



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 2016

** For identification purposes 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 Stock 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.

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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, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHTS

- The Group recorded a turnover of approximately RMB57,252,000 for the nine months ended 30 September 2016 (2015: RMB70,478,000), representing a decrease of approximately 18.77% as compared to the corresponding period in 2015.
- For the nine months ended 30 September 2016, the Group recorded a loss attributable to owners of the parent of approximately RMB17,235,000 (2015: RMB7,168,000), representing an increase in loss of approximately 140.44% as compared to the corresponding period in 2015.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2016 (2015: Nil).

THIRD QUARTERLY RESULTS

The board of Directors (the “Board”) of Shanghai Jiaoda Withub Information Industrial Company Limited (the “Company”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and nine months ended 30 September 2016, together with the unaudited comparative figures for the corresponding periods in 2015 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

| | Notes | For the three months ended 30 September | | For the nine months ended 30 September | |
|-----------------------------------|-------|--|-------------------------|---|-------------------------|
| | | 2016 RMB'000 | 2015 RMB'000 | 2016 RMB'000 | 2015 RMB'000 |
| Turnover | 2 | 15,880 | 28,332 | 57,252 | 70,478 |
| Cost of sales | | <u>(14,704)</u> | <u>(25,747)</u> | <u>(53,224)</u> | <u>(63,341)</u> |
| Gross profit | | 1,176 | 2,585 | 4,028 | 7,137 |
| Other revenue | | 63 | 193 | 535 | 2,498 |
| Distribution expenses | | (548) | (2,208) | (5,700) | (6,880) |
| Research and development expenses | | (2,312) | (2,099) | (5,923) | (6,272) |
| Administrative expenses | | <u>(3,090)</u> | <u>(1,068)</u> | <u>(7,783)</u> | <u>(3,246)</u> |
| Loss before tax | | (4,711) | (2,597) | (14,843) | (6,763) |
| Share of losses of associates | | <u>(492)</u> | <u>(1,521)</u> | <u>(2,392)</u> | <u>(405)</u> |
| Loss before taxation | | (5,203) | (4,118) | (17,235) | (7,168) |
| Tax expenses | 4 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Loss for the period | | <u><u>(5,203)</u></u> | <u><u>(4,118)</u></u> | <u><u>(17,235)</u></u> | <u><u>(7,168)</u></u> |
| Attributable to: | | | | | |
| – Owners of the parent | | (5,203) | (4,118) | (17,235) | (7,168) |
| – Non-controlling interests | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | <u><u>(5,203)</u></u> | <u><u>(4,118)</u></u> | <u><u>(17,235)</u></u> | <u><u>(7,168)</u></u> |
| Dividends | 5 | - | - | - | - |
| Loss per share (in RMB) | | | | | |
| – Basic | 6 | <u><u>(0.01085)</u></u> | <u><u>(0.00857)</u></u> | <u><u>(0.03591)</u></u> | <u><u>(0.01493)</u></u> |
| – Diluted | | <u><u>N/A</u></u> | <u><u>N/A</u></u> | <u><u>N/A</u></u> | <u><u>N/A</u></u> |

**CONDENSED STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME
(UNAUDITED)**

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|--|--|----------------|---|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Loss for the period | (5,203) | (4,118) | (17,235) | (7,168) |
| Other comprehensive income: | | | | |
| Exchange difference arising on translation of overseas operations | - | - | - | - |
| Total comprehensive income for the period | <u>(5,203)</u> | <u>(4,118)</u> | <u>(17,235)</u> | <u>(7,168)</u> |
| Attributable to: | | | | |
| Owners of the parent | (5,203) | (4,118) | (17,235) | (7,168) |
| Non-controlling interests | <u>-</u> | <u>-</u> | <u>(17)</u> | <u>(15)</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

