



上海復旦微電子股份有限公司

Shanghai Fudan Microelectronics Company Limited *

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 8102)

**RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003**

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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This announcement, for which the directors of Shanghai Fudan Microelectronics Company Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Shanghai Fudan Microelectronics Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

AUDITED RESULTS

The Board of Directors (the “Board”) of Shanghai Fudan Microelectronics Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2003 along with the comparative audited figures of the Group for the year 31 December 2002 as follows:

	Notes	2003 RMB'000	2002 RMB'000
TURNOVER	2	97,456	62,003
Cost of sales		<u>(62,938)</u>	<u>(44,173)</u>
Gross profit		34,518	17,830
Other revenue and gains	2	2,907	2,946
Selling and distribution costs		(5,875)	(4,170)
Administrative expenses		(17,512)	(13,876)
Other operating expenses		<u>(15,092)</u>	<u>(7,504)</u>
LOSS FROM OPERATING ACTIVITIES		(1,054)	(4,774)
Share of losses of associates		<u>(5,228)</u>	<u>(2,637)</u>
LOSS BEFORE TAX		(6,282)	(7,411)
Tax	3	<u>(72)</u>	<u>96</u>
Loss before minority interests		(6,354)	(7,315)
Minority interests		<u>(196)</u>	<u>180</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(6,550)</u>	<u>(7,135)</u>
LOSS PER SHARE	4		
Basic		<u>(1.05) cents</u>	<u>(1.17) cents</u>

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for long term equity investments.

2. TURNOVER AND OTHER REVENUE AND GAINS

An analysis of turnover, other revenue and gains is as follows:

	2003 RMB'000	2002 RMB'000
TURNOVER		
Sale of goods	92,989	60,923
Services rendered	4,467	1,080
	<u>97,456</u>	<u>62,003</u>
OTHER REVENUE AND GAINS		
Interest income	1,496	1,883
Investment income	-	69
Value-added tax refunds	961	866
Subsidy income	167	118
Exchange gains, net	190	10
Others	93	-
	<u>2,907</u>	<u>2,946</u>
	<u>100,363</u>	<u>64,949</u>

3. TAX

	2003 RMB'000	2002 RMB'000
Group:		
Current – Mainland China		
Charge for the year	-	-
Overprovision in prior year	-	(170)
Current – Hong Kong	72	74
	<u>72</u>	<u>(96)</u>

Under the Income Tax Law of the PRC, the Company is subject to income tax at 33.0%. Pursuant to an approval document dated 15 January 2004 issued by the local municipal tax bureau, the Company is subject to a preferential income tax rate of 15.0% from 1 January 2003 to 31 December 2004. For the financial year ended 31 December 2003, the Company has no assessable income and no provision for income tax has been made accordingly.

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16.0%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003.

The Group has tax losses arising in the PRC of RMB7,965,000 (2002: RMB9,135,000) that are available, within a maximum period of five years, for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in the companies that have been loss-making for some time.

4. LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2003, is based on the following data:

	2003	2002
LOSS		
Net loss attributable to shareholders	<u>RMB(6,550,000)</u>	<u>RMB (7,135,000)</u>
SHARES		
Weighted average number of shares in issue	<u>624,354,000</u>	<u>609,309,000</u>

Diluted loss per share for the year ended 31 December 2003 and the comparative diluted loss per share amounts have not been calculated because no diluting events existed during these years.

5. RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2003 are set out as follows:

	Issued share capital RMB'000	Share premium account RMB'000	Statutory common reserve RMB'000	Statutory public welfare fund RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2002:							
As previously reported	51,875	70,375	456	456	-	(873)	122,289
PRC statutory adjustments (Note (a))	-	-	(456)	(456)	-	912	-
As restated	51,875	70,375	-	-	-	39	122,289
Net loss for the year	-	-	-	-	-	(7,135)	(7,135)
Issue of shares (Note (b))	10,560	109,272	-	-	-	-	119,832
Share issue expenses (Note (b))	-	(8,930)	-	-	-	-	(8,930)
At 31 December 2002	<u>62,435</u>	<u>170,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,096)</u>	<u>226,056</u>
At 1 January 2003	62,435	170,717	-	-	-	(7,096)	226,056
Exchange realignment and net gains and losses not recognised in the income statement	-	-	-	-	36	-	36
Net loss for the year	-	-	-	-	-	(6,550)	(6,550)
At 31 December 2003	<u>62,435</u>	<u>170,717</u>	<u>-</u>	<u>-</u>	<u>36</u>	<u>(13,646)</u>	<u>219,542</u>

Notes:

- (a) The statutory common reserve and statutory public welfare fund were adjusted to reflect the adjustments made on the opening retained profits/(accumulated losses) of the Company prepared in accordance with PRC accounting standards and regulations applicable to the Company.
- (b) On 21 February 2002, the Company issued additional 105,604,000 new H shares of RMB0.10 each to investors at HK\$1.07 each through a private placement for a total cash consideration, after deduction of related issuance expenses, of RMB110,900,000.

DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year.

CLOSURE OF H SHARE REGISTER FOR ANNUAL GENERAL MEETING

Persons who hold shares of the Company and whose names appear on the Register of Members of the Company as at 28 April 2004 shall be entitled to attend the Annual General Meeting. The Register of Members of the Company will be closed from 28 April 2004 to 27 May 2004 (both days inclusive) for the purposes of Annual General Meeting during which no transfer of H shares will be effected.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the year 2003, the market demand for electronic products in the PRC continued to grow, thanks to the total recovery of global chip market and the booming economy. The Group put all efforts on and did successfully pushing up its turnover, with a surge of over 50%. A majority of turnover and profit contribution of the Group was derived from the principal activities carried out in the PRC mainland. Since the upward trend of the PRC economy persisted, coupled with the Group's continuous hard efforts on research and development of new products, those imported products have been replaced by certain products of the Group. As such, the Group's products would be able to enjoy higher profit margins, and gross profit margin of the overall products increased from 28.8% of last year to 35.4% for the year. In this year, the Group still suffered from loss which was attributable to the following main reasons: provision for inventories increases by 233% from RMB421,000 of last year to approximately RMB1,400,000 this year; other operating expenditure for the year was RMB15,092,000, representing an increase of one time as compared to RMB7,504,000 of previous year. To facilitate the rapid development of technologies, the Group replaced with and acquired many new computer software and research equipment. Furthermore, while some of research and development projects are still on the stage of research and development or on the process of examination and approval of the application for accreditation, for the sake of prudence, impairment loss on deferred development costs in accordance with relevant accounting standards was approximately RMB1,463,000 (2002: RMB1,155,000). More staff were recruited for research and development to cope with increase in projects and resulted in an increase of 135% in expenditure of research and development costs from RMB5,260,000 of last year to RMB12,383,000 this year. The provision against doubtful debts was approximated RMB1,126,000 which is similar to that of last year. Since Shanghai Fudan Communication Co., Ltd. ("Fudan Communication"), an associate company of the Group, recorded a material loss as a result of business and research and development costs incurred in its operations, in view of the fierce competition within the industry, the Group has to raise its provisions against both impairment on assets and bad and doubtful debts, therefore, loss attributable to the Group of approximately RMB5,224,000 was recorded for this year, representing an increase of 98% as compared to RMB2,637,000 for the previous year. In the meantime, the overall results of the Group for the year were adversely affected.

An analysis of the performance of the Group's various business segments during the year under review are as follows:

IC Card

IC card products are still our core business and with the highest sales volume. The turnover of IC card products accounted for approximately 60% of the Group's total turnover and the turnover for the year surged more than 64% over the last year. During the year, the circuits for contactless IC card products

developed by the Group were awarded the honour of “2003 National Major New Products Programs”. In particular, the contactless 8K Bits IC card chips successfully ventured into “One Card Pass” in Shanghai’s public transportation and public transportation system in other provinces and municipalities, its satisfactory market sales together with the remarkable sales volume of the original 2K Bits memory card circuits, became the main stream of the Group’s turnover and profit.

Power Electronics

For the products of power electronics, earth leakage current detector circuit was the major product. With various home electrical appliances became more and more popular, sales of this product rose accordingly. The multi-fee power control meters developed by the Group have extensive functions and are complied with requirements of different provinces and municipalities, which would in turn maintain its growth in sales volume. This kind of products recorded a sales increase of over 50% and the profit margin of the overall products also maintained in a reasonable level.

Motor and Mobile Electronics

During the year, as the related market has been subdivided, the business performance of motor and mobile electronic products was rather stable, only a slight increase of sales volume was recorded.

Telecommunication Electronics

While the business of telecommunication electronics has not been included in the major research and development projects of the Company, its product range was limited. Suffered from market saturation, this business segment could only maintain to a level roughly the same as last year.

Consumer Electronics

Consumer electronic products were of the weakest sales among various series of products because product range in the market was numerous, competition was keen and profit was so minimal. As such, the Group had allocated less research and development resources to consumer electronics than to other types of products.

