



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 2008**

\* For identification purpose only

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

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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 RMB26,464,000 for the three months ended 31st March, 2008, representing an approximately 38% increase as compared with that of the corresponding period in 2007.
- The Group recorded a loss attributable to equity holders of the Company of approximately RMB2,051,000 for the three months ended 31st March, 2008. Loss attributable to equity holders of the Company for the corresponding period in 2007 was approximately RMB3,086,000.
- The Directors do not recommend the payment of an interim dividend for the three months ended 31st March, 2008.

## **FIRST QUARTERLY RESULTS**

The board of directors (the “Board” or the “Directors”) of Shanghai Jiada 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, 2008.

For the three months ended 31st March, 2008, the unaudited turnover is approximately RMB26,464,000 representing an increase of approximately RMB7,331,000 as compared with that of the corresponding period in 2007.

For the three months ended 31st March, 2008, the unaudited loss attributable to equity holders of the Company is approximately RMB2,051,000 (2007: RMB3,086,000).

The unaudited results of the Group for the three months ended 31st March, 2008, together with the unaudited comparative figures for the corresponding period in 2007 are as follows:

#### UNAUDITED CONSOLIDATED INCOME STATEMENT

		<b>For the three months ended 31st March,</b>	
		<b>2008</b>	2007
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
Turnover	2	<b>26,464</b>	19,133
Cost of sales		<b>(23,983)</b>	(17,429)
Gross profit		<b>2,481</b>	1,704
Other revenue		<b>470</b>	166
Distribution expenses		<b>(1,188)</b>	(665)
Research and development expenses		<b>(1,583)</b>	(1,328)
Administrative expenses		<b>(1,673)</b>	(1,975)
Loss from operations	3	<b>(1,493)</b>	(2,098)
Share of profits less losses of associates		<b>(558)</b>	(994)
Loss before taxation		<b>(2,051)</b>	(3,092)
Loss for the period		<b>(2,051)</b>	(3,092)
Attributable to:			
– Equity holders of the Company		<b>(2,051)</b>	(3,086)
– Minority interests		<b>–</b>	(6)
		<b>(2,051)</b>	(3,092)
Dividends		<b>–</b>	–
Loss per share ( <i>in RMB</i> )	5		
– Basic		<b>(0.00427)</b>	(0.00643)
– Diluted		<b>N/A</b>	N/A

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31st March, 2008

	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, 2007 – as previously reported	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
At 1st January, 2008	48,000	61,068	16,000	223	(159)	(30,716)	–	–	94,416
Net loss for the period	–	–	–	–	–	(2,051)	–	–	(2,051)
At 31st March, 2008	48,000	61,068	16,000	223	(159)	(32,767)	–	–	92,365

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, 2008 and 2007 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2007. The condensed consolidated results are unaudited but have been reviewed by the Company's audit committee.

## 2. TURNOVER

Turnover represents revenue from business solutions development, application software, network and data security products, and the sales and distribution of computers and electrical products and accessories. 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 and distribution of computers and electrical products and accessories are recognised when goods are delivered and title has passed.

	For the three months ended 31st March,	
	2008 RMB'000	2007 RMB'000
Business solution development	7,455	2,000
Application software	305	646
Network and data security products	—	—
Sales and distribution of computer and electrical products and accessories	18,704	16,487
	<b>26,464</b>	<b>19,133</b>

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,	
	2008 RMB'000	2007 RMB'000
Staff costs (including Directors' emoluments) comprises:		
Salaries, wages and other benefits	2,488	1,731
Contributions to retirement benefit scheme	292	230
	<b>2,780</b>	<b>1,961</b>
Cost of inventories recognised as an expense	23,983	17,429

#### **4. TAX EXPENSES**

According to relevant PRC tax regulations, from 1 January 2008, the income tax of all enterprises has been adjusted to 25% from 33%. And no change of tax rate for the High and New Technology Enterprises (“HNTE”) which is still 15%. The Company is recognised as a HNTE and accordingly is subject to Enterprise Income Tax (“EIT”) at 15%. The recognition as a HNTE is subject to an annual review by the relevant government bodies. The subsidiaries of the Company are subject to applicable EIT rates ranging from 15% to 25% with the exception for Shanghai Withub Information and Professional Training School which is exempted from EIT.

No provision for Hong Kong Profits Tax has been made as the Group’s income neither arises in nor is derived from Hong Kong.

There has no significant unprovided deferred taxation for the three months ended 31st March, 2008 (three months ended 31st March, 2007: Nil).

#### **5. LOSS PER SHARE**

The calculation of the basic loss per share for the three months ended 31st March, 2008 is based on the unaudited loss attributable to equity holders of the Company of approximately RMB2,051,000 (2007: loss attributable to equity holders of the Company of approximately RMB3,086,000) and the weighted average number of shares during the period (three months ended 31st March, 2008: 480,000,000 shares; three months ended 31st March, 2007: 480,000,000 shares).

