



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 2007**

\* For identification purpose only

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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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 (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquires, 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 turnover of approximately RMB42,173,000 for the six months ended 30th June, 2007 (2006: RMB49,701,000), representing a decrease of approximately 15% as compared with that of the corresponding period in 2006.
- The Group recorded a loss attributable to equity holders of the Company of approximately RMB4,539,000 for the six months ended 30th June, 2007 (2006: RMB5,686,000), representing a decrease of approximately 20% as compared with that of the corresponding period in 2006.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2007.

## INTERIM RESULTS

The board of Directors (“Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months and three months ended 30th June, 2007, together with the unaudited comparative figures for the corresponding periods in 2006 are as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

|                                   | <i>Notes</i> | For the three months<br>ended 30th June, |                        | For the six months<br>ended 30th June, |                        |
|-----------------------------------|--------------|--|------------------------|--|------------------------|
|                                   |              | 2007<br><i>RMB'000</i>                   | 2006<br><i>RMB'000</i> | 2007<br><i>RMB'000</i>                 | 2006<br><i>RMB'000</i> |
| Turnover                          | 2            | <b>23,040</b>                            | 24,169                 | <b>42,173</b>                          | 49,701                 |
| Cost of sales                     |              | <b>(21,775)</b>                          | (23,511)               | <b>(39,204)</b>                        | (48,415)               |
| Gross profit                      |              | <b>1,265</b>                             | 658                    | <b>2,969</b>                           | 1,286                  |
| Other revenue                     |              | <b>198</b>                               | 483                    | <b>364</b>                             | 1,164                  |
| Distribution expenses             |              | <b>(566)</b>                             | (418)                  | <b>(1,231)</b>                         | (981)                  |
| Research and development expenses |              | <b>(928)</b>                             | (2,083)                | <b>(2,256)</b>                         | (3,401)                |
| Administrative expenses           |              | <b>(1,206)</b>                           | (131)                  | <b>(3,181)</b>                         | (1,840)                |
| Loss before tax                   | 4            | <b>(1,237)</b>                           | (1,491)                | <b>(3,335)</b>                         | (3,772)                |
| Share of losses of associates     |              | <b>(210)</b>                             | (4,136)                | <b>(1,204)</b>                         | (1,914)                |
| Loss before taxation              |              | <b>(1,447)</b>                           | (5,627)                | <b>(4,539)</b>                         | (5,686)                |
| Tax expenses                      | 5            | –  | –                      | –                                      | –                      |
| Loss for the period               |              | <b>(1,447)</b>                           | (5,627)                | <b>(4,539)</b>                         | (5,686)                |
| Attributable to:                  |              |  |                        |  |                        |
| – Equity holders of the Company   |              | <b>(1,453)</b>                           | (5,670)                | <b>(4,539)</b>                         | (5,686)                |
| – Minority interests              |              | <b>6</b>                                 | 43                     | –                                      | –                      |
|                                   |              | <b>(1,447)</b>                           | (5,627)                | <b>(4,539)</b>                         | (5,686)                |
| Dividends                         | 6            | –  | –                      | –                                      | –                      |
| Loss per share (in RMB)           | 7            |  |                        |  |                        |
| – Basic                           |              | <b>(0.0030)</b>                          | (0.0117)               | <b>(0.0095)</b>                        | (0.0118)               |
| – Diluted                         |              | <b>N/A</b>                               | N/A                    | <b>N/A</b>                             | N/A                    |

