



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 2006

* *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 RMB25,532,000 for the three months ended 31st March, 2006, representing an approximately 20.6% increase as compared with that of the corresponding period in 2005.
- The Group recorded a net loss of approximately RMB16,000 for the three months ended 31st March, 2006. Net loss for the corresponding period in 2005 was approximately RMB5,632,000.
- The Directors do not recommend the payment of an interim dividend for the three months ended 31st March, 2006.

FIRST QUARTERLY RESULTS

The board of Directors (the “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, 2006.

For the three months ended 31st March, 2006, the unaudited turnover is approximately RMB25,532,000, representing an increase of approximately RMB4,359,000 as compared with that of the corresponding period in 2005.

For the three months ended 31st March, 2006, the unaudited net loss is approximately RMB16,000, representing a decrease of approximately 99.7% as compared with that of the corresponding period in 2005.

The unaudited results of the Group for the three months ended 31st March, 2006, together with the unaudited comparative figures for the corresponding periods in 2005 are as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the three months ended 31st March,	
		2006	2005
		RMB'000	RMB'000
Turnover	2	25,532	21,173
Cost of sales		(24,904)	(21,565)
		<hr/>	<hr/>
Gross profit		628	(392)
Other revenue		681	144
Distribution expenses		(563)	(396)
Research and development expenses		(1,318)	(1,511)
Administrative expenses		(1,709)	(3,583)
		<hr/>	<hr/>
Loss from operations	3	(2,281)	(5,738)
Finance costs		–	(9)
Share of profits less losses of associates		2,222	(760)
		<hr/>	<hr/>
Loss before taxation		(59)	(6,507)
Tax expenses	4	–	–
		<hr/>	<hr/>
Loss for the period		(59)	(6,507)
		<hr/>	<hr/>
Attributable to:			
– Equity holders of the Company		(16)	(5,632)
– Minority interests		(43)	(875)
		<hr/>	<hr/>
		(59)	(6,507)
		<hr/>	<hr/>
Dividends		–	–
		<hr/>	<hr/>
Loss per share (<i>in RMB</i>)	5		
– Basic		(0.00003)	(0.01170)
		<hr/>	<hr/>
– Diluted		N/A	N/A
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31st March, 2006

	Share capital	Share premium	Capital reserve	Statutory reserves	Foreign exchange reserve	Retained profits/ (accumulated losses)	Equity attributable to equity holders of the Company	Minority interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2005									
– as previously reported	48,000	61,068	16,000	223	–	2,276	127,567	–	127,567
Net loss for the period	–	–	–	–	–	(5,632)	(5,632)	–	(5,632)
At 31st March, 2005	<u>48,000</u>	<u>61,068</u>	<u>16,000</u>	<u>223</u>	<u>–</u>	<u>(3,356)</u>	<u>121,935</u>	<u>–</u>	<u>121,935</u>
At 1st January, 2006	48,000	61,068	16,000	223	(295)	(13,627)	111,369	–	111,369
Net loss for the period	–	–	–	–	–	(16)	(16)	(43)	(59)
At 31st March, 2006	<u>48,000</u>	<u>61,068</u>	<u>16,000</u>	<u>223</u>	<u>(295)</u>	<u>(13,643)</u>	<u>111,353</u>	<u>(43)</u>	<u>111,310</u>

Notes:

1. BASIS OF PRESENTATION

The Group's unaudited condensed consolidated results have been prepared in accordance with the new 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 three months ended 31st March, 2006 and 2005 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2005. 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 valued added tax, other sales tax and returns. Revenue from provision of business solutions development, application software and network and data security products are recognised when delivery or acceptance has occurred, the fee is fixed and determinable, evidence of an arrangement exists, collection of the receivable is probable and no significant post-delivery obligations remain. Sales of distributed products are recognised when goods are delivered and title has passed.

	For the three months ended 31st March,	
	2006	2005
	RMB'000	RMB'000
Business solution development	5,569	598
Application software	1,357	–
Network and data security products	–	274
Sales of distribution of computer and electrical products	18,606	20,301
	<u>25,532</u>	<u>21,173</u>

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

3. LOSS FROM OPERATIONS

Loss from operations has been arrived after charging:

	For the three months ended 31st March,	
	2006	2005
	RMB'000	RMB'000
Staff costs (including directors' emoluments) comprises:		
Wages and salaries	1,671	1,679
Contributions to retirement benefit scheme	319	333
	<u>1,990</u>	<u>2,012</u>
Cost of inventories recognised as an expense	24,904	21,565
	<u>24,904</u>	<u>21,565</u>

4. TAX EXPENSES

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, 2006 (three months ended 31st March, 2005: Nil).

5. LOSS PER SHARE

The calculation of the basic loss per share for the three months ended 31st March, 2006 is based on the unaudited net loss of approximately RMB16,000 (2005: net loss of approximately RMB5,632,000) and the weighted average number of shares during the period (three months ended 31st March, 2006: 480,000,000 shares; three months ended 31st March, 2005: 480,000,000 shares).

Diluted earnings per share is not presented for the three months ended 31st March, 2006 and 2005 as there were no potential ordinary shares in issue during the relevant periods.

6. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31st March, 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the three months ended 31st March, 2006, the Group has recorded a turnover of approximately RMB25,532,000 (2005: turnover of approximately RMB21,173,000) and a net loss of approximately RMB16,000 (2005: net loss of approximately RMB5,632,000).

The first quarter loss of RMB5,632,000 for last year was almost eliminated and cut down to the negligible amount of RMB16,000 this year. The tremendous reduction was attributable to improve of the gross profit margin, increase of sales turnover, good control of the management cost and also the significant income contribution from the associate company of Union Genesis Limited (“UGL”).

