



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)

FIRST QUARTERLY REPORT 2005

* For identification purpose only

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This report, for which the directors of Shanghai Jiaoda Withub Information Industrial Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The directors 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 RMB21,173,000 for the three months ended 31st March, 2005, representing an approximately 33.6% decrease as compared with that of the corresponding period in 2004.
- The Group recorded a net loss of approximately RMB5,632,000 for the three months ended 31st March, 2005. Net loss for the corresponding period in 2004 was approximately RMB3,153,000.
- The Directors do not recommend the payment of an interim dividend for the three months ended 31st March, 2005.

FIRST QUARTERLY RESULTS

The board of Directors (“Board”) of Shanghai Jiaoda Withub Information Industrial Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31st March, 2005.

For the three months ended 31st March, 2005, the unaudited turnover is approximately RMB21,173,000, representing a decrease of approximately RMB10,721,000 as compared with that of the corresponding period in 2004.

For the three months ended 31st March, 2005, the unaudited net loss is approximately RMB5,632,000, representing an increase of approximately 78.6% as compared with that of the corresponding period in 2004.

The unaudited results of the Group for the three months ended 31st March, 2005, together with the unaudited comparative figures for the corresponding periods in 2004 are as follows:

RESULTS (UNAUDITED)

	<i>Notes</i>	For the three months ended 31st March,	
		2005	2004
		RMB'000	RMB'000
Turnover	2	21,173	31,894
Cost of sales		(21,565)	(28,475)
Gross profit		(392)	3,419
Other revenue		144	1,787
Distribution costs		(396)	(1,251)
Research and development costs		(1,511)	(1,774)
Administrative expenses		(3,583)	(5,153)
Loss from operations		(5,738)	(2,972)
Finance costs		(9)	(120)
Share of losses from associates		(760)	(234)
Loss before taxation		(6,507)	(3,326)
Taxation	3	-	-
Loss before minority interests		(6,507)	(3,326)
Minority interests		875	173
Loss attributable to shareholders		(5,632)	(3,153)
Dividends		-	-
Loss per share (in RMB)	4	(0.0117)	(0.0066)

MOVEMENTS OF RESERVES (UNAUDITED)

	Share premium	Capital reserve	Statutory reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2004					
– as previously reported	61,068	16,000	223	(2,868)	74,423
Net loss for the period	-	-	-	(3,153)	(3,153)
At 31st March, 2004	61,068	16,000	223	(6,021)	71,270
At 1st January, 2005	61,068	16,000	223	2,276	79,567
Net loss for the period	-	-	-	(5,632)	(5,632)
At 31st March, 2005	61,068	16,000	223	(3,356)	73,935

Notes:

1. BASIS OF PRESENTATION

The principal accounting policies adopted in preparing the unaudited quarterly results conform with the accounting standards issued by the Hong Kong Society of Accountants.

The consolidated financial statements are prepared under the historical cost convention except for investments in securities which are measured at fair values.

The accounting policies have been consistently applied by the Company and are consistent with those used in the 2004 annual financial statements.

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 31st March,	
	2005 RMB'000	2004 RMB'000
Business solution development	598	10,545
Application software	-	170
Network and data security products	274	359
Sales of distributed products	<u>20,301</u>	<u>20,820</u>
	<u>21,173</u>	<u>31,894</u>

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

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

Sales of distributed products: distribute computer products and accessories.

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

3. TAXATION

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.

There has no significant unprovided deferred taxation for the three months ended 31st March, 2005 (three months ended 31st March, 2004: Nil).

4. LOSS PER SHARE

The calculation of the basic loss per share for the three months ended 31st March, 2005 is based on the unaudited net loss of approximately RMB5,632,000 (2004: net loss of approximately RMB3,153,000) and the weighted average number of shares during the period (three months ended 31st March 2005: 480,000,000 shares; three months ended 31st March, 2004: 480,000,000 shares).

Diluted earnings per share is not presented for the three months ended 31st March, 2005 and 2004 as there were no potential ordinary shares in issue during the relevant periods.

5. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31st March, 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the three months ended 31st March, 2005, the Group has recorded a turnover of approximately RMB21,173,000 (2004: turnover of approximately RMB31,894,000) and a net loss of approximately RMB5,632,000 (2004: net loss of approximately RMB3,153,000). The loss was mainly attributable to the lowered sales achieved in the business solution development segment in the first quarter.

Furthermore, the majority of the contracts concluded during the period under review were relatively small in value and most of the contracts are still on the beginning stage of development. The Directors expect that the Group's performance will be improved in the coming months.

The Group expresses its gearing ratio as a percentage of long-term debts over total assets. As at 31st March, 2005, 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.

During the three months ended 31st March, 2005, as the Group's sales and purchases were substantially denominated in Renminbi, the Board considers that the potential foreign exchange exposure of the Group is minimal.

MARKET AND BUSINESS DEVELOPMENT

During the period under review, the gross profit has recorded a loss due to the drop of sale in the business solution development segment. Since some of the major software development projects have not been completed during the period under review, the recognition of sales for these projects is not expected to be achieved until second half of this year. The existing client also has slowed down the progress of project in the first quarter. The market competition in business solution development segment is keen especially on the sizeable contract. However, the Group is continuing to maintain good relationship with the potential clients and following up with them.