| | Equity attributable to owners of the parent | | | | | | Total | Non- controlling interests | Total |
|--|---|------------------|--------------------|----------------------|------------------------|-----------------------|----------------|----------------------------------|----------------|
| | Share capital | Share premium | Capital reserve | Statutory reserve | Translation reserve | Accumulated losses | | | |
| | <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 1 January 2015 | 48,000 | 61,068 | 16,000 | 223 | 932 | (57,818) | 68,405 | (15) | 68,390 |
| Net loss for the period | - | - | - | - | - | (7,168) | (7,168) | - | (7,168) |
| Exchange difference arising on translation of an overseas subsidiary | - | - | - | - | - | - | - | - | - |
| At 30 September 2015 | <u>48,000</u> | <u>61,068</u> | <u>16,000</u> | <u>223</u> | <u>932</u> | <u>(64,986)</u> | <u>61,237</u> | <u>(15)</u> | <u>61,222</u> |
| At 1 January 2016 | 48,000 | 61,068 | 16,000 | 223 | 1,268 | (55,200) | 71,359 | (17) | 71,342 |
| Net loss for the period | - | - | - | - | - | (17,235) | (17,235) | - | (17,235) |
| Exchange difference arising on translation of an overseas subsidiary | - | - | - | - | - | - | - | - | - |
| At 30 September 2016 | <u>48,000</u> | <u>61,068</u> | <u>16,000</u> | <u>223</u> | <u>1,268</u> | <u>(72,435)</u> | <u>54,124</u> | <u>(17)</u> | <u>54,107</u> |

Notes:

1. BASIS OF PRESENTATION

The Financial statements has been prepared on the going-concern basis and transactions and events actually occurred in accordance with the “Accounting Standards for Business Enterprises” promulgated by the Ministry of Finance of the People’s Republic of China and relevant requirements (Collectively “Accounting Standards for Business Enterprises”), and China Securities Regulatory Commission’s “Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15-General Provisions on Financial Reports (2014 Revision)” and the provisions regarding disclosure pursuant to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies Ordinance of Hong Kong, as well as the accounting policies and estimation as stated in “4. Significant Accounting Policies and Accounting Estimation” under this section.

2. TURNOVER

Turnover represents revenue from the development and provision of business application solutions, application software, the installation and maintenance of network and data security products, and the sales and distribution of computers and electrical products and accessories.

An analysis of the Group’s revenue for the quarter is as follows:

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|---|--|-----------------|---|-----------------|
| | 2016 RMB’000 | 2015 RMB’000 | 2016 RMB’000 | 2015 RMB’000 |
| Business application solution | 2,019 | 13,011 | 16,817 | 28,648 |
| Application software | 1,407 | 2,147 | 1,774 | 8,920 |
| Installation and maintenance of network and data security products | 1,172 | 625 | 4,745 | 1,554 |
| Sales and distribution of computer and electrical products and accessories | 11,282 | 12,549 | 33,916 | 31,356 |
| | <u>15,880</u> | <u>28,332</u> | <u>57,252</u> | <u>70,478</u> |

All of the Group’s activities are in the PRC. Turnover as disclosed above is net of applicable PRC tax revenue.

3. LOSS BEFORE TAX

Loss before tax has been arrived after charging:

| | For the nine months ended 30 September | |
|--|---|-----------------|
| | 2016 RMB'000 | 2015 RMB'000 |
| Staff costs (including Directors' emoluments) comprises: | | |
| Salaries, wages and other benefits | 7,338 | 8,379 |
| Contributions to retirement benefit scheme | 2,607 | 2,654 |
| | <u>9,945</u> | <u>11,033</u> |
| Cost of inventories recognised as an expense | 53,224 | 63,341 |

4. TAX EXPENSES

(a) The amount of tax expenses in the consolidated income statement represents:

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|--|--|--------------------------------|---|--------------------------------|
| | 2016 RMB'000 (Unaudited) | 2015 RMB'000 (Unaudited) | 2016 RMB'000 (Unaudited) | 2015 RMB'000 (Unaudited) |
| Current tax — PRC | | | | |
| – tax for the period | – | – | – | – |
| – over-provision in respect of prior years | – | – | – | – |
| Tax expenses for the period | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Company and its PRC subsidiaries is 25% from 1 January 2008 onwards.

No provision for Enterprise Income Tax has been made for six years ended 31 December 2015 since the assessable profits of the companies within the Group are wholly absorbed by tax losses brought forward.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in nor is derived from Hong Kong.

(b) There is no significant unprovided deferred tax for the nine months ended 30 September 2016 (2015: Nil).

5. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2016 (2015: Nil).

6. LOSS PER SHARE

The calculation of the basic loss per share for the nine months ended 30 September 2016 is based on the unaudited loss attributable to owners of the parent of approximately RMB17,235,000 (2015: loss attributable to owners of the parent of approximately RMB7,168,000) and the weighted average number of 480,000,000 shares during the nine months ended 30 September 2016 (nine months ended 30 September 2015: 480,000,000 shares).

