



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 2008**

\* For identification purpose only

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. 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.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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 RMB42,918,000 for the six months ended 30th June, 2008 (2007: approximately RMB42,173,000), representing an increase of approximately 1% as compared with that of the corresponding period in 2007.
- The Group recorded a loss attributable to equity holders of the Company of approximately RMB3,196,000 for the six months ended 30th June, 2008 (2007: loss of approximately RMB4,539,000), representing a decrease of approximately 29% as compared with that of the corresponding period in 2007.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2008 (2007: Nil).

## INTERIM RESULTS

The board of directors (“Board”) of Shanghai Jiaoda Withub Information Industrial Company Limited (the “Company”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months and three months ended 30th June, 2008, together with the unaudited comparative figures for the corresponding periods in 2007 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	<i>Notes</i>	For the three months ended 30th June,		For the six months ended 30th June,	
		2008 <i>RMB'000</i>	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Turnover	2	<b>16,454</b>	23,040	<b>42,918</b>	42,173
Cost of sales		<b>(14,473)</b>	(21,775)	<b>(38,456)</b>	(39,204)
Gross profit		<b>1,981</b>	1,265	<b>4,462</b>	2,969
Other revenue		<b>227</b>	198	<b>697</b>	364
Distribution expenses		<b>(1,347)</b>	(566)	<b>(2,535)</b>	(1,231)
Research and development expenses		<b>(935)</b>	(928)	<b>(2,518)</b>	(2,256)
Administrative expenses		<b>(1,086)</b>	(1,206)	<b>(2,759)</b>	(3,181)
Loss before tax	4	<b>(1,160)</b>	(1,237)	<b>(2,653)</b>	(3,335)
Share of losses of associates		<b>15</b>	(210)	<b>(543)</b>	(1,204)
Loss before taxation		<b>(1,145)</b>	(1,447)	<b>(3,196)</b>	(4,539)
Tax expenses	5	<b>-</b>	-	<b>-</b>	-
Loss for the period		<b>(1,145)</b>	(1,447)	<b>(3,196)</b>	(4,539)
Attributable to:					
– Equity holders of the Company		<b>(1,145)</b>	(1,453)	<b>(3,196)</b>	(4,539)
– Minority interests		<b>-</b>	6	<b>-</b>	-
		<b>(1,145)</b>	(1,447)	<b>(3,196)</b>	(4,539)
Dividends	6	<b>-</b>	-	<b>-</b>	-
Loss per share (in RMB)	7				
– Basic		<b>(0.00239)</b>	(0.0030)	<b>(0.00666)</b>	(0.0095)
– Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	<b>30th June, 2008</b> <i>RMB'000</i> <b>(Unaudited)</b>	31st December, 2007 <i>RMB'000</i> <b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		744	1,025
Interests in associates		18,541	26,318
Available-for-sale investments		2,416	2,416
Goodwill		–	–
Other intangible asset		3,025	3,150
Other non-current assets		8	–
		<u>24,734</u>	<u>32,909</u>
<b>CURRENT ASSETS</b>			
Inventories		3,041	10,098
Amount due from related parties		2,001	2,349
Amount due from associates		–	500
Trade receivables	8	12,226	14,114
Deposits, prepayments and other receivables		36,613	26,765
Short-term investment		20,000	–
Bank balances and cash		18,059	40,839
		<u>91,940</u>	<u>94,665</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payable	9	7,273	6,528
Other payables and accrued expenses		20,240	26,630
Amount due to an associate		–	–
		<u>27,513</u>	<u>33,158</u>
<b>NET CURRENT ASSETS</b>			
		<u>64,427</u>	<u>61,507</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>89,160</u>	<u>94,416</u>
Capital and reserves			
Share capital	10	48,000	48,000
Reserves		41,160	46,416
Equity attributable to equity holders of the Company			
		89,160	94,416
Minority interests			
		–	–
		<u>89,160</u>	<u>94,416</u>

