



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 2008**

\* *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 positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. 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 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 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 GEM 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 RMB64,139,000 for the nine months ended 30th September, 2008 (2007: RMB65,834,000), representing a decrease of approximately 2.57% as compared to the corresponding period in 2007.
- For the nine months ended 30th September, 2008, the Group recorded a loss attributable to equity holders of the Company of approximately RMB4,042,000 (2007: RMB4,658,000), representing a decrease of approximately 13.22% as compared to the corresponding period in 2007.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30th September, 2008 (2007: Nil).

### THIRD QUARTERLY RESULTS

The board of Directors (the “Board”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 30th September, 2008, together with the unaudited comparative figures for the corresponding periods in 2007 are as follows:

#### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 30th September,		For the nine months ended 30th September,	
		2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Turnover	2	21,221	23,662	64,139	65,834
Cost of sales		(18,872)	(19,971)	(57,328)	(59,175)
Gross profit		2,349	3,691	6,811	6,659
Other revenue		764	(208)	1,281	156
Distribution expenses		(1,141)	(623)	(3,676)	(1,854)
Research and development expenses		(946)	(675)	(3,464)	(2,930)
Administrative expenses		(1,218)	(1,723)	(3,978)	(4,904)
Profit/(loss) from operations		(192)	462	(3,026)	(2,873)
Share of profits less losses of associates		(474)	(581)	(1,016)	(1,785)
Loss before taxation		(666)	(119)	(4,042)	(4,658)
Tax expenses	3	-	-	-	-
Loss for the period		(666)	(119)	(4,042)	(4,658)
Attributable to:					
– Equity holders of the Company		(666)	(119)	(4,042)	(4,658)
– Minority interests		-	-	-	-
		(666)	(119)	(4,042)	(4,658)
Dividends	4	-	-	-	-
Loss per share ( <i>in RMB</i> )					
– Basic	5	(0.00139)	(0.0002)	(0.0084)	(0.0097)
– Diluted		N/A	N/A	N/A	N/A

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Equity attributable to equity holders of the Company							Minority interests	Total
	Share capital	Share premium	Capital reserve	Statutory reserve	Translation reserve	Accumulated losses	Total		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1st January, 2007	48,000	61,068	16,000	223	(600)	(29,915)	94,776	-	94,776
Net loss for the period	-	-	-	-	-	(4,658)	(4,658)	-	(4,658)
Exchange difference arising on translation of an overseas subsidiary	-	-	-	-	(476)	-	(476)	-	(476)
At 30th September, 2007	<u>48,000</u>	<u>61,068</u>	<u>16,000</u>	<u>223</u>	<u>(1,076)</u>	<u>(34,573)</u>	<u>89,642</u>	<u>-</u>	<u>89,642</u>
At 1st January, 2008	48,000	61,068	16,000	223	(159)	(30,716)	94,416	-	94,416
Net loss for the period	-	-	-	-	-	(4,042)	(4,042)	-	(4,042)
Exchange difference arising on translation of an overseas subsidiary	-	-	-	-	(2,092)	-	(2,092)	-	(2,092)
At 30th September, 2008	<u>48,000</u>	<u>61,068</u>	<u>16,000</u>	<u>223</u>	<u>(2,251)</u>	<u>(34,758)</u>	<u>88,282</u>	<u>-</u>	<u>88,282</u>

Notes:

## 1. BASIS OF PRESENTATION

The Group's unaudited condensed consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants. The unaudited condensed consolidated results have been prepared on the historical cost basis. The accounting policies adopted in preparing the unaudited condensed consolidated results for the nine months ended 30th September, 2008 and 2007 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2007. The condensed consolidated results are unaudited but have been reviewed by the Company's audit committee.

## 2. TURNOVER

Turnover represents revenue from business solutions development, application software and the sales and distribution of computers and electrical products and accessories. Turnover is stated net of sales tax and returns. Revenue from provision of business solutions development and application software 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 and distribution of computers and electrical products and accessories are recognised when goods are delivered and title has passed.

	For the		For the	
	three months ended		nine months ended	
	30th September,		30th September,	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Business solutions development	4,557	2,687	16,598	9,407
Application software	539	2,333	1,111	3,150
Sales and distribution of computers and electrical products and accessories	16,125	18,642	46,430	53,278
	<u>21,221</u>	<u>23,662</u>	<u>64,139</u>	<u>65,835</u>

All of the Group's activities are conducted in the People's Republic of China (the "PRC"). Turnover as disclosed above is net of applicable PRC business tax.

## 3. TAX EXPENSES

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 25% 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 been no significant unprovided deferred taxation for the nine months ended 30th September, 2008 (2007: Nil).

