



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 2005**

\* 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.

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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 (the “GEM Listing Rules”) 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 RMB90,463,000 for the nine months ended 30th September, 2005, representing an increase of approximately 0.5% as compared to the corresponding period in 2004.
- For the nine months ended 30th September, 2005, the Group recorded a net loss of approximately RMB6,937,000. For the same period in 2004, the Group recorded a net loss of approximately RMB6,142,000.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30th September, 2005.

## **THIRD QUARTERLY RESULTS**

The board of Directors (the “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 30th September, 2005 and for the nine months ended 30th September, 2005.

The unaudited results of the Group for the three months and nine months ended 30th September, 2005, together with the unaudited comparative figures for the corresponding periods in 2004, are as follows:

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 30th September,		For the nine months ended 30th September,	
		2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Turnover	2	37,723	30,860	90,463	89,988
Cost of sales		<u>(34,269)</u>	<u>(27,073)</u>	<u>(79,836)</u>	<u>(78,674)</u>
Gross profit		3,454	3,787	10,627	11,314
Other revenue		2	1,441	1,416	4,765
Distribution costs		(497)	(1,235)	(2,001)	(3,676)
Research and development costs		-	(1,653)	(3,687)	(3,629)
Administrative expenses		<u>(3,801)</u>	<u>(4,173)</u>	<u>(10,406)</u>	<u>(13,469)</u>
Loss from operations		(842)	(1,833)	(4,051)	(4,695)
Finance costs		(57)	(65)	(66)	(207)
Share of loss of associates		<u>(1,519)</u>	<u>(619)</u>	<u>(2,694)</u>	<u>(873)</u>
Loss before taxation		(2,418)	(2,517)	(6,811)	(5,775)
Taxation	3	<u>-</u>	<u>-</u>	<u>(273)</u>	<u>-</u>
Net loss before minority interests		(2,418)	(2,517)	(7,084)	(5,775)
Minority interests		<u>37</u>	<u>(514)</u>	<u>147</u>	<u>(367)</u>
Net loss attributable to shareholders		<u>(2,381)</u>	<u>(3,031)</u>	<u>(6,937)</u>	<u>(6,142)</u>
Dividends		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss per share (in RMB)	4	<u>(0.0050)</u>	<u>(0.0063)</u>	<u>(0.0145)</u>	<u>(0.0128)</u>

## MOVEMENTS OF RESERVES (UNAUDITED)

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1st January, 2004	48,000	61,068	16,000	223	–	(2,868)	122,423
Net loss for the period	–	–	–	–	–	(6,142)	(6,142)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th September, 2004	<b>48,000</b>	<b>61,068</b>	<b>16,000</b>	<b>223</b>	<b>–</b>	<b>(9,010)</b>	<b>116,281</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1st January, 2005	48,000	61,068	16,000	223	(49)	(3,936)	121,306
Net loss for the period	–	–	–	–	–	(6,937)	(6,937)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th September, 2005	<b>48,000</b>	<b>61,068</b>	<b>16,000</b>	<b>223</b>	<b>(49)</b>	<b>(10,873)</b>	<b>114,369</b>
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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.

In 2004, the HKICPA issued a number of new and revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRS”) which are effective for accounting periods beginning on or after 1st January, 2005. The adoption of these HKFRS has no material impact on the operating results and financial position of the Group.

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 2004 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 value added tax and other 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,	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Business solutions development	6,383	7,791	22,586	23,987
Application software	765	1,354	795	2,046
Network and data security products	79	182	688	672
Sales of distributed products	28,699	21,533	64,597	63,283
Others	1,797	–	1,797	–
	<b>37,723</b>	<b>30,860</b>	<b>90,463</b>	<b>89,988</b>

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. LOSS PER SHARE**

The calculation of the basic loss per share for the nine months ended 30th September, 2005 is based on the unaudited net loss of approximately RMB6,937,000 (2004: net loss of approximately RMB6,142,000) and the weighted average number of shares during the period (nine months ended 30th September, 2005: 480,000,000 shares; nine months ended 30th September, 2004: 480,000,000 shares).

The calculation of the basic loss per share for the three months ended 30th September, 2005 is based on the unaudited net loss of approximately RMB2,381,000 (2004: net loss of approximately RMB3,031,000) and the weighted average number of shares during the period (three months ended 30th September, 2005: 480,000,000 shares; three months ended 30th September, 2004: 480,000,000 shares).

Diluted loss per share is not presented for the three months and nine months ended 30th September, 2005 and 2004 as there were no potential ordinary shares in issue during the relevant periods.

#### **5. INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the nine months ended 30th September, 2005 (2004: Nil).

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **FINANCIAL REVIEW**

For the three months ended 30th September, 2005 (“Third Quarter”), the Group recorded a turnover of RMB37,723,000 representing an increase of 22% from the corresponding period in 2004. The increase was mainly contributed by the increase in the sales of distributed products.

The operating result for the Third Quarter reported a loss of RMB842,000 and it represents an improvement of 54% compared to the corresponding quarter in last year.

The financial result before tax for the Third Quarter recorded a loss before tax of RMB2,418,000 and this was mostly contributed by the loss of RMB1,519,000 from associated companies.