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

	Equity attributable to equity holders of the Company								Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Minority interests RMB'000	
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>
At 1st January, 2008	48,000	61,068	16,000	223	(159)	(30,716)	94,416	-	94,416
Net loss for the period	-	-	-	-	-	(3,196)	(3,196)	-	(3,196)
Exchange difference arising on translation of an overseas subsidiary	-	-	-	-	(2,060)	-	(2,060)	-	(2,060)
At 30th June, 2008	<u>48,000</u>	<u>61,068</u>	<u>16,000</u>	<u>223</u>	<u>(2,219)</u>	<u>(33,912)</u>	<u>89,160</u>	<u>-</u>	<u>89,160</u>

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

	<b>For the six months ended 30th June,</b>	
	<b>2008</b>	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities	(3,444)	(4,651)
Net cash used in investing activities	(19,336)	–
Net cash used in financing activities	–	–
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(22,780)	(4,651)
Cash and cash equivalents as at 1st January	40,839	43,811
	<hr/>	<hr/>
Cash and cash equivalents as at 30th June	<b>18,059</b>	39,160
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	18,059	39,160
	<hr/>	<hr/>
	<b>18,059</b>	39,160
	<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, 2008 and 2007 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2007. 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 ended 30th June,		For the six months ended 30th June,	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Business solutions development	4,587	4,720	12,042	6,720
Application software	267	171	572	817
Sales and distribution of computer and electrical products and accessories	11,600	18,149	30,304	34,636
	<b>16,454</b>	<b>23,040</b>	<b>42,918</b>	<b>42,173</b>

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,		for the six months ended 30th June,		for the six months ended 30th June,	
	2008	2007	2008	2007	2008	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	<b>12,614</b>	7,537	<b>30,304</b>	34,636	<b>42,918</b>	42,173
Unallocated other revenue					<b>697</b>	364
					<b>43,615</b>	42,537
<b>Results</b>						
Segment results	<b>(365)</b>	(193)	<b>3,006</b>	1,270	<b>2,641</b>	1,077
Unallocated operating expenses					<b>5,294</b>	(4,412)
Loss before tax					<b>(2,653)</b>	(3,335)
Share of profits less losses of associates	<b>(543)</b>	(1,204)	-	-	<b>(543)</b>	(1,204)
Income tax credit					-	-
Loss attributable to shareholders					<b>(3,196)</b>	(4,539)

#### 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 ended 30th June,		For the six months ended 30th June,	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Staff costs (including Directors' emoluments) comprises:				
Salaries, wages and other benefits	<b>1,306</b>	1,731	<b>3,795</b>	3,130
Contributions to retirement benefits scheme	<b>415</b>	230	<b>707</b>	483
	<b>1,721</b>	1,961	<b>4,502</b>	3,613
Auditors' remuneration	<b>340</b>	340	<b>340</b>	340
Cost of inventories recognised as an expense	<b>14,773</b>	21,775	<b>38,456</b>	39,204

## 5. TAX EXPENSES

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

	<b>For the six months ended 30th June,</b>	
	<b>2008</b>	<b>2007</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current tax – PRC		
– tax for the period	–	–
– over-provision in respect of prior years	–	–
	<hr/>	<hr/>
Tax expenses for the period	<b>–</b>	<b>–</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 25% 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 is no significant unprovided deferred tax for the six months ended 30th June, 2008 (2007: Nil).

## 6. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2008 (2007: Nil).

## 7. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30th June, 2008 is based on the unaudited net loss of approximately RMB3,196,000 (2007: net loss of approximately RMB4,539,000) and the weighted average number of shares during the period six months ended 30th June, 2008 was 480,000,000 shares (2007: 480,000,000 shares).

Diluted loss per share is not presented for the six months ended 30th June, 2008 and 2007 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, 2008</b>	31st December, 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Aged:		
0-90 days	7,676	9,324
91-180 days	1,026	869
181-365 days	2,497	1,134
Exceeding 365 days	1,027	2,787
	<hr/>	<hr/>
	<b>12,226</b>	<b>14,114</b>
	<hr/>	<hr/>

## 9. TRADE AND BILLS PAYABLE

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

	<b>30th June, 2008</b>	31st December, 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Aged:		
0-90 days	4,669	3,917
91-180 days	589	312
181-365 days	501	87
Exceeding 365 days	1,514	2,212
	<hr/>	<hr/>
	<b>7,273</b>	<b>6,528</b>
	<hr/>	<hr/>

## 10. SHARE CAPITAL

	<b>30th June, 2008</b>	31st December, 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Registered, issued and fully paid:		
480,000,000 (2007: 480,000,000) shares of RMB0.1 each	48,000	48,000
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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 of China registers a firm growth rate of 10.4% in the first half of this year. The economy has continued to grow at the back of strong inflation, tightening of monetary policy, the slowdown of property sector and stock market, the strong appreciation of Renminbi and also the uncertainty caused by the second mortgage crises in the US.

