



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 limited company incorporated in the People's Republic of China with limited liability)

FIRST QUARTERLY REPORT 2003

* *For identification purpose only*

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This report, for which the directors of Shanghai Jiaoda Withub Information Industrial Company Limited 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 of Hong Kong Limited 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

- Recorded a turnover of approximately RMB22,232,000 for the three months ended 31st March, 2003, representing an approximately 156.6% increase as compared with that of the corresponding period in 2002.
- Recorded a net loss of approximately RMB2,364,000 for the three months ended 31st March, 2003. Net loss for the corresponding period in 2002 was approximately RMB2,645,000.
- The Directors do not recommend the payment of an interim dividend for the three months ended 31st March, 2003.

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, 2003.

For the three months ended 31st March, 2003, the unaudited turnover is approximately RMB22,232,000, representing an increase of approximately RMB13,567,000 as compared with that of the corresponding period in 2002.

For the three months ended 31st March, 2003, the unaudited net loss is approximately RMB2,364,000, representing a decrease of approximately 10.6% as compared with that of the corresponding period in 2002.

RESULTS (UNAUDITED)

The unaudited results of the Group for the three months ended 31st March, 2003, together with the unaudited comparative figures for the corresponding period in 2002 are as follows:

	<i>Notes</i>	For the three months ended	
		2003	2002
		<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	22,232	8,665
Cost of sales		<u>(19,717)</u>	<u>(6,999)</u>
Gross profit		2,515	1,666
Other revenue		2,736	160
Distribution costs		(864)	(687)
Research and development costs		(400)	(181)
Administrative expenses		<u>(6,318)</u>	<u>(3,216)</u>
Loss from operations		(2,331)	(2,258)
Finance costs		(46)	(56)
Share of losses from associates		<u>(250)</u>	<u>(500)</u>
Loss before taxation		(2,627)	(2,814)
Taxation	3	<u>0</u>	<u>0</u>
Net loss before minority interests		(2,627)	(2,814)
Minority interests		<u>263</u>	<u>169</u>
Net loss attributable to shareholders		<u>(2,364)</u>	<u>(2,645)</u>
Dividends		<u>-</u>	<u>-</u>
Loss per share (in RMB)	4	<u>(0.0049)</u>	<u>(0.0073)</u>

MOVEMENTS OF RESERVES (UNAUDITED)

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1st January, 2002	36,000	2,300	8,896	–	(9,079)	38,117
Net loss for the period	–	–	–	–	(2,645)	(2,645)
At 31st March, 2002	<u>36,000</u>	<u>2,300</u>	<u>8,896</u>	<u>–</u>	<u>(11,724)</u>	<u>35,472</u>
At 1st January, 2003	48,000	61,068	16,000	19	(5,092)	119,995
Net loss for the period	–	–	–	–	(2,364)	(2,364)
At 31st March, 2003	<u>48,000</u>	<u>61,068</u>	<u>16,000</u>	<u>19</u>	<u>(7,456)</u>	<u>117,631</u>

Notes:

1. BASIS OF PRESENTATION

The Company was incorporated as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 4th May, 1998 and its H shares have been listed on the GEM (the "Listing") since 31st July, 2002. The details were set out in the prospectus of the Company dated 25th July, 2002 (the "Prospectus"), issued in respect of the Company's H shares listed on GEM.

The number of shares adopted in this announcement is based on the assumption that the sub-division of shares as described in Appendix IV of the Prospectus had been taken place during the period from 1st January, 2002 to 31st March, 2003.

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

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	
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Business solution development	6,756	2,424
Application software	304	34
Network and data security products	512	97
Sales of distributed products	14,660	6,110
	<u>22,232</u>	<u>8,665</u>

All of the Group's activities are conducted in the PRC and are within the same business segment.

3. TAXATION

For the three months ended 31st March	
2003	2002
RMB'000	RMB'000

The charges comprises:

PRC enterprise income tax	—	—
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No provision for Hong Kong profits tax was made as the Group had no assessable profits in Hong Kong. The Group was subject to PRC Enterprise Income Tax ("EIT") at rates of 15% and 33%, calculated based on estimated assessable profits for the period.

The Company is recognised as a New and High Technology Enterprise in the PRC and subject to a favourable EIT rate of 15%. The subsidiaries of the Company are subject to EIT rate of 33%.

4. LOSS PER SHARE

The calculation of the basic loss per share for the three months ended 31st March, 2003 is based on the unaudited net loss of approximately RMB2,364,000 (2002: net loss of approximately RMB2,645,000) and the weighted average number of shares during the period as if the sub-division of the Company's shares described in Appendix IV of the Prospectus had been taken place at the beginning of the relevant periods (three months ended 31st March 2003: 480,000,000 shares; three months ended 31st March, 2002: 360,000,000 shares).

Diluted earnings per share is not presented for the three months ended 31st March, 2003 and 2002 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, 2003. (2002: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the three months ended 31st March, 2003, the Group has recorded a turnover of approximately RMB22,232,000 and a net loss of approximately RMB2,364,000. This represented a growth of 156.6% in turnover as compared with that of the corresponding period in 2002. The net loss for the period decreased by 10.6%. The loss was mainly attributable to the long vacations in the first quarter, including the Chinese New Year holiday. Fewer working days affected the progress of business negotiation and business operation. This situation was similar to that of first quarter 2002. 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, 2003, 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, 2003, 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

For the three months ended 31st March, 2003, the Group actively explored the different markets for its business solution development business and gained positive responses. The Group is now developing business solutions for logistic and securities industries in order to gain the access to different markets.

