



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 2018

* *For identification purposes 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 Rule Governing the Listing of Securities on GEM of the Stock Exchange (“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 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 RMB24,150,000 for the nine months ended 30 September 2018 (2017: RMB35,816,000), representing a decrease of approximately 32.57% as compared to the corresponding period in 2017.
- For the nine months ended 30 September 2018, the Group recorded a loss attributable to owners of the parent of approximately RMB12,244,000 (2017: approximately RMB16,163,000), representing a decrease in loss of approximately 24.25% as compared to the corresponding period in 2017.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2018 (2017: Nil).

THIRD QUARTERLY RESULTS

The board (the “Board”) of directors (the “Directors”) of 上海交大慧谷信息產業股份有限公司 (Shanghai Jiada 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 2018, together with the unaudited comparative figures for the corresponding periods in 2017 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Turnover	2	13,948	13,501	24,150	35,816
Cost of sales		<u>(8,731)</u>	<u>(11,443)</u>	<u>(16,008)</u>	<u>(29,408)</u>
Gross profit		5,217	2,058	8,142	6,408
Other revenue		338	197	711	354
Distribution expenses		(3,179)	(3,849)	(10,039)	(9,099)
Research and development expenses		(1,146)	(2,218)	(3,695)	(6,510)
Administrative expenses		<u>(2,032)</u>	<u>(388)</u>	<u>(4,355)</u>	<u>(6,515)</u>
Loss before tax		(802)	(4,200)	(9,236)	(15,362)
Share of losses of associates		<u>(251)</u>	<u>12</u>	<u>(3,007)</u>	<u>(801)</u>
Loss before taxation		<u>(1,053)</u>	<u>(4,188)</u>	<u>(12,243)</u>	<u>(16,163)</u>
Tax expenses	4	<u>(1)</u>	<u>—</u>	<u>(1)</u>	<u>—</u>
Loss for the period		<u>(1,054)</u>	<u>(4,188)</u>	<u>(12,244)</u>	<u>(16,163)</u>
Attributable to:					
— Owners of the parent		(1,054)	(4,188)	(12,244)	(16,163)
— Non-controlling interests		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>(1,054)</u>	<u>(4,188)</u>	<u>(12,244)</u>	<u>(16,163)</u>
Dividends	5	—	—	—	—
Loss per share (in RMB)					
— Basic	6	<u>(0.00219)</u>	<u>(0.00873)</u>	<u>(0.02551)</u>	<u>(0.03367)</u>
— Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Loss for the period	(1,054)	(4,188)	(12,244)	(16,163)
Other comprehensive income:				
Exchange difference arising on translation of overseas operations	—	—	—	—
Total comprehensive income for the period	(1,054)	(4,188)	(12,244)	(16,163)
Attributable to:				
Owners of the parent	(1,054)	(4,188)	(12,244)	(16,163)
Non-controlling interests	—	—	(25)	(22)

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

	Equity attributable to owners of the parent						Non-controlling interests		Total
	Share capital	Share premium	Capital reserve	Statutory reserve	Translation reserve	Accumulated losses	Total	interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	48,000	61,068	16,000	223	1,575	(55,531)	71,335	(22)	71,313
Net loss for the period	—	—	—	—	—	(16,163)	(16,163)	—	(16,163)
Exchange difference arising on translation of an overseas subsidiary	—	—	—	—	—	—	—	—	—
At 30 September 2017	<u>48,000</u>	<u>61,068</u>	<u>16,000</u>	<u>223</u>	<u>1,575</u>	<u>(71,694)</u>	<u>55,172</u>	<u>(22)</u>	<u>55,150</u>
At 30 September 2018	48,000	61,068	16,240	223	1,278	(65,624)	61,185	(25)	61,160
Net loss for the period	—	—	—	—	—	(12,244)	(12,244)	—	(12,244)
Exchange difference arising on translation of an overseas subsidiary	—	—	—	—	—	—	—	—	—
At 30 September 2018	<u>48,000</u>	<u>61,068</u>	<u>16,240</u>	<u>223</u>	<u>1,278</u>	<u>(77,868)</u>	<u>48,941</u>	<u>(25)</u>	<u>48,916</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	
	2018	2017	2018	2017
	RMB’000	RMB’000	RMB’000	RMB’000
Business application solution	7,788	11,940	14,675	29,761
Application software	1,558	941	1,750	2,368
Installation and maintenance of network and data security products	4,602	298	7,725	2,428
Sales and distribution of computer and electrical products and accessories	—	322	—	1,259
	<u>13,948</u>	<u>13,501</u>	<u>24,150</u>	<u>35,816</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	
	2018	2017
	RMB'000	RMB'000
Staff costs (including Directors' emoluments) comprises:		
Salaries, wages and other benefits	10,207	9,780
Contributions to retirement benefit scheme	<u>3,095</u>	<u>4,389</u>
	13,302	14,169
Cost of inventories recognised as an expense	<u>16,008</u>	<u>29,408</u>

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	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax — PRC				
— tax for the period	1	—	1	—
— over-provision in respect of prior years	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Tax expenses for the period	<u>1</u>	<u>—</u>	<u>1</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 are 15% and 25% respectively in 2018.

