



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 2009

* *For identification purpose only*

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

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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 Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, 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 RMB29,395,000 for the six months ended 30th June, 2009 (2008: approximately RMB42,918,000), representing a decrease of approximately 32% as compared with that of the corresponding period in 2008.
- The Group recorded a loss attributable to owners of the parent of approximately RMB4,782,000 for the six months ended 30th June, 2009 (2008: loss of approximately RMB3,196,000), representing an increase of approximately 50% as compared with that of the corresponding period in 2008.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2009 (2008: Nil).

INTERIM RESULTS

The board of directors (the “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, 2009, together with the unaudited comparative figures for the corresponding periods in 2008 as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	<i>Notes</i>	For the three months ended 30th June,		For the six months ended 30th June,	
		2009 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Turnover	2	15,808	16,454	29,395	42,918
Cost of sales		<u>(14,175)</u>	<u>(14,473)</u>	<u>(26,654)</u>	<u>(38,456)</u>
Gross profit		1,633	1,981	2,741	4,462
Other revenue		44	227	248	697
Distribution expenses		(1,079)	(1,347)	(2,394)	(2,535)
Research and development expenses		(648)	(935)	(2,259)	(2,518)
Administrative expenses		<u>(1,168)</u>	<u>(1,086)</u>	<u>(2,836)</u>	<u>(2,759)</u>
Loss before tax	4	(1,218)	(1,160)	(4,500)	(2,653)
Share of losses of associates		<u>179</u>	<u>15</u>	<u>(282)</u>	<u>(543)</u>
Loss before taxation		(1,039)	(1,145)	(4,782)	(3,196)
Tax expenses	5	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss for the period		<u>(1,039)</u>	<u>(1,145)</u>	<u>(4,782)</u>	<u>(3,196)</u>
Attributable to:					
– Owners of the parent		(1,039)	(1,145)	(4,782)	(3,196)
– Non-controlling interests		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>(1,039)</u>	<u>(1,145)</u>	<u>(4,782)</u>	<u>(3,196)</u>
Dividends	6	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss per share (in RMB)	7				
– Basic		<u>(0.00216)</u>	<u>(0.00239)</u>	<u>(0.00996)</u>	<u>(0.00666)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended		Six months ended	
	30th June,		30th June,	
	2009	2008	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period	(1,039)	(1,145)	(4,782)	(3,196)
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	<u>—</u>	<u>—</u>	<u>(2,293)</u>	<u>(2,060)</u>
Total comprehensive income for the period	<u>(1,039)</u>	<u>(1,145)</u>	<u>(7,075)</u>	<u>(5,256)</u>
Attributable to:				
Owners of the parent	(1,039)	(1,145)	(7,075)	(5,256)
Non-controlling interests	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30th June, 2009 <i>RMB'000</i> (Unaudited)	31st December, 2008 <i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		468	576
Interests in associates		20,876	26,912
Available-for-sale investments		2,416	2,416
Goodwill		–	–
Other intangible asset		2,700	2,850
Other non-current assets		<u>2</u>	<u>–</u>
		26,462	32,754
CURRENT ASSETS			
Inventories		4,275	4,550
Amount due from related parties		–	1,000
Amount due from contract works		–	7,484
Amount due from associates		–	–
Trade receivables	8	9,195	14,531
Deposits, prepayments and other receivables		26,910	9,124
Short-term investment		–	–
Bank balances and cash		<u>53,515</u>	<u>49,664</u>
		93,895	86,353
CURRENT LIABILITIES			
Trade and bills payable	9	9,616	8,955
Other payables and accrued expenses		22,805	15,020
Amount due to a related party		<u>–</u>	<u>121</u>
		32,421	24,096
NET CURRENT ASSETS		<u>61,474</u>	<u>62,257</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>87,936</u>	<u>95,011</u>
Capital and reserves			
Share capital	10	48,000	48,000
Reserves		<u>39,936</u>	<u>47,011</u>
Equity attributable to owners of the parent		87,936	95,011
Non-controlling interests		<u>–</u>	<u>–</u>
		87,936	95,011