The gross margin reduced to 9% from the corresponding period in 2004 of 12% which was primarily due to the reduction of sales price for the distributed products in the competitive market and also the change in sales mix with the reduction of sales in higher margin products such as software development application and the increase in distributing products with lower margin.

The Company was able to exert tighter cost control within the Group and the Third Quarter results showed the effect of cost reduction plan which implemented since mid of this year. The Third Quarter operating costs reduced 39% to RMB4,298,000 against the corresponding period in 2004. The Company reduced 60% of the distribution costs and also cut the research and development costs to zero.

The management has determined to maintain cost competitiveness in order to compete in the aggressive market environment.

The loss from associated companies of RMB1,519,000 increased 1.5 times. The management has taken steps to control the situation and will monitor the progress of these companies closely.

## **BUSINESS REVIEW AND FUTURE PROSPECTS**

Sales of distributed products comprised of Sharp projector remained the leading revenue contributor of the Company which made up 76% of the total Third Quarter sales value. The sales of these products gained further prominent and increased 33% to RMB28,699,000.

The tied up with Sharp proved to be important and as the Company was able to use its marketing network to distribute the computer hardware, such as projectors, to education institutions.

The Company will further expand the resources in this area in order to take advantage of the marketing strength. The Company will also seek to widen the product range to include other basic computer hardware products which are broadly needed.

The second major revenue contributor was from business solutions development. However, the Third Quarter sales for this market segment were down 18% to RMB6,383,000 compared to the corresponding period in 2004. However, it still contributed 17% of the total revenue in the Third Quarter.

The sales was slow in this quarter overall due to the fact that many projects were in the work in progress and could not be recognised as revenue. The nine-month sales however recorded RMB22,586,000 which was only 6% less compared to the last year figure.

The Company seeks to expand the business to new markets outside Shanghai to other major cities in China. And the market segment is still concentrated on providing solutions for the government legal and jurisdiction areas.



## DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September, 2005, the interests and short positions of the Directors, the supervisors of the Company (as if the requirements applicable to the Directors under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("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 the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Name of Directors	The Company/ name of subsidiary	Capacity	Number and class of securities (Note 1)	Approximate percentage in the issued share capital of the Company/ subsidiary
Cheng Min	Company	Beneficial owner	4,700,000 domestic shares (L)	0.98%
Wang Yiming	Company	Beneficial owner	9,840,000 domestic shares (L)	2.05%
	Shanghai Huikang Information Technology Company Limited (Note 2)	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 Huikang Information Technology Company Limited is one of the subsidiaries of the Company.

Save as disclosed above, as at 30th September, 2005, none of the Directors, supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 30th September, 2005, 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, 2005, 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 (the “Prospectus”). No option has been granted pursuant to such shareoption scheme on or before 30th September, 2005.

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

### A. Substantial shareholders

As at 30th September, 2005, 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:

<b>Name of shareholder</b>	<b>Nature of interest</b>	<b>Number and class of shares (Note 1)</b>	<b>Approximate percentage of interest</b>
Shanghai Jiao Tong University	Interest of a controlled corporation (Note 2)	114,000,000 domestic shares (L)	23.75%
Shanghai Jiada Industrial Investment Management (Group) Limited	Interest of a controlled corporation (Note 2)	114,000,000 domestic shares (L)	23.75%
Shanghai Jiada 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 Company	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 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, 2005, 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:

<b>Name of shareholder</b>	<b>Nature of interest</b>	<b>Number and class of shares</b> <i>(Note)</i>	<b>Approximate percentage of interest</b>
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.

Save as disclosed above, as at 30th September, 2005, the Directors are not aware of any other person (other than the Directors and chief executive of the Company) who has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

**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.

**PRACTICE AND PROCEDURES OF THE BOARD**

Throughout the nine months period, the Company was in compliance with the Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules, which were in force prior to 1st January, 2005. Except that from 1st July, 2005, actions were taken to comply with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules, which has become effective for accounting periods commencing on or after 1st January, 2005 to replace the Board Practices and Procedures as set in Rules 5.35 to 5.45 of the GEM Listing Rules.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY THE DIRECTORS**

The Company had adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the Stock Exchange's required standard of dealings. The Company had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the Stock Exchange's required standard of dealings and its code of conduct regarding securities transactions by the Directors.

## **AUDIT COMMITTEE**

The Company established an audit committee on 7th July, 2002 with written terms of reference for the purpose of reviewing and supervising the Group's financial reporting and internal control procedures. The audit committee comprises the three independent non-executive directors, Professor Yang Junchang, Professor Shao Shihuang and Professor Gu Junzhong. The audit committee has reviewed the unaudited results of the Company for the nine months ended 30th September, 2005.

## **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 nine months ended to 30th September, 2005.

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

<b>Executive directors</b>	Yuan Tingliang, Cheng Min, Mo Zhenxi, Wang Yiming, Li Wei, Lu Yaohui, and Qian Zhenying
<b>Independent non-executive directors</b>	Shao Shihuang, Gu Junzhong, Hu Shao-ming, Herman and Yang Junchang

By Order of the Board  
**Yuan Tingliang**  
*Chairman*

Shanghai, the PRC, 9th November, 2005