



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)

FIRST QUARTERLY REPORT 2004

* *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

- The Group recorded a turnover of approximately RMB31,894,000 for the three months ended 31st March, 2004, representing an approximately 43.5% increase as compared with that of the corresponding period in 2003.
- The Group recorded a net loss of approximately RMB3,153,000 for the three months ended 31st March, 2004. Net loss for the corresponding period in 2003 was approximately RMB2,364,000.
- The Directors do not recommend the payment of an interim dividend for the three months ended 31st March, 2004.

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, 2004.

For the three months ended 31st March, 2004, the unaudited turnover is approximately RMB31,894,000, representing an increase of approximately RMB9,662,000 as compared with that of the corresponding period in 2003.

For the three months ended 31st March, 2004, the unaudited net loss is approximately RMB3,153,000, representing an increase of approximately 33.4% as compared with that of the corresponding period in 2003.

RESULTS (UNAUDITED)

The unaudited results of the Group for the three months ended 31st March, 2004, together with the unaudited comparative figures for the corresponding periods in 2003 are as follows:

		For the three months ended 31st March,	
		2004	2003
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	31,894	22,232
Cost of sales		<u>(28,475)</u>	<u>(19,717)</u>
Gross profit		3,419	2,515
Other revenue		1,787	2,736
Distribution costs		(1,251)	(864)
Research and development costs		(1,774)	(400)
Administrative expenses		<u>(5,153)</u>	<u>(6,318)</u>
Loss from operations		(2,972)	(2,331)
Finance costs		(120)	(46)
Share of losses from associates		<u>(234)</u>	<u>(250)</u>
Loss before taxation		(3,326)	(2,627)
Taxation	3	<u>0</u>	<u>0</u>
Loss before minority interests		(3,326)	(2,627)
Minority interests		<u>173</u>	<u>263</u>
Loss attributable to shareholders		<u>(3,153)</u>	<u>(2,364)</u>
Dividends		<u>-</u>	<u>-</u>
Loss per share (in RMB)	4	<u>(0.0066)</u>	<u>(0.0049)</u>

MOVEMENTS OF RESERVES (UNAUDITED)

	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1st January, 2003					
– as previously reported	61,068	16,000	19	(5,092)	71,995
– prior period adjustment arising from adoption of new accounting standard for income taxes	–	–	–	618	618
– as restated	<u>61,068</u>	<u>16,000</u>	<u>19</u>	<u>(4,474)</u>	<u>72,613</u>
Net loss for the period	–	–	–	(2,364)	(2,364)
At 31st March, 2003	<u>61,068</u>	<u>16,000</u>	<u>19</u>	<u>(6,838)</u>	<u>70,249</u>
At 1st January, 2004	61,068	16,000	223	(2,868)	74,423
Net loss for the period	–	–	–	(3,153)	(3,153)
At 31st March, 2004	<u>61,068</u>	<u>16,000</u>	<u>223</u>	<u>(6,021)</u>	<u>71,270</u>

Notes:

1. BASIS OF PRESENTATION

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

The consolidated financial statements are prepared under the historical cost convention except for investments in securities which are measured at fair values.

The accounting policies have been consistently applied by the Company and are consistent with those used in the 2003 annual financial statements.

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,	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Business solution development	10,545	6,756
Application software	170	304
Network and data security products	359	512
Sales of distributed products	20,820	14,660
	<hr/>	<hr/>
	31,894	22,232
	<hr/>	<hr/>

For management reporting purpose, business segment information is chosen as the primary reporting format. The principal business segments of the Group comprise the following:

Business application solutions: develop and provide business application solutions services which include business solutions, application software, network and data security products.

Sales of distributed products: distribute computer products and accessories.

3. TAXATION

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, 2004 (three months ended 31st March, 2003: Nil).

4. LOSS PER SHARE

The calculation of the basic loss per share for the three months ended 31st March, 2004 is based on the unaudited net loss of approximately RMB3,153,000 (2003: net loss of approximately RMB2,364,000) and the weighted average number of shares during the period (three months ended 31st March 2004: 480,000,000 shares; three months ended 31st March, 2003: 480,000,000 shares).