During the first half of this year, the inflation in China has gained strong momentum and this is caused by the great increase in the prices of food and oil. The CPI recorded for the first half of this year is 7.9% and which is the highest in the recent year and this has caused an alarm to the central bank and government. The cost increase has extensive negative effect to many business sectors including our company as this will increase the operating cost. The increase in cost has resulted the cut down of profit margin as we may not be able to shift the increase in cost to consumer directly so easily in order to maintain the market share.

The central government also tightening the monetary policy and this includes the increase of interest rate and the ratio for deposit reserve for banking sectors. The policy is set up in order to control the inflation. However, this has caused the increase in financing cost as many small-sized and medium-sized companies relied on bank borrowing as funding source. Many small-sized and medium-sized companies are our customer segment, especially for the electrical products and the company is monitoring the market demand situation closely in order to match out a strategy in term of pricing in order to keep the market share.

The strong appreciation of Renminbi due to continue ballooning of the foreign reserve of USD1,800 billion also costs the overall increase in the export price and reduction in the import good. The appreciation has given the Company positive impact as this has assisted the Company pricing for the product from Japan as Company able to import cheaper and lower down the price of product.

Besides, there are many uncertainty surrounded the operating environment, especially the effect from the crises of second mortgage caused to the US economy slow down and weak consumer sector. The crises have also affected the banking and manufacturing sector in Asia.

The unexpected catastrophes of earth quake in Sichuan happened in May have boosted the demand of certain construction good and also inflation. The central government also held back the interest increase and credit tightening pace in order to relieve some of the difficulties faced by the small-sized and medium-sized industry during this period.

The approaching Beijing Olympic game in August this year also assist the country to have steady business environment throughout the country in order to organize this game successfully. This game has also boosted the sales of electrical goods like big screen television sold by the Company.

In summary, the Company will continue its effort to monitor the operating cost and also continues to develop its sales in order to achieve its overall result this year. The Company and its management will also look out for possible source of income from developing new product, new market segment or new business.

### Financial review

The Group achieved a sales volume of approximately RMB42,918,000 for the first half of this year (2007: approximately RMB42,173,000). This represents a slightly increase of 1% over the same period for last year. The Company continues to record a loss for the period ended 30th June, 2008 of approximately RMB3,196,000 (2007: loss of approximately RMB4,539,000). However, the loss has been decreased 30% from corresponding period in 2007. As for the gross profit margin, the Company is able to maintain a good gross profit margin of 10% as compared to the first half of 2007 of 7%. The total gross profit margin also increased by almost 3% to approximately RMB4,462,000 (2007: approximately RMB2,969,000). The loss before tax has been cut and it is mainly due to the improvement in the gross profit margin.

Overall, the Company is able to maintain the sales volume for the same period. The core business of the Company remains consist of sales and distribution of computer and electrical products and accessories which make up almost 71% of the total sales or approximately RMB30,304,000 (2007: approximately RMB34,636,000) and contribute to 8% of the gross profit margin of approximately RMB2,309,000 (2007: approximately RMB906,000). However, the sales from this segment has posted slight decrease of 13% as compared to last year first half result.

The second major sales segment is from business solutions development which contributed 28% of the sales value and 15% of the gross profit margin of approximately RMB1,836,000 (2007: approximately RMB1,488,000). The sales volume for the segment has almost doubled to approximately RMB12,042,000 as compared to the first half of 2007 (2007: approximately RMB6,720,000).

As for the expenses, the total operating expenses has increased to approximately RMB7,812,000 (2007: approximately RMB6,667,000) and this represents an increase of approximately RMB1,145,000 or 17% as compared to the same period last year. The increase is mainly came from distribution experience which increased by 100% or approximately RMB1,304,000 and also become the second major expenses. The increase is due essentially from the increase in the transportation cost caused by the increase in price of oil.

