



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)

THIRD QUARTER REPORT 2002

* *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 RMB48,509,000 for the nine months ended 30th September, 2002, representing an approximately 37.5% decrease as compared with that of the corresponding period in 2001.
- Recorded a net profit of approximately RMB1,424,000 for the nine months ended 30th September, 2002. Net profit for the same period in 2001 was approximately RMB1,645,000.
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September 2002.

THIRD QUARTERLY RESULTS

The board of Directors (“Board”) of Shanghai Jiaoda Withub Information Industrial Company Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (the “Group”) for the three and nine months ended to 30th September, 2002.

For the three months ended 30th September, 2002, the unaudited turnover is approximately RMB27,232,000, representing an increase of approximately RMB9,409,000, or approximately 52.8% as compared with that of the corresponding period in 2001. For the nine months ended 30th September 2002, the unaudited turnover is approximately RMB48,509,000, representing a decrease of approximately RMB29,102,000, or approximately 37.5% as compared with that of the same period in 2001.

For the three months ended 30th September, 2002, the unaudited net profit is approximately RMB1,400,000, representing an increase of approximately 144.1% as compared with that of the corresponding period in 2001. For the nine months ended 30th September, 2002, the unaudited net profit is approximately RMB1,424,000, representing a decrease of approximately 13.4% as compared with that of corresponding period in 2001.

RESULTS (UNAUDITED)

The unaudited results of the Group for the three months and nine months ended 30th September, 2002 together with the unaudited comparative figures for the corresponding periods in 2001 are as follows:

	<i>Notes</i>	For the three months ended		For the nine months ended	
		2002	2001	2002	2001
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	27,232	17,823	48,509	77,611
Cost of sales		<u>(21,677)</u>	<u>(13,478)</u>	<u>(33,860)</u>	<u>(63,300)</u>
Gross profit		5,555	4,345	14,649	14,311
Other revenue		647	139	1,806	2,822
Distribution costs		(796)	(532)	(2,067)	(1,821)
Research and development costs		(340)	(432)	(2,505)	(1,185)
Administrative expenses		<u>(2,857)</u>	<u>(1,511)</u>	<u>(7,981)</u>	<u>(8,970)</u>
Profit from operations		2,209	2,009	3,902	5,157
Finance costs		(48)	(701)	(165)	(2,085)
Gain on disposal of subsidiary		–	172	–	172
Share of losses from associates		<u>(465)</u>	<u>(286)</u>	<u>(1,758)</u>	<u>(763)</u>
Profit before taxation		1,696	1,194	1,979	2,481
Taxation	3	<u>(325)</u>	<u>(278)</u>	<u>(607)</u>	<u>(860)</u>
Net profit before minority interests		1,371	916	1,372	1,621
Minority interests		<u>29</u>	<u>(343)</u>	<u>52</u>	<u>24</u>
Net profit attributable to shareholders		<u>1,400</u>	<u>573</u>	<u>1,424</u>	<u>1,645</u>
Dividends		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Earnings per share <i>(in RMB)</i>	4	<u>0.0032</u>	<u>0.0015</u>	<u>0.0044</u>	<u>0.0054</u>

MOVEMENT OF RESERVES (UNAUDITED)

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Retained profits/ losses) RMB'000	Total RMB'000
At 1st January 2001	30,000	–	8,896	(11,719)	27,177
Issue of domestic shares	6,000	2,300	–	–	8,300
Net profit for the period	–	–	–	1,645	1,645
At 30th September, 2001	<u>36,000</u>	<u>2,300</u>	<u>8,896</u>	<u>(10,074)</u>	<u>37,122</u>
At 1st January 2002	36,000	2,300	8,896	(9,079)	38,117
Issue of H shares (net of listing expenses)	12,000	58,768	–	–	70,768
Net profit for the period	–	–	–	1,424	1,424
At 30th September, 2002	<u>48,000</u>	<u>61,068</u>	<u>8,896</u>	<u>(7,655)</u>	<u>110,309</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, 2001 to 30th September, 2002.

The above unaudited results of the Group have been prepared under the historical cost convention.

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 30th September		For the nine months ended 30th September	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Business solutions development	10,578	1,965	22,124	16,029
Application software	65	2,192	2,921	3,800
Network and data security products	326	81	628	183
Sales of distributed products	<u>16,263</u>	<u>13,585</u>	<u>22,836</u>	<u>57,599</u>
	<u>27,232</u>	<u>17,823</u>	<u>48,509</u>	<u>77,611</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 30th September		For the nine months ended 30th September	
2002	2001	2002	2001
RMB'000	RMB'000	RMB'000	RMB'000

The charges comprises:

PRC Enterprise Income Tax	325	278	607	860
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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%.

