SHANGHAI JIAODA WITHUB
INFORMATION INDUSTRIAL COMPANY LIMITED*

上海交大慧谷信息產業股份有限公司

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

(Stock Code: 8205)

INTERIM REPORT 2005

* *For identification purpose only*

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This report, for which the directors (the "Directors") of Shanghai Jiaoda Withub Information Industrial Company Limited (the "Company") 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 for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this 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.

HIGHLIGHTS

- The Group recorded a sales income of approximately RMB52,740,000 for the six months ended 30th June, 2005. Sales income for the corresponding period in 2004 was approximately RMB59,128,000.

- The Group recorded a net loss of approximately RMB4,556,000 for the six months ended 30th June, 2005. Net loss for the corresponding period in 2004 was approximately RMB3,112,000.

- The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2005.

INTERIM RESULTS

The board of Directors ("Board") of Shanghai Jiaoda Withub Information Industrial Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and the six months ended 30th June, 2005.

The unaudited results of the Group for the three months and six months ended 30th June, 2005 together with the unaudited comparative figures for the corresponding periods in 2004 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the three months ended 30th June,		**For the six months ended 30th June,**	
		2005	2004	**2005**	2004
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover	*2*	**31,567**	27,234	**52,740**	59,128
Cost of sales		**(24,002)**	(23,126)	**(45,567)**	(51,601)
Gross profit		**7,565**	4,108	**7,173**	7,527
Other revenue		**1,270**	1,536	**1,414**	3,323
Distribution costs		**(1,108)**	(1,190)	**(1,504)**	(2,441)
Research and development costs		**(2,176)**	(202)	**(3,687)**	(1,976)
Administrative expenses		**(3,022)**	(4,102)	**(6,605)**	(9,296)
Profit/(loss) from operations	*4*	**2,529**	150	**(3,209)**	(2,863)
Finance costs	*5*	**–**	(63)	**(9)**	(142)
Share of loss of associates		**(415)**	(20)	**(1,175)**	(254)
Profit/(loss) before taxation		**2,114**	67	**(4,393)**	(3,259)
Taxation	*6*	**(273)**	–	**(273)**	–
Net profit/(loss) before minority interests		**1,841**	67	**(4,666)**	(3,259)
Minority interests		**(765)**	(26)	**110**	147
Net profit/(loss) attributable to shareholders		**1,076**	41	**(4,556)**	(3,112)
Dividends		**–**	–	**–**	–
Earnings/(Loss) per share (in RMB)	*7*	**(0.0022)**	0.0001	**(0.0095)**	(0.0065)

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**30th June, 2005** *RMB'000* **(Unaudited)**	31st December, 2004 *RMB'000* (Audited) *(note 2)*
NON-CURRENT ASSETS			
Plant and equipment		**2,566**	2,971
Interests in associates		**43,664**	26,256
Available for sale investments		**1,500**	1,500
Goodwill		**34**	34
Intangible asset		**3,900**	4,050
Other non-current assets		**150**	150
Deferred tax assets		**212**	484
		52,026	35,445
CURRENT ASSETS			
Inventories		**15,700**	9,842
Amount due from related parties		**1,016**	1,016
Amounts due from associates		**673**	1,241
Trade debtors	*8*	**30,148**	32,998
Deposits, prepayments and other debtors		**34,759**	27,852
Cash and bank balances		**30,673**	45,658
		112,969	118,607
CURRENT LIABILITIES			
Trade creditors	*9*	**10,287**	6,901
Other creditors and accrued expenses		**36,607**	24,384
Amount due to an associate		**68**	68
Income taxes payable		**1,283**	1,283
		48,245	32,636
NET CURRENT ASSETS		**64,724**	85,971
		116,750	121,416
Share capital	*10*	**48,000**	48,000
Reserves		**68,750**	73,306
Equity attributable to shareholders		**116,750**	121,306
Minority interests		**–**	110
		116,750	121,416

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Save as stated below, the Group has not recorded any movement in reserve for the six months ended 30th June, 2005.

	Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January, 2004	48,000	61,068	16,000	223	–	(2,868)	122,423
Net loss for the period	–	–	–	–	–	(3,112)	(3,112)
At 30th June, 2004	48,000	61,068	16,000	223	–	(5,980)*	119,311
At 1st January, 2005	48,000	61,068	16,000	223	(49)	(3,936)	121,306
Net loss for the period	–	–	–	–	–	(4,556)	(4,556)
At 30th June, 2005	48,000	61,068	16,000	223	(49)	(8,492)	116,750

* *Including a non-distributable profit of a subsidiary of RMB67,000. For the six months ended 30 June 2005, the subsidiary has accumulated deficit of RMB173,000.*

CONDENSED CONSOLIDATED CASHFLOW STATEMENT (UNAUDITED)

	For the six months ended 30th June,	
	2005	2004
	RMB'000	*RMB'000*
NET CASH USED FROM/(IN) OPERATING ACTIVITIES	**3,528**	(7,341)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	**(18,504)**	243
NET CASH USED IN FINANCING ACTIVITIES	**(9)**	(305)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(14,985)**	(7,403)
CASH AND CASH EQUIVALENTS AS AT 1ST JANUARY	**45,658**	60,114
CASH AND CASH EQUIVALENTS AS AT 30TH JUNE	**30,673**	52,711
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	**30,673**	66,846
Less: Pledged time deposits	**–**	(14,135)
	30,673	52,711

Notes:

1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements ("interim financial statements") of the Group have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice No. 34 (Interim Financial Reporting) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules"). The interim financial statements have been prepared on the basis of historical cost convention.

In 2004, the HKICPA issued a number of new and revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRS") which are effective for accounting periods beginning on or after 1st January, 2005. The adoption of these HKFRS has no material impact on the operating results and financial position of the Group.

2. TURNOVER

Turnover represents revenue from business solutions development, application software, network and data security products, and the sales of distributed products. Turnover is stated net of value added tax and other sales tax and returns. Revenue from provision of business solutions development, application software and network and data security products are recognised when delivery or acceptance has occurred, the fee is fixed and determinable, evidence of an arrangement exists, collection of the receivable is probable and no significant post-delivery obligations remain. Sales of distributed products are recognised when goods are delivered and title has passed.

	For the three months ended 30th June,		**For the six months ended 30th June,**	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Business solutions development	**15,605**	5,651	**16,203**	16,196
Application software	**30**	522	**30**	692
Network and data security products	**335**	131	**609**	490
Sales of distributed products	**15,597**	20,930	**35,898**	41,750
	31,567	27,234	**52,740**	59,128

All of the Group's activities are conducted in the PRC. Turnover as disclosed above is net of applicable PRC business tax and value added tax.

3. SEGMENT INFORMATION

Business segments

For management reporting purpose, business segment information is chosen as the primary reporting format. The principal business segments of the Group comprise the following:

Business application solutions: develop and provide business application solutions services which include business solutions, application software, network and data security products.

Sales of distributed products: distribute computer products and accessories.

Segment information about these businesses is presented below.

	Business application solutions for the six months ended 30th June,		**Sales of distributed products for the six months ended 30th June,**		**Consolidated for the six months ended 30th June,**	
	2005	2004	**2005**	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Segment revenue						
Turnover from external customers	**16,842**	17,378	**35,898**	41,750	**52,740**	59,128
Other revenue	**–**	120	**–**	–	**–**	120
Total	**16,842**	17,498	**35,898**	41,750	**52,740**	59,248
Unallocated other revenue					**1,414**	3,203
					54,154	62,451
Results						
Segment results	**(413)**	589	**455**	(74)	**42**	515
Unallocated operating income and expenses					**(3,251)**	(3,378)
Profit from operations					**(3,209)**	(2,863)
Finance costs					**(9)**	(142)
Share of profits less losses of associates	**(1,175)**	(254)	**–**	–	**(1,175)**	(254)
Taxation					**(273)**	–
Minority interests					**110**	147
Loss attributable to shareholders					**(4,556)**	(3,112)

Geographical segment

The Group's business and assets are generated from and situated in the PRC. Accordingly, no geographical segment information has been presented.

4. PROFIT/(LOSS) FROM OPERATIONS

	For the three months ended 30th June,		For the six months ended 30th June,	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit/(Loss) from operations has been arrived after charging:				
Amortisation of goodwill	**–**	14	**–**	26
Amortisation of intangible asset	**75**	75	**150**	150
Cost of inventories recognised as an expense	**24,002**	23,126	**45,567**	51,601
Depreciation	**256**	211	**508**	526
Provision for inventory obsolescence	**–**	377	**–**	377
Loss on disposal of plant and equipment	**2**	64	**2**	75
Operating lease in respect of rented premises	**448**	663	**1,429**	1,325
Contributions to retirement benefit scheme	**255**	265	**565**	490
Staff costs (including directors' emoluments and all staff related costs)	**3,441**	3,088	**7,130**	7,323
and crediting				
Tuition fees	**–**	995	**38**	2,805

