



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 2007

* 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 RMB19,133,000 for the three months ended 31st March, 2007, representing an approximately 25.1% decrease as compared with that of the corresponding period in 2006.
- The Group recorded a net loss of approximately RMB3,086,000 for the three months ended 31st March, 2007. Net loss for the corresponding period in 2006 was approximately RMB16,000.
- The Directors do not recommend the payment of an interim dividend for the three months ended 31st March, 2007.

FIRST QUARTERLY RESULTS

The board of directors (the “Board” or the “Directors”) 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, 2007.

For the three months ended 31st March, 2007, the unaudited turnover is approximately RMB19,133,000 representing a decrease of approximately RMB6,399,000 as compared with that of the corresponding period in 2006.

For the three months ended 31st March, 2007, the unaudited net loss is approximately RMB3,086,000 (2006: RMB16,000).

The unaudited results of the Group for the three months ended 31st March, 2007, together with the unaudited comparative figures for the corresponding period in 2006 are as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 31st March,	
		2007 RMB'000	2006 RMB'000
Turnover	2	19,133	25,532
Cost of sales		(17,429)	(24,904)
Gross profit		1,704	628
Other revenue		166	681
Distribution expenses		(665)	(563)
Research and development expenses		(1,328)	(1,318)
Administrative expenses		(1,975)	(1,709)
Loss from operations	3	(2,098)	(2,281)
Finance costs		-	-
Share of profits less losses of associates		(994)	2,222
Loss before taxation		(3,092)	(59)
Tax expenses	4	-	-
Loss for the period		(3,092)	(59)
Attributable to:			
– Equity holders of the Company		(3,086)	(16)
– Minority interests		(6)	(43)
		(3,092)	(59)
Dividends		-	-
Loss per share (<i>in RMB</i>)	5		
– Basic		(0.00643)	(0.00003)
– Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31st March, 2007

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Foreign exchange reserve <i>RMB'000</i>	Retained profits/ (accumulated losses) <i>RMB'000</i>	Equity attributable to equity holders of the Company <i>RMB'000</i>	Minority interest <i>RMB'000</i>	Total <i>RMB'000</i>
At 1st January, 2006 – as previously reported	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	48,000	61,068	16,000	223	(295)	(13,643)	111,353	(43)	111,310
At 1st January, 2007	48,000	61,068	16,000	223	(600)	(29,915)	94,776	–	94,776
Net loss for the period	–	–	–	–	–	(3,086)	(3,086)	(6)	(3,092)
At 31st March, 2007	48,000	61,068	16,000	223	(600)	(33,001)	91,690	(6)	91,684

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 and Hong Kong Accounting Standards 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, 2007 and 2006 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2006. The condensed consolidated results are unaudited but have been reviewed by the Company's audit committee.

2. TURNOVER

Turnover represents revenue from business solutions development, application software, network and data security products, and the sale of distributed products. Turnover is stated net of 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,	
	2007 RMB'000	2006 RMB'000
Business solution development	2,000	5,569
Application software	646	1,357
Network and data security products	—	—
Sales and distribution of computer and electrical products and accessories	16,487	18,606
	<u>19,133</u>	<u>25,532</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,	
	2007 RMB'000	2006 RMB'000
Staff costs (including Directors' emoluments) comprises:		
Salaries, wages and other benefits	1,731	1,671
Contributions to retirement benefit scheme	230	319
	<u>1,961</u>	<u>1,990</u>
Cost of inventories recognised as an expense	17,429	24,904

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, 2007 (three months ended 31st March, 2006: Nil).

5. LOSS PER SHARE

The calculation of the basic loss per share for the three months ended 31st March, 2007 is based on the unaudited net loss of approximately RMB3,086,000 (2006: net loss of approximately RMB16,000) and the weighted average number of shares during the period (three months ended 31st March, 2007: 480,000,000 shares; three months ended 31st March, 2006: 480,000,000 shares).

Diluted earnings per share is not presented for the three months ended 31st March, 2007 and 2006 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, 2007 (2006: Nil).