The Company's major expenses continue to be administrative expenses which recorded approximately RMB2,759,000 (2007: approximately RMB3,181,000) and forms 35% of the total expenses. However, this has been cut down almost approximately RMB422,000 (2007: approximately RMB3,181,000) or 13% from the first half of 2007. The second major expenses is distribution expenses which is approximately RMB2,535,000 (2007: approximately RMB1,231,000) and forms 32% of the total expenses. The third major expenses are research and development which account for approximately RMB2,518,000 (2007: approximately RMB2,256,000) and 32% of the total expenses. The expenses stay around this range with slightly increase of 17% as compared to the first half of 2007.

The Group continues to experience losses from associates company. The share of losses recorded is approximately RMB543,000 (2007: loss of approximately RMB1,204,000) and it has cut down almost 54% from the previous figure of the same period. The greater loss is created by UGL which is approximately RMB469,000 and followed by Duogao which is approximately RMB122,000. The other associate company, TonTron reported a profit of approximately RMB49,000. The Company also registered a one off investment profit of approximately RMB180,000.

### **Financial resources and liquidity**

As at 30th June, 2008, equity of the Group amounted to approximately RMB89,160,000 (as at 31st December, 2007: approximately RMB94,416,000). Current assets amounted to approximately RMB91,940,000 (as at 31st December, 2007: approximately RMB94,665,000), of which approximately RMB18,059,000 (as at 31st December, 2007: approximately RMB40,839,000) were bank balances and cash. The Group had no non-current liabilities and its current liabilities amounted to approximately RMB27,513,000 (as at 31st December, 2007: approximately RMB33,158,000) which mainly comprising trade and bills payable and accrued expenses. The net asset value per share of the Group was approximately RMB0.185 (as at 31st December, 2007: approximately RMB0.196).

As at 30th June, 2008, the Group held bank balances and cash of approximately RMB18,059,000 and the current ratio was approximately 234%. The Directors believe that the Group is financially healthy.

As at 30th June, 2008, the debt ratio (being liabilities to total assets) of the Group was approximately 70% (as at 31st December, 2007: approximately 64%).

### **Capital structure**

There has been no change to the capital structure of the Company during the six months ended 30th June, 2008.

### **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, 2008, 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, 2008, the Group employed permanent staff of approximately 92 (2007: 92). For the six months ended 30th June, 2008, the remuneration for the employees (including the Directors' emoluments) amounted to approximately RMB3,795,000 (2007: approximately RMB3,130,000). 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, 2008, the Group had no material acquisitions and disposal of subsidiaries and affiliated companies.

### **Charges on Group's assets**

As at 30th June, 2008, the Group had no charges on Group's assets.

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

As at 30th June, 2008, the Group had no future plans for material investments or capital assets.

### **Contingent liabilities**

As at 30th June, 2008, the Group had no material contingent liabilities (2007: Nil).

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

As at 30th June, 2008, 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 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 subsidiary	Capacity	Number and class of securities (Note 1)	Approximate percentage in the issued share capital of the Company/ subsidiary
Cheng Min	Company	Beneficial owner	4,700,000 domestic shares (L)	0.98%
Wang Yiming	Company	Beneficial owner	9,840,000 domestic shares (L)	2.05%
	Shanghai Huikang Information Technology Company Limited (Note 2)	Beneficial owner	100,000 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, 2008, 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 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, 2008, 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, 2008, 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, 2008.

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

### A. Substantial shareholders

As at 30th June, 2008, 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 (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:

- The letter "L" represents the equity's interest in the shares of the Company.
- 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.
- 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, 2008, 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> <i>(Note)</i>	<b>Approximate percentage of interest</b>
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, 2008, 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 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, 2008, 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 Exchange’s required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the six months ended 30th June, 2008.

**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, 2008.

## **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, 2008.

## **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, Shang Ling, and Li Zhan

**Independent Non-executive Directors** Shao Shihuang, Gu Junzhong, Yuan Shumin and Liu Fei

By Order of the Board  
**Li Zhan**  
*Chairman*

Shanghai, the PRC, 8th August, 2008