5. FINANCE COSTS

	For the three months ended 30th June,		For the six months ended 30th June,	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest on borrowings wholly repayable within five years	**–**	63	**9**	142
	–	63	**9**	142

6. TAXATION

(a) The amount of taxation in the consolidated income statement represents:

	For the six months ended 30th June,	
	2005	2004
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
– tax for the period	**–**	–
– over-provision in respect of prior years	**–**	–
Deferred tax – current period	**273**	–
Total taxation for the period	**273**	–

According to relevant PRC tax regulations, High and New Technology Enterprises ("HNTE") operating within a High and New Technology Development Zone are entitled to a reduced Enterprise Income Tax ("EIT") rate of 15%. The Company is recognised as a HNTE and accordingly is subject to EIT at 15%. The recognition as a HNTE is subject to an annual review by the relevant government bodies. The subsidiaries of the Company are subject to applicable EIT rates ranging from 15% to 33% with the exception for Shanghai Withub Information and Professional Training School which is exempted from EIT.

No provision for EIT has been made as all companies within the Group have no estimated assessable profits.

No provision for Hong Kong Profits Tax has been made as the companies within the Group did not generate any assessable profits in Hong Kong.

(b) No deferred tax assets has recognized in respect of the tax losses as it is not possible to predict the trend of future profits to determine the amount of available tax losses to be utilized.

7. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share for the three months and six months ended 30th June, 2005 was based on the net profit of approximately RMB1,076,000 and net loss of approximately RMB4,556,000 (three months and six months ended 30th June, 2004: net profit of approximately RMB41,000 and net loss of approximately RMB3,112,000) divided by the number of shares during the period (2005: 480,000,000 shares and 2004: 480,000,000 shares).

Diluted earnings per share is not presented for the three months and six months ended 30th June, 2005 and 2004 as there were no potential dilutive shares in issue during the relevant periods.

8. TRADE DEBTORS

The credit terms of the Group are 30-90 days. The aging analysis of trade debtors is as follows:

	30th June, 2005 *RMB'000* **(unaudited)**	31st December, 2004 *RMB'000* (audited)
Aged:		
0-90 days	**14,985**	24,848
91-180 days	**8,321**	1,003
181-365 days	**1,024**	3,844
>365 days	**6,294**	3,779
	30,624	33,474
Provision for doubtful debts	**(476)**	(476)
	30,148	32,998

9. TRADE CREDITORS

The aging analysis of trade creditors are as follows:

	30th June, 2005 *RMB'000* **(unaudited)**	31st December, 2004 *RMB'000* (audited)
Aged:		
0-90 days	**7,699**	4,791
91-180 days	**86**	740
181-365 days	**1,339**	476
>365 days	**1,163**	894
	10,287	6,901

10. SHARE CAPITAL

	30th June, 2005 *RMB'000* **(unaudited)**	31st December, 2004 *RMB'000* (audited)
Registered, issued and fully paid:		
480,000,000 (2004: 480,000,000) shares of RMB0.1 each	**48,000**	48,000

The Company has conditionally adopted a share option scheme which enables the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The directors may, at their discretion but on the basis of their contribution to the development and growth of the Group, make an offer to certain persons to subscribe for the Company's H shares.

During the period, no option was granted by the Company.

11. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Future Prospects

The China government eventually decided to appreciate their currency by 2% in July 2005 which is long awaited by many. This action augurs the end of yuan pegging to dollar and mark the start of yuan pegging to a basket of foreign currency. The market expects the yuan to appreciate another 5% to 10% in next 12 months. The appreciation in July 2005 is considered positive both to China and other countries as this will encourage a more fair and balance trade in the international market as viewed by the west.

As the China economy continues its high rate of growth which touch an average of 10% in the past 20 years and coupled with the record foreign reserves achieved as at USD711 billion based on the latest figure, the management expects China will continue its economy expansion this year and also play a more important and dominant role in the world economy and international trade. The management also expects China to participate more actively in the major economic organization such as OECD and G7 as its economy integrates more and more to the global economy.

Due to the rapid expansion of economy of PRC, the Group will continue to look for opportunities to invest in the related business in the information technology field. The management will be more selective in their investment and will only consider business which has clear business objectives, strategies and which has positive cash flow.

