



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)

THIRD QUARTERLY REPORT 2004

* *For identification purpose only*

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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 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 RMB89,988,000 for the nine months ended 30th September, 2004, representing a decrease of approximately 2.7% as compared to the corresponding period in 2003.
- For the nine months ended 30th September, 2004, the Group recorded a net loss of approximately RMB6,142,000. For the same period in 2003, the Group recorded a net loss of approximately RMB1,615,000.
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September, 2004.

THIRD QUARTERLY RESULTS

The board of Directors (“Board”) of Shanghai Jiada Withub Information Industrial Company Limited 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, 2004.

The unaudited results of the Group for the three months and nine months ended 30th September, 2004, together with the unaudited comparative figures for the corresponding periods in 2003 are as follows:

RESULTS (UNAUDITED)

	<i>Notes</i>	For the three months ended 30th September,		For the nine months ended 30th September,	
		2004	2003	2004	2003
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	30,860	36,172	89,988	92,452
Cost of sales		(27,073)	(32,053)	(78,674)	(81,197)
Gross profit		3,787	4,119	11,314	11,255
Other revenue		1,441	2,319	4,765	6,341
Distribution costs		(1,235)	(997)	(3,676)	(3,128)
Research and development costs		(1,653)	(475)	(3,629)	(1,182)
Administrative expenses		(4,173)	(4,981)	(13,469)	(15,136)
Profit/(loss) from operations		(1,833)	(15)	(4,695)	(1,850)
Finance costs		(65)	(45)	(207)	(133)
Share of profit/(loss) from associates		(619)	305	(873)	(648)
Profit/(loss) before taxation		(2,517)	245	(5,775)	(2,631)
Taxation	3	0	0	0	829
Net profit/(loss) before minority interests		(2,517)	245	(5,775)	(1,802)
Minority interests		(514)	6	(367)	187
Net profit/(loss) attributable to shareholders		(3,031)	251	(6,142)	(1,615)
Dividends		–	–	–	–
Profit/(loss) per share (in RMB)	4	(0.0063)	0.0005	(0.0128)	(0.0034)

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, 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>
At 1st January, 2004	48,000	61,068	16,000	223	(2,868)	122,423
Net loss for the period	—	—	—	—	(6,142)	(6,142)
At 30th September, 2004	<u>48,000</u>	<u>61,068</u>	<u>16,000</u>	<u>223</u>	<u>(9,010)</u>	<u>116,281</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 Institute of Certified Public 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 30th September,		For the nine months ended 30th September,	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Business solution development	7,791	11,013	23,987	31,400
Application software	1,354	711	2,046	1,241
Network and data security products	182	75	672	630
Sales of distributed products	<u>21,533</u>	<u>24,373</u>	<u>63,283</u>	<u>59,181</u>
	<u>30,860</u>	<u>36,172</u>	<u>89,988</u>	<u>92,452</u>

All of the Group's activities are conducted in the PRC. Turnover as disclosed above is net of applicable PRC business tax and value added tax.

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. PROFIT/(LOSS) PER SHARE

The calculation of the basic loss per share for the nine months ended 30th September, 2004 is based on the unaudited net loss of approximately RMB6,142,000 (2003: net loss of approximately RMB1,615,000) and the weighted average number of shares during the period (nine months ended 30th September, 2004: 480,000,000 shares; nine months ended 30th September, 2003: 480,000,000 shares).

The calculation of the basic loss per share for the three months ended 30th September, 2004 is based on the unaudited net loss of approximately RMB3,031,000 (2003: net profit of approximately RMB251,000) and the weighted average number of shares during the period (three months ended 30th September, 2004: 480,000,000 shares; three months ended 30th September, 2003: 480,000,000 shares)

Diluted earnings per share is not presented for the three months and nine months ended 30th September, 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 nine months ended 30th September, 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the nine months ended 30th September, 2004, the Group recorded a turnover of approximately RMB89,988,000, representing a decrease of 2.7% as compared to the corresponding period in 2003 (2003: approximately RMB92,452,000).

The Group recorded a net loss of approximately RMB6,142,000 for the nine months ended 30th September, 2004 (2003: net loss of approximately RMB1,615,000). Increase in net loss was mainly attributable to the decrease in turnover and gross profit. Increase in operating expenses is another reason for the increase in net loss.

The Group expresses its gearing ratio as a percentage of long-term debts over total assets. As at 30th September, 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.

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.

BUSINESS REVIEW AND FUTURE PROSPECTS

For the nine months ended 30th September, 2004, business solution development recorded turnover of approximately RMB23,987,000, representing a decrease of approximately 23.6% as compared to corresponding period in 2003 (2003: approximately RMB31,400,000). Although turnover of other items recorded an increase, it is inadequate to offset such negative impact. As the performance of the existing business was not satisfactory, the Group is exploring other information technology related opportunities.

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 other information technology related segments with better profit margins. The Group has critically considered its development direction and has formulated a new products development direction with an emphasis on video decoding products for digital broadcasting, in order to accommodate the needs of the growing market.

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

As at 30th September, 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 of Directors	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
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%
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' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

As at 30th September, 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 30th September, 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. No option has been granted pursuant to such share option scheme on or before 30th September, 2004.

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

A. Substantial shareholders

As at 30th September, 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	Nature of interest	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 Industrial Investment Management (Group) Limited	Interest of a controlled corporation (Note 2)	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 (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%

Note:

1. The letter "L" represents the entity'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 Division 2 and 3 of Part XV of the SFO

As at 30th September, 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	Nature of interest	Number and class of shares (Note 1)	Approximate percentage of interest
Chen Jianbo	Beneficial owner	24,300,000 domestic shares (L)	5.06%

Note 1: 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, 2004 pursuant to Rules 6.36 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 5.28 and 5.30 of the GEM Listing Rules. The audit committee comprises the three independent non-executive directors, namely Professor Shao Shihuang, Professor Gu Junzhong and Professor Yang Junchang. The audit committee has reviewed the unaudited results for the three months ended 30th September, 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 30th September, 2004.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.34 to 5.45 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:

<i>Executive directors</i>	Xu Xiaoming, Cheng Min, Chen Weifeng, Chen Jianbo, Yuan Tingliang, Hua Xin and Wang Yiming
<i>Independent non-executive directors</i>	Shao Shihuang, Gu Junzhong, Hu Shao-ming, Herman and Yang Junchang

By Order of the board of directors of
Shanghai Jiaoda Withub Industrial Company Limited
Xu Xiaoming
Chairman

Shanghai, the PRC, 12th November, 2004