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 2018 (2017: Nil).

5. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2018 (2017: Nil).

6. LOSS PER SHARE

The calculation of the basic loss per share for the nine months ended 30 September 2018 is based on the unaudited loss attributable to owners of the parent of approximately RMB12,244,000 (2017: loss attributable to owners of the parent of approximately RMB16,163,000) and the weighted average number of 480,000,000 shares during the nine months ended 30 September 2018 (nine months ended 30 September 2017: 480,000,000 shares).

The calculation of the basic loss per share for the three months ended 30 September 2018 is based on the unaudited loss attributable to owners of the parent of approximately RMB1,054,000 (2017: loss attributable to owners of the parent of approximately RMB4,188,000) and the weighted average number of 480,000,000 shares during the three months ended 30 September 2018 (three months ended 30 September 2017: 480,000,000 shares).

Diluted loss per share is not presented for the three months and nine months ended 30 September 2018 and 2017 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 2018, the Group recorded a turnover of approximately RMB24,150,000 (2017: approximately RMB35,816,000), representing a decrease of approximately RMB11,666,000 or 32.57% as compared to the corresponding period last year. The Group recorded a loss of RMB12,244,000.

BUSINESS REVIEW AND FUTURE PROSPECTS

For the nine months ended 30 September 2018, the revenue for the Group has decreased from RMB35,816,000 for the corresponding period in 2017 to RMB24,150,000. The revenue are mainly from business solutions development which accounted for 60.77% of the total sales or RMB14,675,000, and this is followed by 31.99% of total sales or RMB7,725,000 for installation and maintenance of network and data security products and 7.24% of the total sales or RMB1,750,000 for application software.

The revenue of business solutions development decreased by RMB15,086,000 or 50.69%, as compared to RMB29,761,000 for the previous year. The decrease was due to the comparatively higher revenue recorded in 2017, resulting from the fact that the revenue generated from two remaining projects in 2016 was added to 2017, while the revenue in 2018 was back to the usual level. The revenue of application software business decreased by RMB618,000 or 26.10% from RMB2,368,000 for the previous year. The decrease was due to the fact that the revenue from a number of projects to be commenced in the second quarter will be reflected gradually in the second half of this year. The revenue of installation and maintenance of network and data security products increased by RMB5,297,000 or 218.16% from RMB2,428,000 for the previous year.

Gross profit increased by RMB1,734,000 or 27.06% from RMB6,408,000 to RMB8,142,000. There is a decline in both turnover and cost of sales as compared to the corresponding period last year. Gross profit margin has increased to 33.71% for the year, as compared to 17.89% for the previous financial year.

Administrative expenses of the Company decreased by RMB2,160,000 or 33.15% to RMB4,355,000 from RMB6,515,000 for the corresponding period last year. Research and development expenses declined by RMB2,815,000 or 43.24% to RMB3,695,000, as compared to RMB6,510,000 for the corresponding period last year. Distribution expenses has increased from RMB9,099,000 for the corresponding period last year to RMB10,039,000 for the current year.

In conclusion, the financial results of the nine months ended 30 September 2018 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 2018, 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 2018, 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 2018, 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 2018, 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 and were directly or indirectly interested in 10 percent or more of the Shares:

Name of shareholders	Capacity and nature	Number and class of shares (Note 1)	Approximate percentage of interest
Shanghai Jiaotong 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) Company 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 Limited	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. Shareholder of Jiaoda Industrial is Shanghai Jiaotong University (100%). Both Jiaoda Industrial and Shanghai Jiaotong 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) Company 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) Company 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 2018, 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 (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 30 September 2018, 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 2018, 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 2018.

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, risk management 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 2018.

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 2018.

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 2018.

By Order of the Board
Shanghai Jiaoda Withub Information Industrial Company Limited*
Zou Yimin
Chairman

Shanghai, the PRC, 9 November 2018

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

Executive Directors	Zou Yimin, Shuai Ge, Shang Ling, Zhou Re Qing, Xia Weiwei and Shen Zhimin
Independent Non-executive Directors	Yuan Shumin, Ni Jing and Chan Yan Chong

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