In order to improve the performance of the Group, the Group is planning to acquire more advance technology and/or cooperate with other business partners to explore the possibility of entering into other information technology related segments with better profit margins.

FUTURE PROSPECTS

After China entering into WTO in year 2002, the Directors believe that there is an enormous growth and great potential in the information technology sector. However, the Directors believe that the Group has to move to other information technology related segments which has higher technology contents with greater entry barrier. The Group will actively explore the investments possibilities in other information technology segments and is dedicated to strengthen the relationship with Shanghai Jiao Tong University.

INVESTMENT IN THE UGL

Since the Company is planning to acquire more advanced technology and/or cooperate with other business partners to explore the possibility of entering into other information technology related segments with an emphasis on video decoding products for digital broadcasting, the Company has made an investment in Union Genesis Limited (“UGL”), a company incorporated in the British Virgin Islands, by subscribing 45% of the issued share capital of UGL at the consideration of US\$2,250,000 (equivalent to HK\$17,550,000) on 3rd March, 2005.

The UGL and its subsidiaries (the “UGL Group”) are principally engaged in the design, production and sales of consumer electronics hardware and software, in particular, those related to digital set-top television boxes (“STB”) devices. The target customers of the UGL Group principally comprise manufacturers of digital STB devices in the PRC.

The Directors believe that the investment in UGL could diversify the business segments and improve the performance of the Group. It is estimated by the management of UGL that users of digital STB devices would increase in the next few years and this will bring business opportunities to the UGL Group. The Directors also concurred with this view. The details of the UGL investment also can be referred to the announcement dated 10th March, 2005 and the circular dated 31st March, 2005.

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

As at 31st March, 2005, the interests and short positions of the Directors, the supervisors of the Company (as if the requirements applicable to the Directors under the Securities and Futures Ordinance (“SFO”) had applied to the supervisors) or chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

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

Notes:

1. The letter “L” represents the interests in the share and underlying shares of the Company or its associated corporations.
2. Shanghai Jiaoda Withub Ton Yong Technology Company Limited is a subsidiary of Shanghai Jiaoda Withub Technology Company Limited, an associated company of the Company.
3. Shanghai Huikang Information Technology Company Limited is one of the subsidiaries of the Company.

Save as disclosed above, as at 31st March, 2005, none of the Directors, supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31st March, 2005, none of the Directors, supervisors and chief executives of the Company was granted options to subscribe for H shares of the Company. As at 31st March, 2005, none of the Directors, supervisors and chief executives of the Company had any rights to acquire H shares in the Company.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme. A summary of the principle terms and conditions of the share option scheme is set out in the section headed “Share option scheme” in Appendix IV of the prospectus of the Company dated 25th July, 2002. No option has been granted pursuant to such share option scheme on or before 31st March, 2005.

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

A. Substantial shareholders

As at 31st March, 2005, the following shareholders (other than the Directors, the supervisors of the Company (as if the requirements applicable to the Directors under the SFO had applied to the supervisors) or chief executive of the Company) had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

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

Notes:

- The letter "L" represents the equity's interest in the shares of the Company.
- There 114,000,000 Domestic Shares are registered and owned by Shanghai Jiaoda Science and Technology Park Limited ("Jiaoda S&T Park"). The major shareholder of Jiaoda S&T Park is Shanghai Jiaoda Industrial Investment Management (Group) Limited ("Jiaoda Industrial") which owns 55.42% of registered capital in Jiaoda S&T Park. Shareholders of Jiaoda Industrial are Shanghai Jiao Tong University (96.735%) and Shanghai Jiaoda Enterprise Management Centre (3.265%), an entity wholly-owned by Shanghai Jiao Tong University. Both Jiaoda Industrial and Shanghai Jiao Tong University are deemed to be interested in the aggregate of 114,000,000 Domestic Shares held by Jiaoda S&T Park under the SFO.
- 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 31st March, 2005, save for the persons/entities disclosed in sub-section A above, the following person/entity had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

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

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

Save as disclosed above, as at 31st March, 2005, the Directors are not aware of any other person (other than the Directors and chief executive of the Company) who has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPETING INTERESTS

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

AUDIT COMMITTEE

The Company established an audit committee on 7th July, 2002 with written terms of reference for the purpose of reviewing and supervising the Group's financial reporting and internal control procedures. The audit committee comprises the three independent non-executive directors, Professor Yang Junchang, Professor Shao Shihuang and Professor Gu Junzhong. The audit committee has reviewed the unaudited results of the Company for the three months ended 31st March, 2005.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the three months ended to 31st March, 2005.

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

Executive directors	Xu Xiaoming, Cheng Min, Chen Weifeng, Chen Jianbo, Yuan Tingliaug, Hua Xin and Wang Yiming
Independent non-executive directors	Shao Shihuang, Gu Junzhong, Hu Shao-ming, Herman and Yang Junchang

By Order of the Board
Xu Xiaoming
Chairman

Shanghai, the PRC, 10th May, 2005