The calculation of the basic loss per share for the three months ended 30 September 2016 is based on the unaudited loss attributable to owners of the parent of approximately RMB5,203,000 (2015: loss attributable to owners of the parent of approximately RMB4,118,000) and the weighted average number of 480,000,000 shares during the three months ended 30 September 2016 (three months ended 30 September 2015: 480,000,000 shares).

Diluted loss per share is not presented for the three months and nine months ended 30 September 2016 and 2015 as there were no potential dilutive shares in issue during the relevant periods.

7. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform the presentation for the current accounting period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the nine months ended 30 September 2016, the Group recorded a turnover of approximately RMB57,252,000 (2015: approximately RMB70,478,000), representing a decrease of approximately RMB13,226,000 or 18.77% as compared to the corresponding period last year. The Group recorded a loss of RMB17,235,000.

BUSINESS REVIEW AND FUTURE PROSPECTS

For the nine months ended 30 September 2016, the revenue for the Group has decreased from RMB70,478,000 for the corresponding period in 2015 to RMB57,252,000. The revenue are mainly consisting of the sales and distribution of computer, electrical products and accessories which accounted for 59.24% of the total sales or RMB33,916,000, and this is followed by 29.37% of total sales or RMB16,817,000 for business solutions development and 3.10% of the total sales or RMB1,774,000 for application software. Installation and maintenance of network and data security products accounted for 8.29% of the sales or RMB4,745,000.

Sales and distribution of computer, electrical products and accessories has increased in revenue by RMB2,560,000 or 8.16% to RMB33,916,000, as compared to RMB31,356,000 for the corresponding period last year. The revenue of business solutions development has decreased by RMB11,831,000 or 41.30%, as compared to RMB28,648,000 for the previous year.

The revenue of application software business decreased significantly by RMB7,146,000 or 80.11% to RMB1,774,000 from RMB8,920,000 for the corresponding period last year.

Gross profit decreased by RMB3,109,000 or 43.56% from RMB7,137,000 to RMB4,028,000. There is a decline in both turnover and cost of sales as compared to the corresponding period last year. Gross profit margin has decreased to 7.04% for the year, as compared to 10.13% for the previous financial year.

Administrative expenses of the Company increased by RMB4,537,000 or 139.77% to RMB7,783,000 from RMB3,246,000 for the corresponding period last year. Research and development expenses decreased by RMB349,000 or 5.56% to RMB5,923,000, as compared to RMB6,272,000 for the corresponding period last year. Distribution expenses has decreased from RMB6,880,000 for the corresponding period last year to RMB5,700,000 for the current year.

In conclusion, the financial results of the nine months ended 30 September 2016 have decreased in a year-on-year basis. The Company will put more efforts in cost control. The management will endeavour to minimize unnecessary expenses and to improve the productivity of the management staff. Active measures will be launched to monitor the financial position of the Company in order to continuously monitor the cost in achieving the targeted profit.

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

As at 30 September 2016, none of the Directors, the supervisors of the Company (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 have any interests and short positions 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 Company’s 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.

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

As at 30 September 2016, none of the Directors, supervisors and chief executives of the Company was granted options to subscribe for H shares of the Company. As at 30 September 2016, none of the Directors, supervisors and chief executives of the Company had any rights to acquire H shares in the Company.

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

A. SUBSTANTIAL SHAREHOLDERS

As at 30 September 2016, 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 | Capacity and nature | 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 Jaoda Industrial Investment Management (Group) Limited | Interest of a controlled corporation (Note 2) | 114,000,000 domestic shares (L) | 23.75% |
| Shanghai Jaoda 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 Venture Capital Management 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 30 September 2016, 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 | Capacity and nature | Number and class of shares <i>(Note)</i> | 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 30 September 2016, 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.

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 30 September 2016, the Company was in compliance 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 30 September 2016.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 7 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, Mr. Yuan Shumin, Dr. Ni Jing and Dr. Chan Yan Chong. The Audit Committee has reviewed the unaudited results of the Company for the nine months ended 30 September 2016.

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 30 September 2016.

CORPORATE GOVERNANCE

The Board considers that the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (the "CG Code") throughout the nine months ended 30 September 2016, except that the Company has not disclosed the terms of reference of audit committee and remuneration committee by including such information on the Company's website. The Company will take appropriate actions to comply with the CG Code.