The Group has developed two new application software, namely, the Personnel Management Information System (“PMIS”) and Community Management Information System (“CMIS”). The Group will test the market and formulate appropriate development plans for these products.

The Group endeavour to develop its network and data security products and look for other specialized distributed products which have a higher profit margin.

FUTURE PROSPECTS

Based on the recent growth and development in the economic environment of the PRC, the resulting improvement in overall living standards and business automation as well as the State’s policy of making information technology a fundamental driving force for economic growth, the Directors believe that there is an enormous growth potential in the information technology sector, in particular, business application solutions.

The Directors also believe that the Group, with the existing technology it owns, its well-qualified and experienced team of research and development staff as well as its relationship with and ongoing technological support from Shanghai Jiao Tong University, will be able to compete favourably and capitalise on the growth potential in the business application solutions market in the information technology sector in the People’s Republic of China. In addition to the above advantages, the Group has adequate financial resources to implement its product development plans and marketing activities.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN SHARES

As at 31st March, 2003, except for those shares as set out below, none of the Directors, chief executives and the supervisors of the Company (the “Supervisor”) or their associates had any personal, family, corporate or other interests in the shares of the Company or associated corporations, if any, pursuant to section 29 of the SDI Ordinance.

The beneficial interests of the Directors and Supervisors in the share capital of the Company are deemed as follows:

Persons	Type of interests	Class of shares	Number of shares	Percentage of deemed beneficial interest in the Company’s share capital
Director				
Xu Xiaoming	Personal	Domestic	7,300,000	1.52%
Cheng Min	Personal	Domestic	4,700,000	0.98%
Chen Jianbo	Personal	Domestic	24,300,000	5.06%
Chief Executive				
Wang Yiming	Personal	Domestic	9,840,000	2.05%

The beneficial interests of the Directors and Supervisors in the share capital of the Group's subsidiaries and associates are as follows:

Shanghai Jiaoda Withub Ton Yong Technology Company Limited – a subsidiary of the Group's associate, Shanghai Jiaoda Withub Technology Company Limited

Director	Type of interests	Class of shares	Number of shares	Percentage of beneficial interest in the associated company's share capital
Chen Jianbo	Personal	Ordinary	500,000	5.00%

Shanghai Huikang Information Technology Company Limited – a subsidiary of the Group

Chief Executive	Type of interests	Class of shares	Number of shares	Percentage of beneficial interest in the associated company's share capital
Wang Yiming	Personal	Ordinary	100,000	10.00%

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

During the period from 1st January, 2003 to 31st March, 2003, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 31st March, 2003, none of the Directors or the Supervisors 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. No option has been granted pursuant to such share option scheme on or before 31st March, 2003.

SUBSTANTIAL SHAREHOLDERS

Other than the interests as disclosed above in respect of the Directors and their associates, as at 31st March, 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholders' interests, being 10 percent or more of the Company's issued share capital:

Shareholder	Class of shares	Number of shares	Approximate effective interests in the Company
Shanghai Jiao Tong University	Domestic	114,000,000 (<i>Note 1</i>)	23.75%
Shanghai Jiaoda Nanyang Co. Ltd.	Domestic	85,500,000	17.81%
Shanghai Huixin Investment Operation Company Limited	Domestic	57,000,000	11.88%
Shanghai Technology Investment Co.	Domestic	57,000,000	11.88%
Shanghai Xin Xuhui (Group) Limited	Domestic	60,000,000	12.50%
Xuhui District Industrial Association	Domestic	60,000,000 (<i>Note 2</i>)	12.50%

Note:

1. These 114,000,000 Domestic Shares are respectively registered and owned as to 28,500,000 Domestic Shares by Shanghai Jiada Industrial Investment Management (Group) Limited, the registered capital of which is owned as to 96.735% by Shanghai Jiao Tong University and as to 3.265% by Shanghai Jiada Enterprise Management Centre, an entity wholly-owned by Shanghai Jiao Tong University, and as to remaining 85,500,000 Domestic Shares by Shanghai Jiada Nanyang Company Limited, the Shares in issue of which are owned as to approximately 43.7% by Shanghai Jiao Tong University. Shanghai Jiao Tong University is deemed to be interested in the aggregate of 114,000,000 Domestic Shares held by Shanghai Jiada Industrial Investment Management (Group) Limited and Shanghai Jiada Nanyang Company Limited under the Securities (Disclosure of interests) Ordinance.
2. 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 Securities (Disclosure of interests) Ordinance.

Save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st March, 2003.

COMPETING INTERESTS

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

SPONSOR'S INTEREST

As updated and notified by the Company's sponsor, Guotai Junan Capital Limited ("Guotai Junan"), neither Guotai Junan nor its directors, employees or associates had any interest in the share capital of the Company as at 31st March, 2003 pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules.

Pursuant to the agreement dated 20th December, 2002 entered into between the Company and Guotai Junan, Guotai Junan has received and will receive a fee for acting as the Company's retained sponsor for the period from 1st January, 2003 to 31st December 2004.

AUDIT COMMITTEE

The Company established an audit committee on 7th July, 2002 with written terms of reference in compliance with the requirements as set out in Rules 5.23 and 5.24 of the GEM Listing Rules. The audit committee comprises the two independent non-executive directors, Professor Shao Shihuang and Professor Gu Junzhong. The audit committee has reviewed the unaudited results for the three months ended 31st March, 2003.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

For the three months ended 31st March, 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures during the period covered by this interim result and thereafter.

By Order of the Board
Xu Xiaoming
Chairman

Shanghai, the PRC, 12th May, 2003