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Equity attributable to owners of the parent							Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Statutory reserves	Translation reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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>
At 1st January, 2009	48,000	61,068	16,000	223	102	(30,382)	95,011	-	95,011
Net loss for the period	-	-	-	-	-	(4,782)	(4,782)	-	(4,782)
Exchange difference arising on translation of an overseas subsidiary	-	-	-	-	(2,293)	-	(2,293)	-	(2,293)
At 30th June, 2009	<u>48,000</u>	<u>61,068</u>	<u>16,000</u>	<u>223</u>	<u>(2,191)</u>	<u>(35,164)</u>	<u>87,936</u>	<u>-</u>	<u>87,936</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

	For the six months ended 30th June,	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities	3,651	(3,444)
Net cash used in investing activities	200	(19,336)
Net cash used in financing activities	<u>—</u>	<u>—</u>
Net decrease in cash and cash equivalents	3,851	(22,780)
Cash and cash equivalents as at 1st January	<u>49,664</u>	<u>40,839</u>
Cash and cash equivalents as at 30th June	<u>53,515</u>	<u>18,059</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>53,515</u>	<u>18,059</u>
	<u>53,515</u>	<u>18,059</u>

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, 2009 and 2008 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2008. 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,	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Business solutions development	7,219	4,587	9,632	12,042
Application software	41	267	663	572
Sales and distribution of computer and electrical products and accessories	8,548	11,600	19,100	30,304
	15,808	16,454	29,395	42,918

All of the Group's activities are conducted in the People's Republic of China (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 for the six months ended 30th June,		Sales of goods for the six months ended 30th June,		Consolidated for the six months ended 30th June,	
	2009	2008	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue						
Turnover from external customers	<u>10,295</u>	<u>12,614</u>	<u>19,100</u>	<u>30,304</u>	29,395	42,918
Unallocated other revenue					<u>248</u>	<u>697</u>
					<u>29,643</u>	<u>43,615</u>
Results						
Segment results	<u>(514)</u>	<u>(365)</u>	<u>1,244</u>	<u>3,006</u>	730	2,641
Unallocated operating expenses					<u>(5,230)</u>	<u>(5,294)</u>
Loss before tax					<u>(4,500)</u>	<u>(2,653)</u>
Share of losses of associates	<u>(282)</u>	<u>(543)</u>	<u>-</u>	<u>-</u>	(282)	(543)
Tax expenses					<u>-</u>	<u>-</u>
Loss attributable to owners of the parent					<u>(4,782)</u>	<u>(3,196)</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 ended 30th June,		For the six months ended 30th June,	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Staff costs (including Directors' emoluments) comprises:				
Salaries, wages and other benefits	<u>1,458</u>	1,306	<u>4,039</u>	3,795
Contributions to retirement benefits scheme	<u>493</u>	<u>415</u>	<u>965</u>	<u>707</u>
	<u>1,951</u>	1,721	<u>5,004</u>	4,502
Auditors' remuneration	<u>380</u>	340	<u>380</u>	340
Cost of inventories recognised as an expense	<u>14,175</u>	<u>14,473</u>	<u>26,654</u>	<u>38,456</u>

5. TAX EXPENSES

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

	For the three months ended 30th June,		For the six months ended 30th June,	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Current tax – PRC				
– tax for the period	–	–	–	–
– over-provision in respect of prior years	–	–	–	–
Tax expenses for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% progressively from 1st January, 2008 onwards. There had been no change in the tax rate for High and New Technology Enterprises ("HNTE").

According to the relevant PRC tax regulations, HNTE operating within a High and New Technology Development Zone are entitled to a reduced Enterprise Income Tax ("EIT") rate of 15%. For the year ended 31st December, 2008, as the Company could not obtain the recognition of HNTE, therefore the Company and its subsidiaries are subject to applicable EIT rate at 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, 2009 (2008: Nil).

6. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2009 (2008: Nil).

7. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30th June, 2009 is based on the unaudited net loss of approximately RMB4,782,000 (2008: net loss of approximately RMB3,196,000) and the weighted average number of shares during the period six months ended 30th June, 2009 was 480,000,000 shares (2008: 480,000,000 shares).

The calculation of the basic loss per share for the three months ended 30th June, 2009 is based on the unaudited net loss of approximately RMB1,039,000 (2008: net loss of approximately RMB1,145,000) and the weighted average number of shares during the period three months ended 30th June, 2009 was 480,000,000 shares (2008: 480,000,000 shares).

Diluted loss per share is not presented for the six months and three months ended 30th June, 2009 and 2008 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:

	30th June, 2009 RMB'000 (Unaudited)	31st December, 2008 RMB'000 (Audited)
Aged:		
0-90 days	1,797	9,143
91-180 days	414	1,848
181-365 days	3,736	1,044
Exceeding 365 days	<u>3,248</u>	<u>2,496</u>
	<u>9,195</u>	<u>14,531</u>

9. TRADE AND BILLS PAYABLE

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

	30th June, 2009 RMB'000 (Unaudited)	31st December, 2008 RMB'000 (Audited)
Aged:		
0-90 days	3,321	4,888
91-180 days	1,397	962
181-365 days	2,410	626
Exceeding 365 days	<u>2,488</u>	<u>2,479</u>
	<u>9,616</u>	<u>8,955</u>

10. SHARE CAPITAL

	30th June, 2009 RMB'000 (Unaudited)	31st December, 2008 RMB'000 (Audited)
Registered, issued and fully paid: 480,000,000 (2008: 480,000,000) shares of RMB0.1 each	<u>48,000</u>	<u>48,000</u>

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 and financial review

The Group achieved a sales volume of RMB29.39 million for the first half of this year. This displays a drop of RMB13.52 million or 32% as compared to the last year first half financial result. The gross profit also register a similar drop inline of the drop in sales and recorded RMB2.74 million and this indicates a drop of RMB1.72 million or 38% as compared to the last year first half financial result. As a result, the loss before tax for the first half year has increased to RMB4.78 millions and this represents a hike of RMB1.59 million or 49.6% as examined against last year first half financial result. The gross profit margin for the first half recorded around 9.3% as compared to last year first half of 10.4% and this indicated a minor cut of 1%.

The major component of the sales remains unchanged and focuses on the traditional business such as sales and distribution of computer and electrical products and accessories, the business solution development and the last one is the application software. The sales volume for the products distribution has dropped significantly from RMB30.30 million to RMB19.10 million and represents a drop of nearly RMB11.20 million or 37%. The fall in sales is due to the effect of the slow domestic economic in China especially caused by the slowdown of economy in US and Europe. Less consumption of computer and electrical products are experienced by the corporate clients. Many corporate consumers have postponed their spending in these products during this difficult period.

The sales for the second important items, business solutions development has also dropped fairly from RMB12.04 million to RMB9.63 million for this first half financial year. This exhibits a reduction of RMB2.41 million or 20%. The contraction of sales volume is caused by the similar problem as to the drop in the product distribution. The overall demand for the business solutions development is soft and weak during this period. Many corporate clients have held up their IT development plans or cut down their budget and it results the demand for our service is affected.

The sales for application software are minimal and recorded a slight improvement of RMB91,000 to RMB663,000 and this marks a betterment of 16%. The sales team of the Company is able to maintain the sales and achieved slight improvement. However, the sale in this area is small and the improvement is unable to set off the effect of the drop in the major sales components.