## CONDENSED CONSOLIDATED BALANCE SHEET

|  | <i>Notes</i> | <b>30th June,<br/>2007</b> | 31st December,<br>2006 |
|--|--------------|----------------------------|------------------------|
|  |              | <b>RMB'000</b>             | <b>RMB'000</b>         |
|  |              | <b>(Unaudited)</b>         | <b>(Audited)</b>       |
| <b>NON-CURRENT ASSETS</b>                            |              |                            |                        |
| Property, plant and equipment                        |              | <b>1,291</b>               | 1,752                  |
| Interests in associates                              |              | <b>23,081</b>              | 25,781                 |
| Available-for-sale investments                       |              | <b>2,416</b>               | 2,416                  |
| Goodwill   |              | –                          | –                      |
| Other intangible asset                               |              | <b>3,325</b>               | 3,450                  |
| Other non-current assets                             |              | <b>30</b>                  | –                      |
|  |              | <b>30,143</b>              | 33,399                 |
| <b>CURRENT ASSETS</b>                                |              |                            |                        |
| Inventories  |              | <b>3,575</b>               | 8,663                  |
| Amount due from related parties                      |              | –                          | 1,579                  |
| Amount due from associates                           |              | –                          | 1,007                  |
| Trade receivables                                    | 8            | <b>13,612</b>              | 14,270                 |
| Deposits, prepayments and other receivables          |              | <b>36,977</b>              | 32,969                 |
| Bank balances and cash                               |              | <b>39,160</b>              | 43,811                 |
|  |              | <b>93,324</b>              | 102,299                |
| <b>CURRENT LIABILITIES</b>                           |              |                            |                        |
| Trade and bills payable                              | 9            | <b>4,965</b>               | 10,796                 |
| Other payables and accrued expenses                  |              | <b>28,741</b>              | 29,720                 |
| Amount due to an associate                           |              | –                          | 406                    |
|  |              | <b>33,706</b>              | 40,922                 |
| <b>NET CURRENT ASSETS</b>                            |              | <b>59,618</b>              | 61,377                 |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>         |              |                            |                        |
|  |              | <b>89,761</b>              | 94,776                 |
| <b>Capital and reserves</b>                          |              |                            |                        |
| Share capital  | 10           | <b>48,000</b>              | 48,000                 |
| Reserves   |              | <b>41,761</b>              | 46,776                 |
| Equity attributable to equity holders of the Company |              | <b>89,761</b>              | 94,776                 |
| Minority interests                                   |              | –                          | –                      |
|  |              | <b>89,761</b>              | 94,776                 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

|  | Equity attributable to equity holders of the Company |                |                 |                    |                     |                    |                | Minority interests | Total          |
|--|--|----------------|-----------------|--------------------|---------------------|--------------------|----------------|--------------------|----------------|
|  | Share capital  | Share premium  | Capital reserve | Statutory reserves | Translation reserve | Accumulated losses | Total          |                    |                |
|  | <i>RMB'000</i>                                       | <i>RMB'000</i> | <i>RMB'000</i>  | <i>RMB'000</i>     | <i>RMB'000</i>      | <i>RMB'000</i>     | <i>RMB'000</i> | <i>RMB'000</i>     | <i>RMB'000</i> |
| At 1st January, 2006   | 48,000   | 61,068         | 16,000          | 223                | (295)               | (13,627)           | 111,369        | -                  | 111,369        |
| Net loss for the period  | -  | -              | -               | -                  | -                   | (5,687)            | (5,687)        | -                  | (5,687)        |
| Exchange difference arising on translation of an overseas subsidiary | -  | -              | -               | -                  | (118)               | -                  | (118)          | -                  | (118)          |
| At 30th June, 2006   | <u>48,000</u>  | <u>61,068</u>  | <u>16,000</u>   | <u>223</u>         | <u>(413)</u>        | <u>(19,314)</u>    | <u>105,564</u> | <u>-</u>           | <u>105,564</u> |
| At 1st January, 2007   | 48,000   | 61,068         | 16,000          | 223                | (600)               | (29,915)           | 94,776         | -                  | 94,776         |
| Net loss for the period  | -  | -              | -               | -                  | -                   | (4,539)            | (4,539)        | -                  | (4,539)        |
| Exchange difference arising on translation of an overseas subsidiary | -  | -              | -               | -                  | (476)               | -                  | (476)          | -                  | (476)          |
| At 30th June, 2007   | <u>48,000</u>  | <u>61,068</u>  | <u>16,000</u>   | <u>223</u>         | <u>(1,076)</u>      | <u>(34,454)</u>    | <u>89,761</u>  | <u>-</u>           | <u>89,761</u>  |

