRSs which are effective for financial periods beginning or after 1 January 2005 and are pertinent to its operations. The adoption of new HKFRSs does not have a significant impact on the Group’s results of operations and financial position except certain presentations and disclosures of the financial statements.

The accounting policies adopted in preparing the financial statements are consistent with those followed in the Company’s consolidated financial statements for the year ended 31 December 2004.

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		Three months ended	
	30 June		30 June	
	2005	2004	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover				
Sale of goods	49,572	50,694	27,762	28,690
Services rendered	2,476	2,646	1,501	952
	<u>52,048</u>	<u>53,340</u>	<u>29,263</u>	<u>29,642</u>
Other revenue and gains				
Interest income	436	233	210	150
Value-added tax refunds	395	584	311	584
Subsidy income	850	73	166	73
Exchange gains, net	2	3	2	–
Others	486	367	315	367
	<u>2,169</u>	<u>1,260</u>	<u>1,004</u>	<u>1,174</u>
	<u>54,217</u>	<u>54,600</u>	<u>30,267</u>	<u>30,816</u>

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 2005 and the comparative period:

	Design, development and selling of IC products		Testing services of IC products		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment turnover:								
Sales to external customers	49,572	50,695	2,476	2,645	-	-	52,048	53,340
Sales to other segments	6,046	7,848	772	1,369	(6,818)	(9,217)	-	-
Total	<u>55,618</u>	<u>58,543</u>	<u>3,248</u>	<u>4,014</u>	<u>(6,818)</u>	<u>(9,217)</u>	<u>52,048</u>	<u>53,340</u>
Segment results	<u>(8,492)</u>	<u>(4,019)</u>	<u>(59)</u>	<u>1,420</u>	<u>-</u>	<u>-</u>	<u>(8,551)</u>	<u>(2,599)</u>
Other revenue and gains							2,169	1,260
Profit/(loss) from operating activities							(6,382)	(1,339)
Share of loss of an associate							-	(259)
Impairment loss on long term investment							(491)	(397)
Gain on disposal of interest in an associate							-	4,166
Profit/(loss) before tax							(6,873)	2,171
Tax							-	(113)
Profit before minority interests							(6,873)	2,058
Minority interests							(20)	(140)
Net profit/(loss) from ordinary activities attributable to shareholders							<u>(6,893)</u>	<u>1,918</u>
Segment assets	<u>190,201</u>	<u>172,749</u>	<u>11,240</u>	<u>12,887</u>	<u>-</u>	<u>-</u>	<u>201,441</u>	<u>185,636</u>
Interest bearing time deposits							58,140	55,000
Interest in an associate							-	245
Long term investments							4,000	5,345
Total assets							<u>263,581</u>	<u>246,226</u>
Segment liabilities	<u>36,998</u>	<u>21,233</u>	<u>5,532</u>	<u>2,509</u>	<u>-</u>	<u>-</u>	<u>42,530</u>	<u>23,742</u>
Total liabilities	<u>36,998</u>	<u>21,233</u>	<u>5,532</u>	<u>2,509</u>	<u>-</u>	<u>-</u>	<u>42,530</u>	<u>23,742</u>
Other segment information:								
Capital expenditure	3,294	7,545	472	2,431	-	-	3,766	9,976
Depreciation	1,718	1,625	1,371	918	-	-	3,089	2,543
Amortisation of deferred expenditure	1,414	1,673	-	-	-	-	1,414	1,673
Other non-cash expenses	<u>1,129</u>	<u>695</u>	<u>165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,294</u>	<u>695</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:

	For the half year ended 30 June 2005				
	Mainland China	Asia Pacific	Others	Eliminations	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue					
Sales to external customers	<u>47,508</u>	<u>8,040</u>	<u>3,318</u>	<u>(6,818)</u>	<u>52,048</u>
Other segment information:					
Segment assets	188,879	12,562	-	-	201,441
Capital expenditure	<u>3,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,766</u>
	For the half year ended 30 June 2004				
	Mainland China	Asia Pacific	Others	Eliminations	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue					
Sales to external customers	<u>48,464</u>	<u>10,008</u>	<u>4,085</u>	<u>(9,217)</u>	<u>53,340</u>
Other segment information:					
Segment assets	173,939	11,697	-	-	185,636
Capital expenditure	<u>8,248</u>	<u>1,728</u>	<u>-</u>	<u>-</u>	<u>9,976</u>