Diluted loss per share is not presented for the three months ended 31st March, 2008 and 2007 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, 2008 (2007: Nil).

### **FINANCIAL REVIEW**

For the three months ended 31st March, 2008, the Group recorded a turnover of approximately RMB26,464,000 as compared to approximately RMB19,133,000 of the corresponding period in 2007. This represents a significant increase of approximately RMB7,331,000 or 38%. The gross profit also recorded a healthy increase of approximately RMB777,000 or 46% to approximately RMB2,481,000 (2007: approximately 1,704,000). The Company continued to make loss for the first quarter and recorded a loss of approximately RMB2,051,000. However, the loss has been cut down from approximately RMB3,086,000 for the three months ended 31st March, 2007 and this already shown an improvement of approximately RMB1,035,000. The key contribution for the reduction of loss was the increase of gross profit margin and the cut down of administrative expenses.

## **BUSINESS REVIEW AND FUTURE PROSPECTS**

In the sales review, the Company still continued its focus on the main core businesses in the information technology. The first major sales of product during the period under review was the sales and distribution of computer and electrical products and accessories. The sales in this area achieved approximately RMB18,704,000 and represented a sound increase of approximately RMB2,217,000 or nearly 13% as compared with the corresponding period in 2007. The consumers from private corporates and government agencies continued to buy more of the Company's products like projectors, big screen displays, personal notebook computers and also other computer accessories. This is due to the continuance of strong economy succeeding from the year ended 2007. Big cities in China like Shanghai continued to grow strongly in its business and economy and benefited from the booming of consumption relating to Olympic games which was just about 5 months ahead.

The second major sales of product during the period under review was the sales in business solution development. The volume has increased 2.7 times to approximately RMB7,455,000 as compared with the corresponding period in 2007. This increase was due to more software development and solution projects being completed in the first quarter. A few major projects from the existing customers and new customers also drove the sales up. The sales is expected to remain healthy and stable.

The third major sales of product during the period under review was the sales of application software. However, the sales have decreased by nearly half to approximately RMB305,000. The decrease was due to the weaker demand in the market resulted from the keen competitions.

The gross profit margin has increased from 8.9% to 9.4%. This represented a continued strengthening of gross profit margin. The increase was due to the strong demand of the Company's products in the market which allowed the Company to increase the price of products slightly. The increase was also due to the cutting down of inefficiency procedures in production.

With regard to the expenses control, the Company is able to cut down the main costs such as administrative expenses. The Company exercised budgetary control in the management and also reduced the cost of staff. The second major cost was the research and development and the cost in this area has increased in tandem with the increase in the business solution development businesses. These expenses have increased slightly to approximately RMB1,583,000. The third major cost was the distribution expenses and the cost has doubled to approximately RMB1,188,000 in line with more businesses being done in sales and distribution of computer and electrical products.

In conclusion, the first quarter financial results remained stable and healthy and the Company will continue to adhere to its plan and goal of cutting down the loss in order to achieve breakeven in the operation in 2008.



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

As at 31st March, 2008, the interests and short positions of the Directors, the supervisors of the Company (as if the requirements applicable to the Directors under the Securities and Futures Ordinance (“SFO”) had applied to the supervisors) or chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the 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, 2008, none of the Directors, supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the 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, 2008, none of the Directors, supervisors and chief executives of the Company was granted options to subscribe for H shares of the Company. As at 31st March, 2008, 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, 2008, the following shareholders (other than the Directors, the supervisors of the Company (as if the requirements applicable to the Directors under the SFO had applied to the supervisors) or chief executive of the Company) had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

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

Notes:

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, 2008, save for the persons/entities disclosed in sub-section A above, the following person/entity had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

<b>Name of shareholder</b>	<b>Nature of interest</b>	<b>Number and class of shares</b> <i>(Note)</i>	<b>Approximate percentage of interest</b>
Chen Jianbo	Beneficial owner	24,300,000 domestic shares (L)	5.06%

*Note:* The letter “L” represents the entity’s interest in the shares of the Company.

Save as disclosed above, as at 31st March, 2008, 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 Gu Junzhong, Professor Shao Shihuang and Mr. Yuan Shumin. The audit committee has reviewed the unaudited results of the Company for the three months ended 31st March, 2008.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the three months ended 31st March, 2008.

By Order of the Board  
**Yuan Tingliang**  
*Chairman*

Shanghai, the PRC, 7th May, 2008

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

<b>Executive Directors</b>	Yuan Tingliang, Cheng Min, Mo Zhenxi, Wang Yiming, Li Wei, Lu Yaohui, and Qian Zhenying
<b>Independent Non-executive Directors</b>	Shao Shihuang, Gu Junzhong, Hu Shao-ming, Herman and Yuan Shumin