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)**

|  | <b>For the six months<br/>ended 30th June,</b> |                |
|--|--|----------------|
|  | <b>2007</b>                                    | 2006           |
|  | <b><i>RMB'000</i></b>                          | <i>RMB'000</i> |
| NET CASH USED IN OPERATING ACTIVITIES                    | <b>(4,651)</b>                                 | (7,119)        |
| NET CASH USED IN INVESTING ACTIVITIES                    | -  | (260)          |
| NET CASH USED IN FINANCING ACTIVITIES                    | -  | -              |
|  | <hr/>  | <hr/>          |
| NET DECREASE IN CASH AND CASH EQUIVALENTS                | <b>(4,651)</b>                                 | (7,379)        |
| CASH AND CASH EQUIVALENTS AS AT 1ST JANUARY              | <b>43,811</b>                                  | 43,311         |
|  | <hr/>  | <hr/>          |
| CASH AND CASH EQUIVALENTS AS AT 30TH JUNE                | <b>39,160</b>                                  | 35,932         |
|  | <hr/>  | <hr/>          |
| ANALYSIS OF THE BALANCES OF<br>CASH AND CASH EQUIVALENTS |  |                |
| CASH AND BANK BALANCES                                   | <b>39,160</b>                                  | 35,932         |
|  | <hr/>  | <hr/>          |
|  | <b>39,160</b>                                  | 35,932         |
|  | <hr/>  | <hr/>          |

Notes:

## 1. BASIS OF PRESENTATION

The Group's unaudited condensed consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants. The unaudited condensed consolidated results have been prepared on the historical cost basis. The accounting policies adopted in preparing the unaudited condensed consolidated results for the six months ended 30th June, 2007 and 2006 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2006. The condensed consolidated results are unaudited but have been reviewed by the Company's audit committee.

## 2. TURNOVER

Turnover represents revenue from business solutions development, application software, network and data security products, and the sale of distributed products. Turnover is stated net of 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<br>ended 30th June, |                                | For the six months<br>ended 30th June, |                                |
|---|--|--------------------------------|--|--------------------------------|
|   | 2007<br>RMB'000<br>(unaudited)           | 2006<br>RMB'000<br>(unaudited) | 2007<br>RMB'000<br>(unaudited)         | 2006<br>RMB'000<br>(unaudited) |
| Business solutions development  | 4,720                                    | 8,503                          | 6,720                                  | 14,072                         |
| Application software  | 171                                      | 1,988                          | 817                                    | 3,345                          |
| Sales and distribution of computer and<br>electrical products and accessories | 18,149                                   | 13,678                         | 34,636                                 | 32,284                         |
|   | <b>23,040</b>                            | 24,169                         | <b>42,173</b>                          | 49,701                         |

All of the Group's activities are conducted in the PRC. Turnover as disclosed above is net of applicable PRC business 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 followings:

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

Sales of goods: Sales and distribution of computer and electrical products and accessories.

Segment information about these businesses is presented below.

|  | Business application solutions           |                | Sales of goods                           |                | Consolidated                             |                |
|--|--|----------------|--|----------------|--|----------------|
|  | for the six months ended 30th June, 2007 |                | for the six months ended 30th June, 2006 |                | for the six months ended 30th June, 2007 |                |
|  | RMB'000                                  | RMB'000        | RMB'000                                  | RMB'000        | RMB'000                                  | RMB'000        |
|  | (unaudited)                              | (unaudited)    | (unaudited)                              | (unaudited)    | (unaudited)                              | (unaudited)    |
| <b>Segment revenue</b>                     |  |                |  |                |  |                |
| Turnover from external customers           | <u>7,537</u>                             | <u>17,417</u>  | <u>34,636</u>                            | <u>32,284</u>  | <u>42,173</u>                            | <u>49,701</u>  |
| Unallocated other revenue                  |  |                |  |                | <u>364</u>                               | <u>1,164</u>   |
|  |  |                |  |                | <u>42,537</u>                            | <u>50,865</u>  |
| <b>Results</b>                             |  |                |  |                |  |                |
| Segment results                            | <u>(193)</u>                             | <u>(1,785)</u> | <u>1,270</u>                             | <u>(1,624)</u> | <u>1,077</u>                             | <u>(3,409)</u> |
| Unallocated operating expenses             |  |                |  |                | <u>(4,412)</u>                           | <u>(363)</u>   |
| Loss before tax                            |  |                |  |                | <u>(3,335)</u>                           | <u>(3,772)</u> |
| Share of profits less losses of associates | <u>(1,204)</u>                           | <u>(1,831)</u> | <u>-</u>                                 | <u>-</u>       | <u>(1,204)</u>                           | <u>(1,831)</u> |
| Income tax credit                          |  |                |  |                | <u>-</u>                                 | <u>(83)</u>    |
| Loss attributable to shareholders          |  |                |  |                | <u>(4,539)</u>                           | <u>(5,686)</u> |