The gross profit has changed from the first quarter loss of RMB392,000 for last year to a profit of RMB628,000 for this quarter and this was achieved based on the improvement of the sales figure and also the control of cost of sales. The sale has increased nearly 20% or RMB4.3 million and this allows the Company to cover most of the cost of sales and result in the profit figure.

Another contributory factor is the good cost control exercised by the management. The Company managed to reduce the administrative expense to near 50% of the first quarter for last year to RMB1.7 million for this quarter. This represents a saving of almost RMB1.7 million. It proved that the management has achieved the objective set early to reduce the management cost by outsourcing the part of the Company work to external party and also implement cost cutting measure internally.

Another important and new channel of income is the contribution from UGL. This company is principally engaged in the design, production and sales digital set-top television boxes devices. This company contributed nearly RMB3.0 million net profits before tax to the Company. This contribution is very significant and able the Company to cover most of the loss of the Group from the other associate companies of RMB754,000.

MARKET AND BUSINESS DEVELOPMENT

The first quarter for this year recorded better sales figure. The increase was due to more contract for the software project is signed, more hardware is sold and also more project is completed to take into account the sales figure and also the profit.

The China economy for the first quarter of this year remains robust and strong. This is more evident for the major city like Shanghai, Beijing and Guangzhou. Foreign investment continues to pour into take advantage of the strong economy and also the potential appreciation of the RMB. As a result, most of corporate client gear themselves to prepare for the business expansion and therefore they have bigger budget for the IT products.

The demand for IT products including the total solution for the various industries in service, manufacturing and also the retails is keeping a healthy growth rate in the brisk market. The existing customer continues upgrading their old system and also willing to consider and incorporate more advance feature to their existing system. This has resulted in bigger sales for the Company.

Although the competition is still very keen and tough, the Company manages to maintain the good relationship with the existing client and keep the existing market share while making some inroad to the new territory. The expansion was able to be done through proper marketing planning and also execution of the marketing plan through good coordination of the marketing team and also the technical team.

The greater contribution from the sales of the digital set-top television devices signals the greater consumer demand on the electronic product at the consumer level and home entertainment area. The product was sold fast as electronic home entertainment is catching up in the every household in China as their purchasing power has improved greatly lately.

The consumer in China is becoming more sophisticated and demand more digital electronic ware. The government is also upgrading the broadcast quality to incorporate the digital transmission in order to provide better quality picture to the television viewer. This encourages consumer to change to digital devices for their TV receiver to make full use of the new technology.

The Company will continue their forecast in the core area such as total IT solution and electronic products. This objective allows the Company to provide better quality services to the client.

FUTURE PROSPECTS

The Company foresee the demand for the set-top television box devices shall remain strong and will become the main income contributor in the coming quarter due to the higher demand from consumer market. The higher demand is due to some positive factors present in the market such as there are a few major international sport events to be held this year such as World Cup 2006, the Formula One launched recently in Shanghai and the coming important and long awaited Olympic Game 2008 in Beijing.

All consumer wants a better quality picture from the television and is willing in investing and spending money to convert the TV receiving gadget to digital mode in order to obtain better quality picture. As a result, the Company shall expect increase sale and profit from this area beside the traditional core business in IT.

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

As at 31st March, 2006, 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 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 subsidiary.
- Shanghai Huikang Information Technology Company Limited is one of the subsidiaries of the Company.

Save as disclosed above, as at 31st March, 2006, 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, 2006, 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, 2006, 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 (the “Prospectus”). No option has been granted pursuant to such share option scheme on or before 31st March, 2006.

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

A. Substantial shareholders

As at 31st March, 2006, 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 (<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. There 114,000,000 Domestic Shares are registered and owned by Shanghai Jiaoda Science and Technology Park Limited ("Jiaoda S&T Park"). The major shareholder of Jiaoda S&T Park is Shanghai Jiaoda Industrial Investment Management (Group) Limited ("Jiaoda Industrial") which owns 55.42% of registered capital in Jiaoda S&T Park. Shareholders of Jiaoda Industrial are Shanghai Jiao Tong University (96.735%) and Shanghai Jiaoda Enterprise Management Centre (3.265%), an entity wholly-owned by Shanghai Jiao Tong University. Both Jiaoda Industrial and Shanghai Jiao Tong University are deemed to be interested in the aggregate of 114,000,000 Domestic Shares held by Jiaoda S&T Park under the SFO.
3. These 60,000,000 Domestic Shares are registered and owned by Shanghai Xin Xuhui (Group) Limited, the registered capital of which will be owned as to approximately 74.58% by Xuhui District Industrial Association after the completion of certain capital reorganisation as referred to in the Prospectus. Xuhui District Industrial Association is deemed to be interested in the 60,000,000 Domestic Shares held by Shanghai Xin Xuhui (Group) Limited under the SFO.

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

As at 31st March, 2006, 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 <i>(Note)</i>	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 31st March, 2006, the Directors are not aware of any other person (other than the Directors and chief executive of the Company) who has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPETING INTERESTS

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

PRACTICE AND PROCEDURES OF THE BOARD

Throughout the three months ended 31st March, 2006, 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 the Stock Exchange’s required standard of dealings. The Company had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the Stock Exchange’s required standard of dealings and its code of conduct regarding securities transactions by the Directors.

AUDIT COMMITTEE

The Company established an audit committee on 7th July, 2002 with written terms of reference for the purpose of reviewing and supervising the Group’s financial reporting and internal control procedures. The audit committee comprises the three independent non-executive directors, Professor Yang Junchang, Professor Shao Shihuang and Professor Gu Junzhong. The audit committee has reviewed the unaudited results of the Company for the three months ended 31st March, 2006.

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, 2006.

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

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

By Order of the Board
Yuan Tingliang
Chairman

Shanghai, the PRC, 10th May, 2006