Share of results of associates by the Group included share of taxation of associates amounting to RMBNil and RMB17,100 for the three months and nine months ended 30th September, 2002 respectively (RMB6,500 and RMB19,500 for the three months and nine months ended 30th September, 2001 respectively).

4. EARNINGS PER SHARE

The calculations of the basic earnings per share for the three months and nine months ended 30th September, 2002 were based on the respective net profits of approximately RMB1,400,000 and RMB1,424,000 (three months and nine months ended 30th September, 2001: net profit of approximately RMB573,000 and RMB1,645,000 respectively) divided by 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 September 2002: 440,869,565 shares; nine months ended September 2002: 387,252,747 shares; three months ended September 2001: 320,217,391 shares and nine months ended 2001: 306,813,187 shares).

Diluted earnings per share is not presented for the three months and nine months ended 30th September, 2002 and 2001 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 period. (2001: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results

For the three months ended 30th September, 2002, the Group has recorded a turnover of approximately RMB27,232,000 and a net profit of approximately RMB1,400,000. This represented a growth of 52.8% in turnover as compared with that of the corresponding period in 2001. For the nine months ended 30th September, 2002, the Group has recorded a revenue of approximately RMB48,509,000 and a net profit of approximately RMB1,424,000. This represented a decrease of 37.5% in turnover as compared with that of the corresponding period in 2001. The decrease in the turnover of the Group was due to the Group's strategy that more resources would be devoted to business solutions development business. Directors expect the Group's performance will continue to improve as more projects are going to be completed in the last quarter of 2002.

Financial Resources and liquidity

As at 30th September, 2002, shareholders' funds of the Group amounted to approximately RMB110,309,000. Current assets amounted to approximately RMB123,121,000, of which approximately RMB84,683,000 were cash and bank deposits. The Group had no non-current liabilities and its current liabilities amounted to approximately RMB30,696,000, mainly its trade payable, accruals and short-term bank loan. The Group did not have any long-term debts.

The Group has outstanding bank loan of RMB3,000,000, which was borrowed by Shanghai Jiaoda Withub Software Company Limited ("Withub Software"), one of the Group's subsidiaries. The fund was used to finance the daily operations of Withub Software. The loan will be due on 18th November 2002 and the monthly interest rate charged was 0.53625%. Other than this short-term loan, the Group has not committed any borrowing facilities. The Directors believe that the Group is financially healthy.

The Group expresses its gearing ratio as a percentage of long-term debts over total assets. As at 30th September, 2002, 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 nine months ended 30th September, 2002, 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 nine months ended 30th September, 2002, the Group carried out promotion activities for its products such as Enterprise Information Management System and Railway Labour Wage Information Management System continuously. The Group increased the number of distributors and explored the opportunities of business cooperation. In September, 2002, a new associate, Shanghai Tong Chuang Information Technology Company Limited (STCIT) was incorporated. The main business of the associate is telecommunication related networking business. The shareholders of STCIT are the Company (32%), Shanghai Telecom Company, China Telecom (42%), Mr. Zhu Hongwen (26%). Both Shanghai Telecom Company, China Telecom and Mr. Zhu are independent third parties of the Group.

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.

The Directors have confidence that the business solutions development business will be the driving force of the Group in the near future. The Group is also keen on exploring the markets in other provinces of the PRC, especially for the business solutions development business.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 30th September, 2002, except for those shares as set out below, none of the Directors and the supervisors of the Company (the "Supervisors") 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:

Directors	Type of interests	Class of shares	Number of shares	Percentage of deemed beneficial interest in the Company's share capital
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%

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

During the period from 1st January, 2002 to 30th September, 2002, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 30th September, 2002, 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 30th September, 2002.

SUBSTANTIAL SHAREHOLDERS

Other than the interests as disclosed above in respect of the Directors and their associates, as at 30th September, 2002, 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 immediately after the Listing
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:

- 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 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 30th September, 2002.

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, Tai Fook Capital Limited ("Tai Fook Capital"), neither Tai Fook Capital nor its directors, employees or associates had any interest in the share capital of the Company as at 30th September, 2002 pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules.

Pursuant to the agreement dated 25th July, 2002 entered into between the Company and Tai Fook Capital, Tai Fook Capital has received and will receive a fee for acting as the Company's retained sponsor for the period from 31st July, 2002 to 31st December 2004 or until the sponsor agreement is terminated upon the terms and conditions set out herein.

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 nine months ended 30th September, 2002.

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 from 31st July, 2002 (date of the listing of the Company) to 30th September, 2002.

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 since its listing on the GEM board.

By Order of the Board
Xu Xiaoming
Chairman

Shanghai, the PRC, 11th November, 2002