#### 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. LOSS BEFORE TAX

Loss before tax has been arrived after charging:

|  | For the three months<br>ended 30th June, |                                | For the six months<br>ended 30th June, |                                |
|--|--|--------------------------------|--|--------------------------------|
|  | 2007<br>RMB'000<br>(unaudited)           | 2006<br>RMB'000<br>(unaudited) | 2007<br>RMB'000<br>(unaudited)         | 2006<br>RMB'000<br>(unaudited) |
| Staff costs (including Directors' emoluments) comprises: |  |                                |  |                                |
| Salaries, wages and other benefits                       | 1,731                                    | 1,589                          | 3,130                                  | 3,260                          |
| Contributions to retirement benefits scheme              | 230                                      | 609                            | 483                                    | 928                            |
|  | <b>1,961</b>                             | 2,198                          | <b>3,613</b>                           | 4,188                          |
| Auditors' remuneration                                   | 340                                      | 340                            | 340                                    | 340                            |
| Cost of inventories recognised as an expense             | 21,775                                   | 23,511                         | 39,204                                 | 48,415                         |

#### 5. INCOME TAX CREDIT

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

|  | For the six months<br>ended 30th June, |                                |
|--|--|--------------------------------|
|  | 2007<br>RMB'000<br>(unaudited)         | 2006<br>RMB'000<br>(unaudited) |
| Current tax – PRC                          |  |                                |
| – tax for the period                       | –                                      | 83                             |
| – over-provision in respect of prior years | –                                      | –                              |
| Income tax credit for the period           | <b>–</b>                               | <b>83</b>                      |

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 Hong Kong Profits Tax has been made as the Group's income neither arises in nor is derived from Hong Kong.

(b) There has no significant unprovided deferred tax for the six months ended 30th June, 2007 (six months ended 30th June, 2006: Nil).

#### 6. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2007 (2006: Nil).

## 7. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30th June, 2007 is based on the unaudited net loss of approximately RMB4,539,000 (2006: net loss of approximately RMB5,686,000) and the weighted average number of shares during the period (six months ended 30th June, 2007: 480,000,000 shares; six months ended 30th June, 2006: 480,000,000 shares).

Diluted earnings per share is not presented for the six months ended 30th June, 2007 and 2006 as there were no potential dilutive shares in issue during the relevant periods.

## 8. TRADE RECEIVABLES

The normal credit terms of the Group are 30-90 days. The aged analysis of trade receivables net of allowance for bad and doubtful debts is as follows:

|                    | <b>30th June,<br/>2007</b> | 31st December,<br>2006 |
|--------------------|----------------------------|------------------------|
|                    | <i>RMB'000</i>             | <i>RMB'000</i>         |
|                    | <b>(unaudited)</b>         | (audited)              |
| Aged:              |                            |                        |
| 0-90 days          | <b>9,592</b>               | 10,957                 |
| 91-180 days        | <b>552</b>                 | 1,367                  |
| 181-365 days       | <b>1,913</b>               | 1,681                  |
| Exceeding 365 days | <b>1,555</b>               | 265                    |
|                    | <b>13,612</b>              | 14,270                 |

## 9. TRADE AND BILLS PAYABLE

The aged analysis of trade and bills payable are as follows:

|                    | <b>30th June,<br/>2007</b> | 31st December,<br>2006 |
|--------------------|----------------------------|------------------------|
|                    | <i>RMB'000</i>             | <i>RMB'000</i>         |
|                    | <b>(unaudited)</b>         | (audited)              |
| Aged:              |                            |                        |
| 0-90 days          | <b>3,356</b>               | 9,318                  |
| 91-180 days        | <b>85</b>                  | 22                     |
| 181-365 days       | <b>292</b>                 | 151                    |
| Exceeding 365 days | <b>1,232</b>               | 1,305                  |
|                    | <b>4,965</b>               | 10,796                 |

## 10. SHARE CAPITAL

|   | <b>30th June,<br/>2007</b> | 31st December,<br>2006 |
|---|----------------------------|------------------------|
|   | <i>RMB'000</i>             | <i>RMB'000</i>         |
|   | <b>(unaudited)</b>         | (audited)              |
| Registered, issued and fully paid:<br>480,000,000 (2006: 480,000,000) shares of RMB0.1 each | <b>48,000</b>              | 48,000                 |

The Company has conditionally adopted a share option scheme which enables the Company 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review and future prospect

The economy in China continues to soar and achieve strong growth. The GDP for the first half of the year has exceeded the market expectation and recorded nearly 11.5%. This is one of the strongest growths achieved for the first half year in the last 10 years. Shanghai has topped the list of China's GDP growth and achieved nearly 13% and remained as the focal point for the foreign investors in China.