4. Loss from operating activities

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

	Half-year ended		Three months ended	
	30 June		30 June	
	2005	2004	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	3,089	2,543	1,547	1,358
Provision/(written back) for doubtful debts	853	(357)	537	(345)
Provision/(written back) for inventories	(1,246)	369	(435)	369
Payments under operating leases				
in respect of land and buildings	1,035	1,187	545	539
Amortisation of research and development costs	1,414	1,673	615	823
Interest income	<u>(436)</u>	<u>(233)</u>	<u>(210)</u>	<u>(150)</u>

5. Tax

	Half-year ended		Three months ended	
	30 June		30 June	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
PRC				
Provision for the period	-	105	-	105
Hong Kong				
Provision for the period	-	8	-	8
	<u>-</u>	<u>113</u>	<u>-</u>	<u>113</u>

Under the Income Tax Law of PRC, the Company's subsidiary, Sino IC Technology Co., Ltd. ("Sino IC") is subject to a preferential income tax rate of 15%. Pursuant to an approval document dated 8 October 2004 issued by the Shanghai Pu Dong New Area Tax Bureau, with effect from 1 January 2004, Sino IC is exempt from corporate and local income tax for its first two profit making years and is entitled to a 50% tax reduction for the succeeding three years.

For the period ended 30 June 2005, the Company and its Hong Kong subsidiary have no assessable income and no provision for income tax has been made accordingly.

The Group's tax loss, primarily incurred by the Company, of RMB10,430,000 (2004: RMB10,305,000) 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 loss per share for the half-year and three months ended 30 June 2005 are based on net loss attributable to shareholders of approximately RMB6,893,000 and RMB4,092,000 respectively (half-year and three months ended 30 June 2004: profit of RMB1,918,000 and loss of RMB882,000 respectively) and the number of 624,350,000 shares (2004: 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 2005, the Group acquired machinery and office equipment amounted to approximately RMB1,424,000 (31 December 2004: land, machinery and office equipment of RMB13,758,000).

8. Trade and bills receivables

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 2005 is as follows:

	30 June 2005	31 December 2004
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	15,173	19,338
More than 3 months to within 6 months	6,655	11,100
More than 6 months to within 12 months	7,643	3,713
More than 12 months	1,048	622
	<u>30,519</u>	<u>34,773</u>

9. Trade and bills payables

An ageing analysis of trade and bills payables at 30 June 2005 is as follows:

	30 June 2005	31 December 2004
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	18,574	21,038
More than 3 months to within 6 months	588	-
	<u>19,162</u>	<u>21,038</u>

10. Reserves

Other than the profit/(loss) 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 2004 and 2005.

11. Commitments

	30 June 2005 RMB'000	31 December 2004 RMB'000
(a) <i>Capital commitments</i>		
Contracted, but not provided for in respect of:		
Purchase of fixed assets	<u> -</u>	<u> 590</u>

(b) *Commitments under operating leases*

At 30 June 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2005 RMB'000	31 December 2004 RMB'000
Within one year	590	922
In the second to fifth years, inclusive	119	80
	<u>709</u>	<u>1,002</u>

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 Group	Nature of transaction	Half-year ended	
			30 June 2005 RMB'000	2004 RMB'000
Shanghai Fudan University ("SFU")	Owner of Shanghai Fudan High Tech Company	Technical and equipment support fee	<u> -</u>	<u> 128</u>
Shanghai Commercial Investment Enterprise Holdings Limited	A subsidiary of Shanghai Commerce Invest (Group) Corporation Limited	Disposal of 20% equity interest in an associate	<u> -</u>	<u> 6,000</u>

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 2005 (30 June 2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the half-year ended 30 June 2005, the Group recorded turnover of approximately RMB52,048,000 (30 June 2004: RMB53,340,000) decreased by approximately 2% as compared to the same period in last year. Loss attributable to shareholders amounted to approximately RMB6,893,000 (30 June 2004: profit of RMB1,918,000).

During the period, the global market demand on IC electronic products slowed down. This brings along an adverse effect on the sales growth of the Group's IC products. A stable sales performance was due to the Group's products have a consistent market demand from its customers. The Group provides the Shanghai railways system with a total solution from IC chips to innovated super slim IC cards for its renewed system of passenger gates in order to achieve the unification of the fare systems throughout the whole railway network in Shanghai. At this stage, the use of super slim IC cards has reached the level of 100,000 testings. In the meantime, the Company preliminarily starts to produce the newly developed 0.18-micron multi-media IC chips for mobile phones. The newly developed electronic intelligent labels have been used in the management of firework products at the early stage with satisfactory result.