Diluted earnings per share is not presented for the three months ended 31st March, 2004 and 2003 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, 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the three months ended 31st March, 2004, the Group has recorded a turnover of approximately RMB31,894,000 (2003: turnover of approximately RMB22,232,000) and a net loss of approximately RMB3,153,000 (2003: net loss of approximately RMB2,364,000). The loss was mainly attributable to the decreasing profit margins as the result of increasing competition in the market of provision of business solutions. Also, long vacations in the first quarter slowed down the progress of business negotiation and business operation. This situation was similar to that of the first quarter of 2003. The 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, 2004, 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, 2004, 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

During these months, the profit margins had decreased significantly and the competition had become more intensive. Although the Group recorded significant growth in the turnover of both business solution development and sale of distributed products, the Group could not attain the profit margin it used to be.

In order to improve the performance of the Group, the Group is planning to acquire more advance technology and/or cooperate with other business partners to explore the possibility of entering into other information technology related segments with better profit margins.

FUTURE PROSPECTS

After the China's accession to WTO, the Directors still believe that there is an enormous growth potential in the information technology sector. However, the Directors also believe that the Group has to move to other information technology related segments with greater barriers of entrance. The Group will actively explore the possibilities in other information technology segments and dedicate to strengthen the relationship with Shanghai Jiao Tong University.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31st March, 2004, the interests and short positions of the Directors, the supervisors of the Company (the "Supervisors") (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 Rule 5.46 of the GEM Listing Rules were as follows:

Name	The Company/ name of associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage in the issued share capital of the Company/ associated corporation
Director				
Xu Xiaoming	The Company	Beneficial owner	7,300,000 domestic shares (L)	1.52%
Cheng Min	The Company	Beneficial owner	4,700,000 domestic shares (L)	0.98%
Chen Jianbo	The Company	Beneficial owner	24,300,000 domestic shares (L)	5.06%
	Shanghai Jiaoda Withub Ton Yong Technology Company Limited (Note 2)	Beneficial owner	500,000 shares (L)	5.00%
Chief Executive				
Wang Yiming	The Company	Beneficial owner	9,840,000 domestic shares (L)	2.05%
	Shanghai Huikang Information Technology Company Limited (Note 3)	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 associated corporations.
2. Shanghai Jiaoda Withub Ton Yong Technology Company Limited is a subsidiary of Shanghai Jiaoda Withub Technology Company Limited, an associated company of the Company.
3. Shanghai Huikang Information Technology Company Limited is one of the subsidiaries of the Company.

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

As at 31st March, 2004, 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, 2004, 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 25 July, 2002. No option has been granted pursuant to such share option scheme on or before 31st March, 2004.

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

A. Substantial shareholders

As at 31st March, 2004, the following shareholders 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 and were directly or indirectly interested in 10 per cent. or more of the Shares:

Name of shareholder	Capacity	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 Nanyang Co. Ltd.	Beneficial owner	85,500,000 domestic shares (L)	17.81%
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 Co.	Beneficial owner	57,000,000 domestic shares (L)	11.88%

Notes:

1. The letter "L" represents the entity's interest in the shares of the Company.
2. These 114,000,000 Domestic Shares are respectively registered and owned as to 28,500,000 Domestic Shares by Shanghai Jiaoda 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 Jiaoda Enterprise Management Centre, an entity wholly-owned by Shanghai Jiao Tong University, and as to remaining 85,500,000 Domestic Shares by Shanghai Jiaoda 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 Jiaoda Industrial Investment Management (Group) Limited and Shanghai Jiaoda Nanyang Company Limited 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, 2004, 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	Capacity	Number and class of shares (Note)	Approximate percentage of interest
Shanghai Jiaoda Industrial Investment Management (Group) Limited	Beneficial owner	28,500,000 domestic shares (L)	5.94%
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.

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.

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, 2004 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, 2004.

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 period up to 31st March, 2004.

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 throughout the reporting period.

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

Executive directors	Xu Xiaoming, Cheng Min, Chen Weifeng, Chen Jianbo, Yuan Tingliang and Hua Xin
Independent non-executive directors	Shao Shihuang, Gu Junzhong and Hu Shao-ming, Herman

By Order of the Board
Xu Xiaoming
Chairman

Shanghai, the PRC, 12th May, 2004