The Company believes the information technology sector, both hardware and software, still have greater room to develop as more and more companies embrace the technology in this field and the new usage in the application. Moreover, as the profit of most of the corporates in China achieve record high and will prepare to invest more in the information technology in order to upgrade their management information system.

The Company will also consider rightsizing the existing business operation in order to stay lean and mean to compete more effectively on cost management. The rightsizing of the business will also provide flexibility to the Company to respond to the need of the customers due to the changes in the economy environment. The Company will also set up a strategic partner scheme in order to arrange part of the software development work for them to complete and this will reduce the increased cost in research and development in the Group.

The management believes that the Company will be an effective player in the solution provider in their own niche market after imposing greater discipline on the cost management and with the introduction of the new scheme in the software development.

Financial Review

For the six months ended 30th June, 2005, the Group has recorded an unaudited turnover of approximately RMB52,740,000, representing a decrease of approximately RMB6,388,000 or 11% as compared to the corresponding period in 2004. For the three months ended 30th June, 2005, the Group recorded an unaudited turnover of approximately RMB31,567,000, representing an increase of approximately RMB4,333,000 or 16% as compared to the corresponding period in 2004.

For the six months and three months ended 30th June, 2005, the unaudited net profit/(loss) of the Group amounted to approximately RMB(4,556,000) and RMB1,076,000 respectively.

During the first half of 2005, the Company experienced a slowdown in business especially in the area of application software development. However, the Company managed to maintain the sales revenue comparable to the first half of last year and the sales revenue is only marginally off as compared to the last year's sales figure.

The management has noted the narrowing of the gross profit margin which is due to the tight competition in the area of the application software in the market. The management also noted an increased cost in the research and development and also a high cost of administration although it is lower than last year which cost the Group to record a net loss from the operation.

In order to solve these problems, the management has firmly decided to focus in the application software development which does not compete with the smaller software house and also to concentrate on the application software sector which they have niches such as more sophisticated application software requested from the government sector. This project will provide better profit margin and may not be accessible to the smaller software house which has poorer maintaining and after sales support.

Moreover, the management decided to cut the administrative cost by rightsizing the management resources including the staffing area to the optimum level. The rightsizing exercise will be carried out in the second half of the year. The management decided to maintain the core business resources and plan to arrange external strategic partner to complete a portion of the software development work in order to have a more flexible management structure.

Finally, the management will impose a tighter cost control and discipline in order to achieve the planned net profit margin by the financial year end.

Financial Resources and Liquidity

As at 30th June, 2005, equity of the Group amounted to approximately RMB116,750,000 (as at 31st December, 2004: RMB121,416,000). Current assets amounted to approximately RMB112,969,000 (as at 31st December, 2004: RMB118,607,000), of which approximately RMB30,673,000 (as at 31st December, 2004: RMB45,658,000) were cash and bank deposits. The Group had no non-current liabilities and its current liabilities amounted to approximately RMB48,245,000 (as at 31st December, 2004: RMB32,636,000) mainly comprising trade payable, accruals and short-term bank loan. The net asset value per share of the Group was RMB0.243 (as at 31st December, 2004: RMB0.253).

As at 30th June 2005, the Group held cash balance of RMB30,673,000 and the current ratio was 2.34. The Directors believe that the Group is financial healthy.

As at 30th June, 2005, the debt ratio (being liabilities to total assets) of the Group was approximately 29.2% (as at 31st December, 2004: 21.2%).

Capital Structure

There has been no change to the capital structure of the Company during the six months ended 30th June, 2005.

Gearing ratio

The Group expresses its gearing ratio as a percentage of long-term debts over equity. The Group had a gearing ratio of zero since the Group did not have any long-term debts. The Group generally finances its operations with equity funding and bank borrowings.

Foreign exchange expenses

During the six months ended 30th June, 2005, as the Group's sales and purchases were substantially denominated in Renminbi, the Board considers that the potential foreign exchange exposure of the Company is minimal.

Employee information

As at 30th June, 2005, the Group employed permanent staff of approximately 220 (as at 30th June, 2004: 257). For the six months ended 30th June, 2005, the remuneration for the employees (including the directors' emoluments) amounted to approximately RMB7,130,000 (as at 30th June, 2004: RMB7,323,000). Employees are remunerated in accordance to their performance and working experience.

Material acquisitions/disposals

During the six months ended 30th June, 2005, the Group had no material acquisitions and disposal of subsidiaries and associated companies and it is the same for the comparative six months ended 30th June, 2004.

Charges on Group's assets

As at 30th June, 2005, the Group had no charges on Group's assets.