## 4. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30th September, 2008 (2007: Nil).

## 5. LOSS PER SHARE

The calculation of the basic loss per share for the nine months ended 30th September, 2008 is based on the unaudited loss attributable to equity holders of the Company of approximately RMB4,042,000 (2007: loss attributable to equity holders of the Company of approximately RMB4,658,000) and on 480,000,000 shares in issue during the nine months ended 30th September, 2008 (nine months ended 30th September, 2007: 480,000,000 shares).

The calculation of the basic loss per share for the three months ended 30th September, 2008 is based on the unaudited loss attributable to equity holders of the Company of approximately RMB666,000 (2007: loss attributable to equity holders of the Company of approximately RMB119,000) and on 480,000,000 shares in issue during the three months ended 30th September, 2008 (three months ended 30th September, 2007: 480,000,000 shares).

Diluted loss per share is not presented for the three months and nine months ended 30th September, 2008 and 2007 as there were no potential dilutive shares in issue during the relevant periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the three months period ended 30th September, 2008, the Group has recorded a turnover of RMB21.22 million against the same period of last year of RMB23.66 million which represents a decrease of RMB2.44 million or 10.31% drop in the sales. The decrease is mainly caused by the drop in the sales and distribution of computer and electrical products and accessories and also the application software.

The gross profit for this quarter is RMB2.35 million as compared to last year of RMB3.69 million and this indicates a drop of RMB1.34 million or 36.31%. The drop of gross profit is due to the increase of cost of sales resulted from some form of inflation and also the lower price of product and services that the Company offered in order to compete in the tough business environment to maintain the market share.

The loss before tax for this quarter is RMB0.67 million as compared to last quarter of RMB0.12 million. This signifies an increase of loss of RMB0.55 million or 4.6 times over the same previous quarter. The increase of loss is mainly caused by the jump in the distribution expenses to RMB1.14 million from RMB0.62 million which represented an increase of RMB0.52 million or 83.87%. This could be attributed to the higher transportation cost based on the increase of the oil price.

The second major increase is the cost of research and development which registered RMB0.95 million as compared to same previous quarter of RMB0.68 million. This represents an increase of RMB0.27 million or 39.71%. The Company spent more on this area in order to provide more valued and innovated product and service to the customer in order to retain the customer loyalty.

The increase of cost is partly offset by the reduction in the administration expenses which has come down to RMB1.22 million from RMB1.72 million and achieved a cost saving of RMB0.50 million or 29.07%. This is due to the Company continuing effort to manage the operation cost budget in order to achieve the annual profit target. The other revenue also recorded a positive figure which is RMB0.76 million as compared to the loss of RMB0.21 million.

For the business segment analysis of the turnover, the major core business focused on the sales and distribution of computers and electrical products and accessories. The sales value is RMB16.13 million which made up of 76.01% of the total turnover. It also contributed to the major gross profit of RMB1.23 million which is 52.34% of the total gross profit. The sales of this segment have decreased RMB2.52 million or 15.6% from the same previous quarter. The decrease is mainly due to the slowdown of demand from the market due to cautious spending and cut down of spending exercised by the customer during the financial crises and uncertainty period faced by them.

The second major business component is the business solutions development which provides RMB4.56 million sales to the Company and this indicated 21.49% of the total sales achieved this year. This market segment also contributed RMB0.88 million to the total gross profit. The sales for this segment however have increased RMB1.87 million from RMB2.69 million. The increase is due to some completions of the project during this quarter.

The third business category is the application software. For the three months ended 30th September, 2008, the sales recorded RMB0.54 million this year as compared to the same quarter of previous period of RMB2.33 million and this represents a drop of almost RMB1.79 million or 76.82% from the previous period. This market segment make up of 2.5% of the total sales and contributed RMB0.24 million or 10.21% to the total gross profit. The great drop is also due to the lack of completion of project during this period and also the slowdown of business in this area during this quarter.

## **Business Review and Future Prospects**

The China economy registered a GDP of 9.9% for the third quarter this year. This is the 5th quarter the country continuing to register a drop of GDP in a row. The China economy faces a great uncertainty and challenges from the external economy due to the financial crises that caused by the second mortgage in US has widening and deepening the in US and Europe which caused the credit crunch and also the collapse of the investment banks major insurance companies and also resulted a few countries need to seek for IMF assistance.

The financial crises not only affect the banking system and major corporate worldwide and it also affects the currency and also the foreign investment in the developing countries. China being a developing country, has also been affected in terms of foreign investment and also the export trade to US, Europe and Japan.

The China Government has aggressively deployed some measure to overcome the economy difficulties. It has recently cut down the interest rate a few times in order to spur the domestic Company investment, domestic consumption and also create liquidity in the banking system. It has announced new incentive in the property sector in order spur the housing development.

It has also increased the tax rebate for export sector in order to ease the difficulties faced by the corporate. The China Government has also able to stabilize the currency in order not to let it appreciate too fast which may affect the cost of export and external demand.