SUBSIDIARIES

During the year under review, there was no material change in the subsidiaries of the Group. While the businesses of all subsidiaries been well established and become more mature, save for the support and market expansion provided by the Group in all aspects, contributions to overall results were recorded.

ASSOCIATES

During the year, the Group has invested RMB245,000 for establishing a 49%-owned associated company, 上海復恩電子有限公司 (Shanghai Fu En Electronic Company Limited). This associate is principally engaged in the provision of technical service in electronics field and selling of IC products, which is expected to complement with various business development of the Group.

The Company holds 39% of equity interests in Fudan Communication, details of its performance were stated in the section headed “Business Review” above. The Company has entered into a disposal agreement and a supplemental agreement on 18 March 2004 and 19 March 2004 respectively with Shanghai Commercial Investment Enterprise Holdings Limited relating to the transfer of the Company’s 20% equity interest in Fudan Communication at a cash consideration of RMB6,000,000.

After the transfer of equity interests, the Company's interest in Fudan Communication would decrease to 19% and the cooperation between the Company and Fudan Communication in telecommunication electronics business is expected to be maintained.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As disclosed in the half year results report of the Company, the Company and Shanghai Commercial Investment Enterprise Holdings Limited mutually agreed on 27 June 2003 to terminate the acquisition of a 53.8% interest in Shanghai Commercial High Technology Development Limited ("Shanghai Commercial High Technology") and derived a more economic mode of cooperation for replacing the acquisition agreement.

The Company is still actively identifying strategic cooperative partners and has no material investment plan currently.

TECHNOLOGICAL COOPERATION

During the year under review, the Group continued to enjoy strong technical supports from the IC Engineering Technology Centre jointly operated with the Shanghai Fudan University and the ASIC System Laboratory which was co-operated with the University of Science & Technology of China.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2003, net assets of the Group amounted to approximately RMB219,542,000 (2002: RMB226,056,000). Current assets amounted to approximately RMB185,346,000 (2002: RMB202,792,000), of which approximately RMB123,511,000 (2002: RMB144,877,000) were cash and bank deposits.

The Group's financial resources and liquidity are in a healthy status and is able to meet its ordinary course of business and future development.

As at 31 December 2003, the Company has a deposit of RMB775,000 secured for letters of credit issued by the Company (2002: RMB4,346,000). As at 31 December 2003, the Group has not pledged its assets to any third parties (2002: nil).

CAPITAL STRUCTURE

During the year, there is no change in the capital structure of the Company.

GEARING RATIO

As at 31 December 2003, the Group's current liabilities amounted to approximately RMB22,675,000 (2002: RMB15,836,000) and had no non-current liabilities (2002: nil). The net assets value per share of the Group was approximately RMB0.352 (2002: RMB0.362). The Group's ratio of current liabilities over current assets was approximately 12.2% (2002: 7.8%) and the gearing ratio was approximately 10% (2002: 7%) on the basis of total liabilities over net assets. As at 31 December 2003, the Group had no bank or other borrowings (2002: nil).

INTEREST AND FOREIGN EXCHANGE RISK

As the Group has no bank or other borrowings, there was no risk in interest fluctuation. The Group has a slight foreign currency risk as part of the Group's purchases of equipment and raw materials are denominated in U.S. dollars. As most of 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 business of the Group.

CAPITAL COMMITMENTS

As at 31 December 2003, the Group had capital commitments amounted to approximately RMB11,413,000 as compared to approximately RMB22,382,000 for last year. The capital commitments relate to purchases of equipment.

CONTINGENT LIABILITIES

As at 31 December 2003, the Group has no contingent liabilities (2002: nil).

USE OF CAPITAL AND FUNDING

The Group currently has a stable financial position and sufficient working capital which will be allocated to carrying out researches on new products and identifying cooperative partners as appropriate.

STAFF

As at 31 December 2003, the Group employed approximately 258 (2002: 228) staff. The salary levels of employees are determined by their performance, qualifications, experience and contribution to the Group with reference to general market trend. In accordance with the Company Law of the PRC and the Group's Articles of Association, the Group will allocate its reserves to the statutory public welfare fund as staff welfare.

The total staff costs of the Group charged to the income statement for the year ended 31 December 2003 amounted to approximately RMB17,663,000 (2002: RMB11,068,000).