Details of future plans for material investments or capital assets

As at 30th June, 2005, the Group had no future plans for material investments or capital assets.

Contingent liabilities

As at 30th June, 2005, the Group had no material contingent liabilities, and it is the same as at 30th June, 2004.

Business Operation in UGL

The Company has made an investment in Union Genesis Limited ("UGL"), a company incorporated in the British Virgin Islands, by subscribing 45% of the issued share capital of UGL at a consideration of US$2,250,000 (equivalent to HK$17,550,000) on 3rd March, 2005.

The investment in UGL represents one of the major investments in the Group and this year also marks the first year of operation for UGL. Therefore, the management has given heavy emphasis and attention to the management control and also the business progress of UGL.

On the management control, the Company has requested a proper set up of all the financial and internal control procedures and systems in order to allow UGL to operate efficiently. The management will have a regular monthly review of the financial report of UGL and also will hold a regular meeting with the management in order to ensure the business of the Company is progressing properly.

As to the business of UGL, it has grown at a slower pace during the first half of this year. Nevertheless, it is at the right track of the intended business which is marketing the consumer hardware and software in the area of digital set-top television boxes ("STB").

The sales is expected to pick up especially during the second half of the year as more manufacturers of digital STB devices in PRC will place their orders in order to fulfill the market demand. The market for STB is expected to pick up as most of the countries in Asia are expected to launch digital transmission for televisions beginning from the end of this year onwards.

The sales team has also intensified their marketing effort as they have visited more manufacturers which produce for the market in Asia. The responses from the factories are very encouraging and positive.

UGL may expect some competition in future but not immediate as UGL has managed to develop their own technology in this area earlier than others and has also set up a proper marketing channel which gives them advantages as compared to the late comers in this business.

The management therefore maintains the confidence of achieving the planned revenue and operating profit although the operation recorded slight losses of over RMB1,000,000 during the first half of the financial year.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2005, the interests and short positions of the Directors, the supervisors of the Company (as if the requirements applicable to the Directors under the Securities and Futures Ordinance ("SFO") had applied to the supervisors) or chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Name of Directors	The Company/ name of associated corporation	Capacity	Number and class of securities *(Note 1)*	Approximate percentage in the issued share capital of the Company/ associated corporation
Xu Xiaoming	Company	Beneficial owner	7,300,000 domestic shares (L)	1.52%
Cheng Min	Company	Beneficial owner	4,700,000 domestic shares (L)	0.98%
Chen Jianbo	Company	Beneficial owner	24,300,000 domestic shares (L)	5.06%
	Shanghai Jiaoda Withub Ton Yong Technology Company Limited *(Note 2)*	Beneficial owner	500,000 shares (L)	5.00%
Wang Yiming	Company	Beneficial owner	9,840,000 domestic shares (L)	2.05%
	Shanghai Huikang Information Technology Company Limited *(Note 3)*	Beneficial owner	100,000 shares (L)	10.00%

Notes:

1. The letter "L" represents the interests in the share and underlying shares of the Company or its associated corporations.

2. Shanghai Jiaoda Withub Ton Yong Technology Company Limited is a subsidiary of Shanghai Jiaoda Withub Technology Company Limited, an associated company of the Company.

3. Shanghai Huikang Information Technology Company Limited is one of the subsidiaries of the Company.

Save as disclosed above, as at 30th June, 2005, none of the Directors, supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE H SHARES

As at 30th June, 2005, none of the Directors, supervisors and chief executives of the Company was granted options to subscribe for H shares of the Company. As at 30th June, 2005, none of the Directors, supervisors and chief executives of the Company had any rights to acquire H shares in the Company.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme. A summary of the principle terms and conditions of the share option scheme is set out in the section headed "Share option scheme" in Appendix IV of the prospectus of the Company dated 25th July, 2002. No option has been granted pursuant to such share option scheme on or before 30th June, 2005.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES IN THE COMPANY