The China has the resources to manage the impact of the external financial crises due to the solid economy fundamental and growth achieved in the past 30 years after opening up the economy. It has the high saving rate in the country and also the low country budget deficit. China is confident that it will not change the course of growth direction and able to overcome the financial crises by strengthening the cooperation with other countries.

One of the positive sign is that the inflation is under control. This will lessen the burden of the corporate in term of concerning the continuing increase of operation cost in the past few years.

In view of the situation, the Group will continue to focus its business in the areas of software development, distribution of hardware, the computer accessories and also the selected electronic display products and projectors.

The financial crises have slowed down the demand for the IT services and also the IT products of the Company. The corporate consumer and individual consumer has exercised more cautious when come to spending due to the tightening of credit and also the having the prospect of reduction in the corporate earning and freeze of pay rise.

However, the Group believes that the overall business sentiment for the IT industry is still vibrant and positive. The Group and management continue to look out for new products and service to the market and also to develop the potential new market in various market segments. The Group continues to emphasize on the quality of service in order to retain the existing customers and also to develop the new market.



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

As at 30th September, 2008, the interests and short positions of the Directors, the supervisors (as if the requirements applicable to the Directors under the Securities and Futures Ordinance (“SFO”) had applied to the supervisors) and 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 by the Company 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, 2008, none of the Directors, supervisors and 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, 2008, 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, 2008, 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 share option has been granted pursuant to such share option scheme on or before 30th September, 2008.

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

### A. Substantial shareholders

As at 30th September, 2008, the following shareholders (other than the Directors, the supervisors (as if the requirements applicable to the Directors under the SFO had applied to the supervisors) or chief executives of the Company) 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 by the Company under Section 336 of the SFO:

Name of shareholders	Nature of interest	Number and class of shares <i>(Note 1)</i>	Approximate percentage of interest
Shanghai Jiao Tong University	Interest of a controlled corporation <i>(Note 2)</i>	114,000,000 domestic shares (L)	23.75%
Shanghai Jiaoda Industrial Investment Management (Group) Limited	Interest of a controlled corporation <i>(Note 2)</i>	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 <i>(Note 3)</i>	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 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, 2008, save as 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 by the Company under Section 336 of the SFO:

Name of shareholder	Nature of interest	Number and class of shares (Note)	Approximate percentage of interest
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, 2008, the Directors are not aware of any other person (other than the Directors, supervisors 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.

**ENTRUSTED LOAN AGREEMENT**

On 18th March, 2008, the Company, Industrial and Commercial Bank of China Limited Shanghai City Xuhui Branch (“ICBC”) and Shanghai Jiaoda Nanyang Properties (Group) Limited (“Nanyang Properties”), which is a connected person of the Company, entered into an entrusted loan agreement (the “Entrusted Loan Agreement”). Pursuant to the Entrusted Loan Agreement, the Company instructed ICBC to act as a lending agent to, inter alia, release a loan in the principal amount of RMB20,000,000 (equivalent to HK\$22,600,000) (the “Entrusted Loan”), which was funded by the Company, to Nanyang Properties. The interest rate payable by Nanyang Properties for the Entrusted Loan was 10% per annum calculated on a daily basis and payable quarterly. Under the Entrusted Loan, no collateral was provided by Nanyang Properties to the Company.

The terms of the Entrusted Loan Agreement, including the interest rate applicable, was agreed by the parties after arm’s length negotiations having taken into account the prevailing market interest rates and practices. The Directors considered that given the interest rate for the Entrusted Loan was comparatively higher than the interest rate for savings of about 2.5% offered by the financial institutions in the PRC at the relevant time, the provision of the Entrusted Loan to Nanyang Properties could generate a higher return for the idle fund of the Group.

The Entrusted Loan and the interest accrued thereon was fully repaid to the Company on 4th July, 2008. Details of the above has been disclosed in the Company’s announcement dated 3rd November, 2008.

**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 ended 30th September, 2008, the Company had complied with the Board Practices and Procedures as set out in Rule 5.34 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 Rules 5.48 to 5.67 of the GEM Listing Rules. 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 throughout the nine months ended 30th September, 2008.

## **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 three independent non-executive Directors, Professor Gu Junzhong (chairman), Mr. Yuan Shumin and Professor Shao Shihuang. The audit committee has reviewed the unaudited results of the Company for the nine months ended 30th September, 2008.

## **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, 2008.

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

### **Executive Directors**

Li Zhan, Yuan Tingliang, Cheng Min, Mo Zhenxi, Wang Yiming, Li Wei and Shang Ling

### **Independent non-executive Directors**

Shao Shihuang, Gu Junzhong, Liu Fei and Yuan Shumin

By Order of the Board  
**Li Zhan**  
*Chairman*

Shanghai, the PRC, 10th November, 2008