USE OF PROCEEDS

The Company obtained net proceeds, after deducting share issue expenses, of approximately RMB110,900,000 by way of placing of new H shares in 2002. During the year, the Group has applied the proceeds from such capital raising carried forward from the previous financial year in accordance with the circular issued on 12 November 2001 as follows:

- a) RMB6,060,000 for acquisition of equipment and franchised technique;
- b) RMB8,900,000 has been invested in developing telecommunication electronic business and recruitment of IC design professionals; and
- c) RMB15,300,000 applied to a medium and longer term strategy for the initial development in system application of IC cards, power electronic products and telecommunication products and promotion of SOC.

As disclosed in the Company's announcement dated 3 July 2003, the Company and Shanghai Commercial Investment Enterprise Holdings Limited has entered into an agreement to terminate the agreement relating to the acquisition of a 53.8% interest in Shanghai Commercial High Technology Development Limited. The Company will retain the related financial resource and continue to seek for business cooperation.

The balance of unused proceeds of approximately RMB57,340,000 has been placed with licensed banks in the PRC as general working capital.

PROSPECTS

To facilitate the extensive application of contactless IC card chips to all aspects and to satisfy its demand, the Company will keep on upgrading its products and extending its functions, with an aim to expand its presence in related markets. For other products, the Company endeavours to carry out research and development on various self-developed products, including multi-media chips for mobile phone communications, electronic labels for local logistics industry which is under rapid pace of development, 32K Bits memory card circuits for road toll system and electronic data, multi-fee power control meter chips for satisfying the requirements and the maximum power burden of different provinces and municipalities, etc.

The Company has moved to its self-owned office tower in Yangpu District, Shanghai in early 2004. In turn, this will centralise the operations of divisions comprising the Group and strengthen their management and communications, and will enable the Group to minimize its rental expenses and lower its operating costs.

The Directors expect the China's economy to remain robust, while market demand for electronic products continues to surge. As such, the Group will remain focus in the PRC market, aiming at to gain further businesses from the governmental sector and at the same time to leverage on the favourable condition of lower production costs in China, thereby to replace the market position of the importing products and to add momentum to the development of overseas business. As new types of electronic products keep coming to the market and technological advancements are achieved in much shorter time span, the Group will devote more effort to research and development of chip products and systems, acquire the latest technological know-how, research and development of proprietary products, and will continue its search for opportunities of collaboration with other business venture partners, thereby expanding its business and to gain a dominant position in the PRC market.

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

At 31 December 2003, the interests of the directors and supervisors of the Company in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and the GEM of the Stock Exchange of Hong Kong (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Rule 5.40 of the Rules governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"), were as follows:-

Long positions in domestic shares of the Company:-

Number of issued shares held, capacity and nature of interest						
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust (Note)	Total	Percentage of the Company's issued 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 and 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, as at 31 December 2003, none of the directors and supervisors had registered an interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly in any contract of significance to the business of the Group to which the Company or its subsidiaries were a party during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2003, the following interest of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:-

Long positions in domestic shares of the Company: -

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
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 Shanghai Fudan University.
- (2) SCI is a state-owned enterprise wholly-owned by the Shanghai Municipal Government. Of the 95,200,000 domestic shares in which SCI is interested, 46,160,000 shares are held in its own name, 34,620,000 shares are held by a wholly-owned subsidiary of SCI, Shanghai Pacific Commercial Trust Company, and 14,420,000 shares are held by a 74.3%-owned subsidiary, Ningbo Lirong Co., Ltd. The 46,160,000 domestic shares held in its own name represents approximately 7.39% of the registered share capital of the Company.

Save as disclosed above, as at 31 December 2003, no person, other than the directors and supervisors of the Company, whose interests are set out in the section "Directors' and supervisors' interests and short positions in shares, and underlying shares" above, had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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 of Rules 5.28 to 5.39 of the GEM Listing Rules throughout the accounting period covered by the annual report, except for the Rule 5.29 of the GEM Listing Rules which requires full board meetings to be held no less frequently than every three months. The Company's directors are resided and work in Shanghai, Hong Kong and Taiwan, respectively, in this connection, they were unable to convene a full board meeting during the year.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the Board of Directors and supervise the financial reporting process and internal control system of the Group. The audit committee has three members comprising the three independent non-executive directors, Mr. David Yung, Mr. Leung Tin Pui and Mr. Xu Juyan. The Company's and the Group's financial statements for the year ended 31 December 2003 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. The audit committee held four meetings during 2003.

ON BEHALF OF THE BOARD

Jiang Guoxing
Chairman

Shanghai, PRC
25 March 2004

** For identification purpose only*

This announcement will remain on the GEM website on the "Latest Company announcements" page and on the Company's website for at least 7 days from the day of its posting.