The market condition is further improved by the strong performance in domestic stock market, property market, manufacturing sector, consumer spending and also finance and services sectors.

In respect of the splendid performance in the economy, many business sectors have been able to achieve higher growth rate and develop more business opportunities including the information technology sector. There are more and more corporations feeling positive and optimistic towards the future and are willing to increase the budget for the investments in the hardware and the software operations in their company. The improved market condition will allow the Company to provide more variety of products and services to the market with good prices.

During the period under review, the Company's major turnover contribution was still derived from the sales of goods segment which made up almost 82% of the Company's total sales. The sales in this segment has increased approximately 7% to RMB34,636,000, which was mainly attributable to the electronic products of big screen LCD and advanced projector from Sharp and Panasonic. However, the gross profit margin has just recorded around 3%.

The section of business solutions development of the business application solutions segment stayed in the second position as the sales recorded RMB6,720,000 as compared to the first half of 2006 at RMB14,072,000, which represented a reduction of almost 52% of the sales as compared to the corresponding period of last year. Nevertheless, the gross profit margin has recorded high, which is 20% during the period under review. The significant reduction was due to keen and tough market competition.

The section of application software of the business application solutions segment rested on the last position and achieved the sales of RMB817,000 as compared to RMB3,345,000 achieved in the first half of 2006 and this represented a reduction of approximately 75%. The reduction indicated that the market is still very competitive with the inroad of many new application products that offer plenty of choices to the consumers as the market in this area opened up and grew.

In order to tap into the growing market, the Company focused on the areas of business development and marketing. The management has allocated more resources to these areas and also geared up support for the important business operation.

The Company continued to look for branded products from reputable suppliers such as Sharp and Panasonic from Japan and new technology in these fields in order to raise our competitiveness in the market. The Company also carried on to look for potential strategic partner which can bring synergy to the Group in the information technology business.

At the same time, the Company was also very concerned on its operating cost in view of the pressure from inflation. In order to ease the operation cost, the Company will improve the productivity through providing more job trainings and requiring the management staff to improve their quality of work and efficiency.

## **Financial review**

For the first half of the financial year 2007, the Group has achieved a turnover of RMB42,173,000 (2006: RMB49,701,000), representing a decrease of approximately 15% as compared with that of the corresponding period in 2006.

The Group also recorded a loss of RMB4,539,000 during the period under review as compared to the corresponding period in 2006 of RMB5,686,000, representing a reduction in loss of nearly 20%. The reduction in the loss incurred was mainly due to the cost saving in the operation and the improvement in the profit margin, which had offset the financial effect brought by the decrease in turnover.

The gross profit margin for the Company is approximately 7% for the first half of the year as compared to the corresponding period of approximately 2% last year. The increase in efficiency in the software production and the increase in price resulting from the good yet competitive market condition enabled the Company to achieve good profit margin.

Administrative expenses remained as the major expense for the Group amounting to RMB3,181,000 (2006: RMB1,840,000), which has increased almost 73% as compared to the corresponding period in 2006. The reason for such increase was due to the reallocation of resources in this area to strengthen the business support to the Company. Another major expense was the research and development expenses which recorded RMB2,256,000 as compared to corresponding period of last year of RMB3,401,000 representing a drop of approximately 34%. The reduction was due to the more selective approach in the research area. The Company has concentrated on the most beneficial research items which will bring immediate results to the Company.

