



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 QUARTERLY REPORT
FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2003**

* *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 established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sector or countries in which the companies operate. 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 the 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.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, 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 RMB92,452,000 for the nine months ended 30th September, 2003, representing an approximately 90.6% increase as compared with that of the corresponding period in 2002.
- For the nine months ended 30th September, 2003, the Group recorded a net loss of approximately RMB1,615,000. For the same period in 2002, the Group recorded a net profit of approximately RMB1,424,000.
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September, 2003.

THIRD 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 and nine months ended 30th September, 2003.

The unaudited results of the Group for the three months and nine months ended 30th September, 2003, together with the unaudited comparative figures for the corresponding periods in 2002 are as follows:

RESULTS (UNAUDITED)

	<i>Notes</i>	For the three months ended 30th September,		For the nine months ended 30th September,	
		2003	2002	2003	2002
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	36,172	27,232	92,452	48,509
Cost of sales		(32,053)	(21,677)	(81,197)	(33,860)
Gross profit		4,119	5,555	11,255	14,649
Other revenue		2,319	647	6,341	1,806
Distribution costs		(997)	(796)	(3,128)	(2,067)
Research and development costs		(475)	(340)	(1,182)	(2,505)
Administrative expenses		(4,981)	(2,857)	(15,136)	(7,981)
Profit/(loss) from operations		(15)	2,209	(1,850)	3,902
Finance costs		(45)	(48)	(133)	(165)
Share of profit/(loss) from associates		305	(465)	(648)	(1,758)
Profit/ (loss) before taxation		245	1,696	(2,631)	1,979
Taxation	3	0	(325)	829	(607)
Net profit / (loss) before minority interests		245	1,371	(1,802)	1,372
Minority interests		6	29	187	52
Net profit/(loss) attributable to shareholders		251	1,400	(1,615)	1,424
Dividends		–	–	–	–
Earnings/(loss) per share (in RMB)	4	0.0005	0.0032	(0.0034)	0.0044

MOVEMENTS OF RESERVES (UNAUDITED)

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1st January, 2002	36,000	2,300	8,896	–	(9,079)	38,117
Issuance of H Shares	12,000	58,768	–	–	–	70,768
Net loss for the period	–	–	–	–	1,424	1,424
At 30th September, 2002	<u>48,000</u>	<u>61,068</u>	<u>8,896</u>	<u>–</u>	<u>(7,655)</u>	<u>110,309</u>
At 1st January, 2003	48,000	61,068	16,000	19	(5,092)	119,995
Net loss for the period	–	–	–	–	(1,615)	(1,615)
At 30th September, 2003	<u>48,000</u>	<u>61,068</u>	<u>16,000</u>	<u>19</u>	<u>(6,707)</u>	<u>118,380</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 2002 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 30th September,		For the nine months ended 30th September,	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Business solution development	11,013	10,578	31,400	22,124
Application software	711	65	1,241	2,921
Network and data security products	75	326	630	628
Sales of distributed products	<u>24,373</u>	<u>16,263</u>	<u>59,181</u>	<u>22,836</u>
	<u>36,172</u>	<u>27,232</u>	<u>92,452</u>	<u>48,509</u>

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

3. TAXATION

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. EARNINGS/(LOSS) PER SHARE

The calculation of the basic loss per share for the nine months ended 30th September, 2003 is based on the unaudited net loss of approximately RMB1,615,000 (2002: net profit of approximately RMB1,424,000) and the weighted average number of shares during the period (nine months ended 30th September, 2003: 480,000,000 shares; nine months ended 30th September, 2002: 387,252,747 shares).

The calculation of the basic earnings per share for the three months ended 30th September, 2003 is based on the unaudited net profit of approximately RMB251,000 (2002: net profit of approximately RMB1,400,000) and the weighted average number of shares during the period (three months ended 30th September, 2003: 480,000,000 shares; three months ended 30th September, 2002: 440,869,565 shares)

Diluted earnings per share is not presented for the nine months ended 30th September, 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 nine months ended 30th September, 2003. (2002: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the third quarter 2003, the negative effect brought by Severe Acute Respiratory Syndrome ("SARS") was still prevailed and disrupted the progress of projects and business operations of the Group. With the endeavour of its staff, the Group recorded significant increase in turnover. For the three months ended 30th September, 2003, the Group has accomplished a revenue of approximately RMB36,172,000 (2002: RMB27,232,000). This represented an increase of approximately 32.8% in revenue from that of the corresponding period in 2002. However, the net profit for the three months ended 30th September decreased from RMB1,400,000 in 2002 to RMB251,000 in 2003. Such decrease was mainly attributable to a decrease in profit margin and an increase in operating costs.

BUSINESS REVIEW AND FUTURE PROSPECTS

Although the performance of the Group was not satisfactory for the nine months ended 30th September, 2003, the Directors believe that the negative impact brought by SARS is only short-term. The Directors have confidence that the business solution business and software business will be recovered soon. However, the intensive competition in network security products market forced the Group to reconsider the development plans for these products.

The Directors believe that the PRC economy will keep on growing in long run, while corporate demand for information technology and products will grow year by year. In order to maximize shareholders' wealth, the Directors will review the corporate strategies from time to time and explore the possibilities to maximize the Group's strengths and allocate the resources more efficiently and effectively.

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

As at 30th September, 2003, 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 Rules 5.40 to 5.58 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 30th September, 2003, none of the Directors, supervisors and chief executives of the Company was granted options to subscribe for H shares of the Company. As at 30th September, 2003, 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 option has been granted pursuant to such share option scheme on or before 30th September, 2003.

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

A. Substantial shareholders

As at 30th September, 2003, 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 30th September, 2003, 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 Jiada 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 30th September, 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 30th September, 2003.

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 30th September, 2003.

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 results and thereafter.

By Order of the Board
Xu Xiaoming
Chairman

Shanghai, the PRC, 12th November, 2003