A. Substantial shareholders

As at 30th June, 2005, the following shareholders (other than the Directors, the supervisors of the Company (as if the requirements applicable to the Directors under the SFO had applied to the supervisors) or chief executive of the Company) had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Nature of interest	Number and class of shares *(Note 1)*	Approximate percentage of interest
Shanghai Jiao Tong University	Interest of a controlled corporation *(Note 2)*	114,000,000 domestic shares (L)	23.75%
Shanghai Jiaoda Industrial Investment Management (Group) Limited	Interest of a controlled corporation *(Note 2)*	114,000,000 domestic shares (L)	23.75%
Shanghai Jiaoda Science and Technology Park Limited	Beneficial owner	114,000,000 domestic shares (L)	23.75%
Shanghai Xin Xuhui (Group) Limited	Beneficial owner	60,000,000 domestic shares (L)	12.50%
Xuhui District Industrial Association	Interest of a controlled corporation *(Note 3)*	60,000,000 domestic shares (L)	12.50%
Shanghai Huixin Investment Operation Company Limited	Beneficial owner	57,000,000 domestic shares (L)	11.88%
Shanghai Technology Investment Company	Beneficial owner	57,000,000 domestic shares (L)	11.88%

Notes:

1. The letter "L" represents the equity's interest in the shares of the Company.

2. There 114,000,000 Domestic Shares are registered and owned by Shanghai Jiaoda Science and Technology Park Limited ("Jiaoda S&T Park"). The major shareholder of Jiaoda S&T Park is Shanghai Jiaoda Industrial Investment Management (Group) Limited ("Jiaoda Industrial") which owns 55.42% of registered capital in Jiaoda S&T Park. Shareholders of Jiaoda Industrial are Shanghai Jiao Tong University (96.735%) and Shanghai Jiaoda Enterprise Management Centre (3.265%), an entity wholly-owned by Shanghai Jiao Tong University. Both Jiaoda Industrial and Shanghai Jiao Tong University are deemed to be interested in the aggregate of 114,000,000 Domestic Shares held by Jiaoda S&T Park under the SFO.

3. These 60,000,000 Domestic Shares are registered and owned by Shanghai Xin Xuhui (Group) Limited, the registered capital of which will be owned as to approximately 74.58% by Xuhui District Industrial Association after the completion of certain capital reorganisation as referred to in the Prospectus. Xuhui District Industrial Association is deemed to be interested in the 60,000,000 Domestic Shares held by Shanghai Xin Xuhui (Group) Limited under the SFO.

B. Other persons who are required to disclose their interests pursuant to Divisions 2 and 3 of Part XV of the SFO

As at 30th June, 2005, save for the persons/entities disclosed in sub-section A above, the following person/entity had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Capacity	Number of shares *(Note)*	Approximate percentage of entity's interest
Chen Jianbo	Beneficial owner	24,300,000 domestic shares (L)	5.06%

Note: The letter "L" represents the entity's interest in the shares of the Company.

Save as disclosed above, as at 30th June, 2005, the Directors are not aware of any other person (other than the Directors and chief executive of the Company) who has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPETING INTERESTS

None of the Directors or the management shareholders (as defined under the GEM Listing Rules) of the Company had any interest in a business which competes or may compete with the business of the Group.

PRACTICE AND PROCEDURES OF THE BOARD

Throughout the six months period, the Company was in compliance with the Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules, which were in force prior to 1st January, 2005. Except that from 1st July, 2005, actions were taken to comply with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules ("CG Code"), which has become effective for accounting periods commencing on or after 1st January, 2005 to replace the Board Practices and Procedures as set in Rules 5.34 to 5.45 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the Stock Exchange's required standard of dealings. The Company had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the Stock Exchange's required standard of dealings and its code of conduct regarding securities transactions by the Directors.

AUDIT COMMITTEE

The Company established an audit committee on 7th July, 2002 with written terms of reference for the purpose of reviewing and supervising the Group's financial reporting and internal control procedures. The audit committee comprises the three independent non-executive directors, Professor Yang Junchang, Professor Shao Shihuang and Professor Gu Junzhong. The audit committee has reviewed the unaudited results of the Company for the six months ended 30th June, 2005.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended to 30th June, 2005.

CORPORATE GOVERNANCE

The Board considers that the Company has complied with the Code provisions set out in the Code on the CG Code throughout the period, except that (i) the remuneration committee has not yet been set up by the Company; and (ii) the Company has not disclosed the terms of reference of audit committee and remuneration committee by including such information on the Company's website. The Company will take appropriate actions to comply with the CG Code.

As at the date of this report, the directors of the Company are as follows:

Executive directors	Yuan Tingliang, Cheng Min, Mo Zhenxi, Wang Yiming, Li Wei, Lu Yaohui, and Qian Zhenying
Independent non-executive directors	Shao Shihuang, Gu Junzhong, Hu Shao-ming, Herman and Yang Junchang

By Order of the Board
Yuan Tingliang
Chairman

Shanghai, the PRC, 8th August, 2005