FINANCIAL REVIEW

For the three months ended 31st March, 2007, the Group has recorded a turnover of approximately RMB19,133,000 and a net loss of approximately RMB3,092,000. The sales have decreased 24% which is approximately RMB6,300,000. The loss has further extended almost significantly over the three months ended 31st March, 2007.

The gross profit is recorded at RMB1,704,000 which represented 9.8% of the sales and this is very encouraging and outperformed last year. The net loss from operation is recorded at RMB2,098,000 and is reduced by 8% as compared to the corresponding period in last year.

The total operating expenses is however slightly increased. The major cost is the administration which increased by 15% to RMB1,975,000. The research and development expenses is maintained at RMB1,328,000, fairly similar to last year. However, the distribution expenses is increased by 18% to RMB665,000.

However, there are some losses from the associates accounted for RMB994,000 and resulted in the total loss for the quarter to reach RMB3,092,000.

BUSINESS REVIEW AND FUTURE PROSPECTS

The China economy continued its aggressive growth for the first quarter recording nearly 11% of the GDP due to its strong export market and also the growing massive demand for the domestic market. The influx of the foreign investment has maintained its momentum in view of the appreciation of the China local currency.

The positive economy performance is providing positive impact to many industries and including the information technology sectors which the Company was in. Shanghai, being the economy and financial hub for China, and where the Company is located, is boosted by the strong foreign investment. The properties and shares market has extended their capital gain further, especially the shares market which recorded historical high lately.

In view of the strong economy situation, the Company is doing their best to control their major cost of sales such as administration cost and also the marketing cost. The Company has achieved the objective set early and successfully exercise good cost control strategy.

On the sales aspect, the Company continues to focus on the current product portfolio without much change such as software development and also hardware sales. On the software development, it concentrates on developing the sole proprietor software for the corporate clients which comprised of local government units and also private commercial companies. On the hardware sales, it focuses on the provision of projectors, security products such as CCTV equipments and also large screen LCD for the public area.

The Company continues to obtain distribution right for the IT hardware in the local market from the major overseas company such as Japan and Germany. The Company has further strengthened the sales force to focus on certain information technology projects in order to increase the success rate.

The future for the information technology industry is very bright, though increasingly competitive. The Company is optimistic to foresee more corporate clients is willing to raise their budget to upgrade their computer hardware and software to cope with the business growth. Notwithstanding, this has also brought in new competitors and reduces the profit margin.

The dynamic economy also results in higher operating cost due to the increase in the inflation rate. The Company needs to increase the productivity of the personnel in order to maintain its competitiveness while operating in a high cost environment.

Regardless of the high operating cost, the Company and its management remains focus and concentrates on its existing core business in information technology. The Company will also continue to look for potential projects in this area and also intend to look for good tie up with potential investors from overseas which will offer good and innovative products.

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

As at 31st March, 2007, the interests and short positions of the Directors, the supervisors of the Company (as if the requirements applicable to the Directors under the Securities and Futures Ordinance ("SFO") had applied to the supervisors) or chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Name of Directors	The Company/ 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:

1. The letter "L" represents the interests in the share and underlying shares of the Company or its subsidiary.
2. Shanghai Huikang Information Technology Company Limited is one of the subsidiaries of the Company.

Save as disclosed above, as at 31st March, 2007, none of the Directors, supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31st March, 2007, none of the Directors, supervisors and chief executives of the Company was granted options to subscribe for H shares of the Company. As at 31st March, 2007, none of the Directors, supervisors and chief executives of the Company had any rights to acquire H shares in the Company.

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

A. Substantial shareholders

As at 31st March, 2007, the following shareholders (other than the Directors, the supervisors of the Company (as if the requirements applicable to the Directors under the SFO had applied to the supervisors) or chief executive of the Company) had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholders	Nature of interest	Number and class of shares (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 31st March, 2007, save for the persons/entities disclosed in sub-section A above, the following person/entity had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

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, 2007, 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.

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, 2007.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the three months ended 31st March, 2007.

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, 11th May, 2007