## **Financial resources and liquidity**

As at 30th June, 2007, equity of the Group amounted to approximately RMB89,761,000 (as at 31st December, 2006: RMB94,776,000). Current assets amounted to approximately RMB93,324,000 (as at 31st December, 2006: RMB102,299,000), of which approximately RMB39,160,000 (as at 31st December, 2006: RMB43,811,000) were bank balances and cash. The Group had no non-current liabilities and its current liabilities amounted to approximately RMB33,706,000 (as at 31st December, 2006: RMB40,922,000) which mainly comprising trade and bills payable and accrued expenses. The net asset value per share of the Group was RMB0.187 (as at 31st December, 2006: RMB0.197).

As at 30th June, 2007, the Group held bank balances and cash of RMB39,160,000 and the current ratio was approximately 276%. The Directors believe that the Group is financially healthy.

As at 30th June, 2007, the debt ratio (being liabilities to total assets) of the Group was approximately 38% (as at 31st December, 2006: approximately 43%).

**Capital structure**

There has been no change to the capital structure of the Company during the six months ended 30th June, 2007.

**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, 2007, 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 and remuneration policies**

As at 30th June, 2007, the Group employed permanent staff of approximately 92 (as at 30th June, 2006: 109). For the six months ended 30th June, 2007, the remuneration for the employees (including the Directors' emoluments) amounted to approximately RMB3,130,000 (as at 30th June, 2006: RMB3,260,000). The Group's remuneration and bonus policies are principally determined with reference to the qualification, experience and performance of individual employee.

**Material acquisitions or disposals**

During the six months ended 30th June, 2007, the Group had no material acquisitions and disposal of subsidiaries and affiliated companies.

**Charges on Group's assets**

As at 30th June, 2007, the Group had no charges on Group's assets.

**Details of future plans for material investments or capital assets**

As at 30th June, 2007, the Group had no future plans for material investments or capital assets.

**Contingent liabilities**

As at 30th June, 2007, the Group had no material contingent liabilities (2006: Nil).

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

As at 30th June, 2007, 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/<br>name of subsidiary   | Capacity         | Number and<br>class of securities<br>(Note 1) | Approximate<br>percentage in<br>the issued share<br>capital of the<br>Company/<br>subsidiary |
|-------------------|--|------------------|---|--|
| Cheng Min         | Company  | Beneficial owner | 4,700,000<br>domestic shares (L)              | 0.98%  |
| Wang Yiming       | Company  | Beneficial owner | 9,840,000<br>domestic shares (L)              | 2.05%  |
|                   | Shanghai Huikang<br>Information<br>Technology<br>Company Limited<br>(Note 2) | Beneficial owner | 100,000<br>shares (L)                         | 10.00%   |

Notes:

- The letter “L” represents the interests in the share and underlying shares of the Company or its associated corporations.
- Shanghai Huikang Information Technology Company Limited is one of the subsidiaries of the Company.

Save as disclosed above, as at 30th June, 2007, 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, 2007, 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, 2007, 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, 2007.

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

### A. Substantial shareholders

As at 30th June, 2007, 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 shareholders   | Nature of interest                                     | Number and class of shares<br>( <i>Note 1</i> ) | Approximate percentage of interest |
|--|--|---|------------------------------------|
| Shanghai Jiao Tong University                                    | Interest of a controlled corporation ( <i>Note 2</i> ) | 114,000,000 domestic shares (L)                 | 23.75%                             |
| Shanghai Jiaoda Industrial Investment Management (Group) Limited | Interest of a controlled corporation ( <i>Note 2</i> ) | 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 ( <i>Note 3</i> ) | 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. These 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, 2007, 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:

| <b>Name of shareholder</b> | <b>Nature of interest</b> | <b>Number and class of shares</b><br><i>(Note)</i> | <b>Approximate percentage of interest</b> |
|----------------------------|---------------------------|--|---|
| Chen Jianbo                | Beneficial owner          | 24,300,000<br>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, 2007, the Directors are not aware of any other person (other than the Directors, supervisors 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 ended 30th June, 2007, the Company was in compliance with the Board Practices and Procedures as set out in Rule 5.34 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 Rules 5.48 to 5.67 of the GEM Listing Rules. 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 throughout the six months ended 30th June, 2007.

**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, Mr. Yuan Shumin, 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, 2007.

## **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 30th June, 2007.

## **CORPORATE GOVERNANCE**

The Board considers that the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (the “CG Code”) throughout the period, except that 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 Yuan Shumin

By Order of the Board  
**Yuan Tingliang**  
*Chairman*

Shanghai, the PRC, 9th August, 2007