In reviewing the loss before tax for the period of RMB4.78 million, the major operation cost is being analyzed. The major expense is administration expenses which recorded RMB2.84 million as compared to RMB2.76 million of first half last year. The administration cost has a slightly increase of RMB77,000 or 2.8%. The company is able to maintain the administration cost within the acceptable range.

The second major cost is the research and development expenses which recorded RMB2.26 million as compared to last year of RMB2.52 million. This represents a fall of RMB260,000 or 10.3%. The reduction is due to the less activities being carried out in conjunction to the drop in the sales.

The third major cost is the distribution cost. The expense for this year is recorded as RMB2.39 million as compared to last year of RMB2.53 million. The drop illustrates a drop of RMB140,000 or 5.5%. The drop is also due to the drop in the sales volume and this caused the related distribution to drop accordingly.

The other income of the Company has dropped to RMB248,000 from RMB697,000 as compared to last year and this represent a drop of RMB449,000 or 64%. The loss contributed from associates have also come down to RMB282,000 as compared to last year of RMB543,000 and this represents a drop of RMB261,000 or 48%.

In the final review, the Company is able to control the operation cost in within the tolerable range as the company is exercising strict operating cost control and also the Company is trying to boost the sales in order to meet the operating cost without causing further loss.

Financial resources and liquidity

As at 30th June, 2009, the shareholder's fund of the Group amounted to approximately RMB87,936,000 (as at 31st December, 2008: approximately RMB95,011,000). Current assets amounted to approximately RMB93,895,000 (as at 31st December, 2008: approximately RMB86,353,000), of which approximately RMB53,515,000 (as at 31st December, 2008: approximately RMB49,664,000) were bank balances and cash. The Group had no non-current liabilities and its current liabilities amounted to approximately RMB32,421,000 (as at 31st December, 2008: approximately RMB24,096,000) which mainly comprised of trade and bills payable and accrued expenses. The net asset value per share of the Group was approximately RMB0.18 (as at 31st December, 2008: approximately RMB0.20).

As at 30th June, 2009, the Group held bank balances and cash of approximately RMB53,515,000 and the current ratio was approximately 290%. The Directors believe that the Group is financially healthy.

As at 30th June, 2009, the debt ratio (being liabilities to total assets) of the Group was approximately 27% (as at 31st December, 2008: approximately 20%).

Capital structure

There has been no change to the capital structure of the Company during the six months ended 30th June, 2009.

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, 2009, 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, 2009, the Group employed permanent staff of approximately 111 (2008: 92). For the six months ended 30th June, 2009, the remuneration for the employees (including the Directors' emoluments) amounted to approximately RMB4,039,000 (2008: approximately RMB3,795,000). 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, 2009, the Group had no material acquisitions and disposal of subsidiaries and affiliated companies.

Charges on Group's assets

As at 30th June, 2009, the Group had no charges on Group's assets.

Details of future plans for material investments or capital assets

As at 30th June, 2009, the Group had no future plans for material investments or capital assets.

Contingent liabilities

As at 30th June, 2009, the Group had no material contingent liabilities (2008: Nil).

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

As at 30th June, 2009, 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%
Li Zhan	Company	Beneficial owner	12,000 H shares (L)	0.003%

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, 2009, 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, 2009, 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, 2009, 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, 2009.

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

A. Substantial shareholders

As at 30th June, 2009, 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:

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, 2009, 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	Nature of interest	Number and class of shares (Note)	Approximate percentage of 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, 2009, 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, 2009, 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, 2009.

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, Dr. Cao Guo Qi and Dr. Chan Yan Chong. The audit committee has reviewed the unaudited results of the Company for the six months ended 30th June, 2009.

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, 2009.

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

Li Zhan, Yuan Tingliang, Cheng Min, Mo Zhenxi,
Wang Yiming and Li Wei

Independent Non-executive Directors

Yuan Shumin, Cao Guo Qi and Chan Yan Chong

By Order of the Board

Li Zhan

Chairman

Shanghai, the PRC, 13th August, 2009