The Group's turnover decreased by approximately 8% when compared with the same period in last year. Reorders of the Group's main product, IC cards has decreased as some customers have overstocked during the last year end and could not fully consumed within a short period. Except the decrease in sales of motor electronics products as a result of cessation of production of certain products, sales in other categories like telecommunications, power electronics and consumer products could record growths.

The gross profit margin of overall products has slightly increased from 29% in the same period of last year to 31% in the current period. An increase in gross profit margin was due to a decrease in manufacturing costs under a stricter cost control despite adjustments in selling prices under keen market competition.

During the period, both other revenue and gains and interest income increased due to the subsidies on research and development granted by the local government authorities and higher interest rate respectively. Slight increases in selling and distribution costs and administrative expenses were because of increases in salaries of technicians in order to prevent a high rate of staff turnover. The operating expenses increased by 51% when compared with the same period in last year as a result of an increase in projects and expenditure on research and development as well as provision of bad debts made against trade debtors amounted to RMB853,000 (30 June 2004: written back of RMB357,000).

Financial Review

As at 30 June 2005, net assets of the Group amounted to approximately RMB219,852,000 (31 December 2004: RMB226,765,000). Current assets amounted to approximately RMB184,607,000 (31 December 2004: RMB189,141,000), of which approximately RMB103,251,000 (31 December 2004: RMB110,672,000) 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 2005 amounted to approximately RMB36,915,000 (31 December 2004: RMB35,545,000) and had non-current liabilities amounted to approximately RMB5,615,000 (31 December 2004: RMB5,615,000). The net assets value per share of the Group was approximately RMB0.35 (31 December 2004: RMB0.36). The Group's ratio of current liabilities over current assets was approximately 20.0% (31 December 2004: 18.8%) and the gearing ratio was approximately 19.3% (31 December 2004: 18.2%) on the basis of total liabilities over net assets. As at 30 June 2005, the Group had no bank or other borrowings (31 December 2004: 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 2005, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries.

As at 30 June 2005, the Group did not have any material contingent liabilities (31 December 2004: nil). Besides the fixed deposit of RMB640,000 (31 December 2004: RMB772,000) pledged for banking facilities, the Group has not pledged its assets to any third parties (31 December 2004: nil).

Employee Information

As at 30 June 2005, the Group employed 285 (30 June 2004: 295) staff and the total remuneration reflected in the income statement amounted to RMB13,524,000 (30 June 2004: RMB10,086,000) including amounts capitalised as development costs of RMB5,495,000 (30 June 2004: RMB3,880,000). The increase in staff costs is mainly due to adjustment in staff salaries.

Prospects

In second half of this year, part of the new products developed by the Group will be launched into the market. The Company will achieve a mature stage in its super slim IC cards by supplying several millions of single journey tickets to the Shanghai Railways System. In the consumer electronic sector, the Company has received bulk purchase orders for multi-media processing IC chips on moveable terminals like mobile phones and anticipates that these new products will be delivered to the customers within the year. In addition, the Company enters the stage of circuit testing on the newly designed multi-media chips which will also be launched in the market soon. The Company has developed its own brand name on the electronic intelligent labels after plenty of market researches and technical research and development conducted in the past two years; the newly published ultra frequency electronic intelligent label readers has been used in industries like transportation and logistics. In the foreseeable future, the Company will launch ultra frequency electronic intelligent labels for different applications in transportation, logistics, fake detection and construction materials etc.

The directors expect that the financial performance of the Group for the year will be improved after an introduction of these new products in the market.

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 2004 in relation to those matters set out in Rule 18.41 of the GEM Listing Rules.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2005, the interests or short positions of the directors, supervisors and chief executive of the Company in the share capital and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the registers required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of 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					Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust <i>(Note)</i>	Total	
<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 (the “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 30 June 2005, no directors, supervisors or chief executive 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 5.46 of the GEM Listing Rules.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures 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 30 June 2005, the following interests 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:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company’s issued share capital
SSAC Shanghai Fudan		Directly beneficially owned	144,230,000	23.10
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 2005, no person, other than the directors, supervisors and chief executive of the Company, whose interests are set out in the section "Directors', supervisors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to 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.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period ended 30 June 2005.

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive directors of the Company, Mr. Leung Tin Pui, Mr. Xu Juyan and Mr. Cheung Wing Keung. The Group's unaudited financial statements for the half-year ended 30 June 2005 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 period ended 30 June 2005, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

By Order of the Board

Jiang Guoxing

Chairman

Shanghai, PRC, 8 August 2005

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 and Mr. Wang Su; 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. Leung Tin Pui, Mr. Xu Juyan and Mr. Cheung Wing Keung.