



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 2010

* *For identification purpose only*

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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 GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, 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 RMB20,472,000 for the three months ended 31st March, 2010, representing an approximately 51% increase as compared with that of the corresponding period in 2009.
- The Group recorded a loss attributable to the owner of the parent of approximately RMB3,496,000 for the three months ended 31st March, 2010. Loss attributable to the owner of the parent for the corresponding period in 2009 was approximately RMB3,742,000.
- The Directors do not recommend the payment of an interim dividend for the three months ended 31st March, 2010.

FIRST QUARTERLY RESULTS

The board of directors (the “Board” or the “Directors”) of Shanghai Jiaoda Withub Information Industrial Company Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31st March, 2010, together with the unaudited comparative figures for the corresponding period in 2009 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	Notes	For the three months ended 31st March,	
		2010 RMB'000	2009 RMB'000
Turnover	2	20,472	13,587
Cost of sales		<u>(17,802)</u>	<u>(12,478)</u>
Gross profit		2,670	1,109
Other revenue		87	204
Distribution expenses		(1,310)	(1,315)
Research and development expense		(2,471)	(1,611)
Administrative expenses		(1,784)	(1,668)
Share of results of associates		<u>(688)</u>	<u>(461)</u>
Loss before tax	3	(3,496)	(3,742)
Income tax expense		<u>—</u>	<u>—</u>
Profit (loss) for the period attributable to the owner of the parent		(3,496)	(3,742)
Exchange difference arising on translation of foreign operations and other comprehensive income (loss) for the period		<u>—</u>	<u>—</u>
Comprehensive income (loss) for the period attributable to the owner of the parent		<u>(3,496)</u>	<u>(3,742)</u>
Loss per share (<i>in RMB</i>)	5		
— Basic and diluted		<u>(0.0073)</u>	<u>(0.0078)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the three months ended 31st March,	
	2010	2009
	RMB'000	RMB'000
Loss for the period	(3,496)	(3,742)
Other comprehensive income:		
Exchange difference arising on translation of foreign operations	—	—
Total comprehensive income for the period	(3,496)	(3,742)
Attributable to:		
Owners of the parent	(3,496)	(3,742)
Non-controlling interests	—	—

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31st March, 2010

	Share capital	Share premium	Capital reserve	Statutory reserves	Translation reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1st January, 2009	48,000	61,068	16,000	223	102	(30,382)	95,011
Loss for the period	—	—	—	—	—	(3,742)	(3,742)
Other comprehensive income for the period	—	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	—	—	—	(3,742)	(3,742)
At 31st March, 2009	48,000	61,068	16,000	223	102	(34,124)	91,269
At 31st December, 2009 and 1st January, 2010	48,000	61,068	16,000	223	187	(27,675)	97,803
Loss for the period	—	—	—	—	—	(3,496)	(3,496)
Other comprehensive income for the period	—	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	—	—	—	(3,496)	(3,496)
At 31st March, 2010	48,000	61,068	16,000	223	187	(31,171)	94,307

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, 2010 and 2009 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2009. 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,	
	2010	2009
	RMB'000	RMB'000
Business solution development	11,172	2,413
Application software	94	622
Network and data security products	—	—
Sales and distribution of computer and electrical products and accessories	<u>9,206</u>	<u>10,552</u>
	<u>20,472</u>	<u>13,587</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,	
	2010	2009
	RMB'000	RMB'000
Staff costs (including Directors' emoluments) comprises:		
Salaries, wages and other benefits	2,883	2,581
Contributions to retirement benefit scheme	<u>565</u>	<u>472</u>
	3,448	3,053
Cost of inventories recognised as an expense	<u>17,802</u>	<u>12,478</u>

4. TAX EXPENSES

Pursuant to the Enterprise Income Tax Law of the People's Republic of China ("EIT") and its Implementation Regulations, the tax rate of the Company and its subsidiaries was 25% from 1st January, 2008 onwards.

For the three months ended 31st March, 2010, there was no material unprovided deferred tax (2009: nil).

5. LOSS PER SHARE

The calculation of the basic loss per share for the three months ended 31st March, 2010 is based on the unaudited loss attributable to the owner of the parent of approximately RMB3,496,000 (2009: loss attributable to the owner of the parent of approximately RMB3,742,000) and the weighted average number of shares during the period (three months ended 31st March, 2010: 480,000,000 shares; three months ended 31st March, 2009: 480,000,000 shares).

Diluted loss per share is not presented for the three months ended 31st March, 2010 and 2009 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, 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the three months ended 31st March, 2010, the Group recorded a turnover of approximately RMB20,472,000 as compared to approximately RMB13,587,000 of the corresponding period in 2009. This represents a significant increase of approximately RMB6,885,000 or 51%. The gross profit also recorded an increase of approximately RMB1,561,000 or 141% to approximately RMB2,670,000 (2009: approximately RMB1,109,000). The Company continued to make loss for the first quarter 2010 and recorded a loss of approximately RMB3,496,000. However, the loss has decreased from approximately RMB3,742,000 for the three months ended 31st March, 2009 and this already shown a slight decrease of approximately RMB246,000. The key factors for the decrease of loss are the completion of projects and payments settled in full, leading to a significant growth in turnover.

BUSINESS REVIEW AND FUTURE PROSPECTS

In the sales review, the first major product sale of the Company is the sales in business solution development. The volume has increased from RMB2,413,000 to RMB11,172,000. This represents an increase of 363% as compared to the first quarter in the previous financial year. The increase is due to the income from some previous projects completed this year.

Besides, the product sale was contributed from the sales and distribution of computer and electrical products and accessories. The sales in this area achieved approximately RMB9,206,000 and represented a slight reduction of RMB1,346,000 or approximately 13%.

The third major business is sales of application software. However, the sales have significantly dropped from RMB622,000 in the first quarter of the previous financial year to RMB94,000. The decrease is due to the project cycle.

In the expenses management and control, administration cost amounted to RMB1,784,000, represented an increase of RMB116,000 as compared with the first quarter in the previous financial year; and the cost of research and development amounted to RMB2,471,000, represented a large increase of RMB860,000 as compared with the first quarter in the previous financial year. However, the marketing and sales cost was basically similar to that of the first quarter of the previous financial year, which amounted to about RMB1,310,000. The significant increase in research and development cost is due to the expenses of a Macau project and the accommodation of a group of research and development staff stationed in Zhuhai and Macau.

The Company will focus on cost control to monitor its cost continuously, so as to achieve its target profits. The management will minimize unnecessary cost by all means and improve the productivities of management personnel.

In conclusion, the first quarter financial result has been better than the previous first quarter financial result. The Company will take necessary proactive steps to monitor its financial condition.

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

As at 31st March, 2010, 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%
Li Zhan	Company	Beneficial owner	12,000 H shares (L)	0.003%

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, 2010, 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, 2010, 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, 2010, 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 share option has been granted pursuant to such share option scheme on or before 31st March, 2010.

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

A. Substantial shareholders

As at 31st March, 2010, 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 <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. 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, 2010, 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 31st March, 2010, 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 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 nine months ended 31st March, 2010, 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 (the "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 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 three months ended 31st March, 2010.

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, 2010.

By Order of the Board
Shanghai Jiaoda Withub Information Industrial Company Limited
Li Zhan
Chairman

Shanghai, the PRC, 12th May, 2010

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

Executive Directors	Li Zhan, Cheng Min, Mo Zhenxi, Yuan Tingliang, Wang Yiming, Li Wei
Independent Non-executive Directors	Cao Guo Qi, Chan Yan Chong, Yuan Shumin