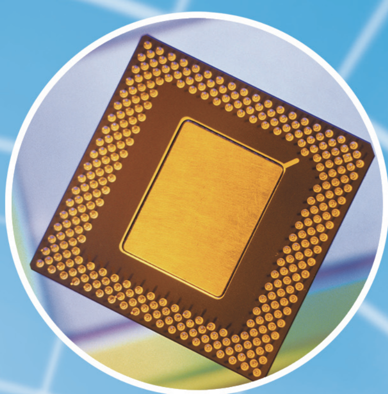
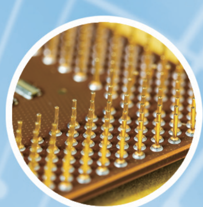
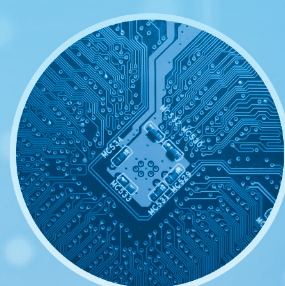
SHANGHAI JIAODA WITHUB INFORMATION INDUSTRIAL COMPANY LIMITED*

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 8205







Annual Report 2008

*for identification purpose only

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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 GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors of the Company, 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.

Contents

Corporate Profile

上海交大慧谷信息產業股份有限公司 (Shanghai Jiaoda Withub Information Industrial Company Limited*) is principally engaged in the development of business application solutions in the PRC. One of its founders is Shanghai Jiao Tong University, a renowned tertiary education institution in the PRC. The Group utilises the expertise and research capability of Shanghai Jiao Tong University in the information technology sector to develop its core technologies in business application solutions.

The Group's operations encompass the development and provision of business solutions on project basis, the development and sale of application system as off-the-shelf products and sale of distributed products, such as notebook computers and computer related products.

Leveraging on its well-qualified and experienced team of research and development staff as well as its relationship with and on-going technological support from Shanghai Jiao Tong University, the Group is well positioned to become a leading business application solutions developer in the PRC.

Highlights

For the year ended 31 December 2008,

– turnover of the Group amounted to approximately RMB87,642,000 (2007: approximately RMB100,686,000) which represented a slight decrease of approximately 13%;

– Profit attributable to equity holders of the Company was approximately RMB334,000 (2007: loss of approximately RMB801,000); and

– the Directors do not recommend the payment of a final dividend (2007: Nil).

* *For identification purpose only*

Corporate Information

Executive Directors

Mr. Li Zhan *(Chairman)*
Mr. Cheng Min *(Vice Chairman)*
Mr. Mo Zhenxi *(Vice Chairman)*
Mr. Wang Yiming *(Chief Executive Officer)*
Mr. Yuan Tingliang
Mr. Li Wei
Mr. Shang Ling

Independent Non-executive Directors

Prof. Gu Junzhong
Prof. Shao Shihuang
Mr. Yuan Shumin
Mr. Liu Fei

Supervisors

Mr. Zhang Gongda
Mr. Yao Benqiang
Mr. Yu Jiming
Ms. Qin Yan
Ms. Zhang Yan

Company Secretary and Qualified Accountant

Mr. Chong Cha Hwa *ACCA(UK)*

Audit Committee and Remuneration Committee

Prof. Gu Junzhong *(Chairman)*
Prof. Shao Shihuang
Mr. Yuan Shumin

Compliance Officer

Mr. Yuan Tingliang

Legal Address

2nd Floor, Block 7
471 Gui Ping Road
Shanghai
The PRC

Principal Place of Business in Hong Kong

Suites 3306-12, 33rd Floor
Shui On Centre
Nos. 6-8 Harbour Road
Wanchai
Hong Kong

Principal Place of Business in the PRC

Building A
Shanghai Jiaoda Withub Information Park
No. 951 Panyu Road
Shanghai
The PRC

Authorised Representatives

Mr. Cheng Min
Mr. Wang Yiming

Principal Bankers

China Construction Bank
– Shanghai Sub-branch No. 2
Shanghai Bank
– Xu Hui Sub-branch

Auditors

SHINEWING (HK) CPA Limited
16/F, United Centre
95 Queensway, Hong Kong

Legal Advisers

As to Hong Kong law
Chiu & Partners
41st Floor, Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law
AllBright Law Offices
25th Floor, Jin Mao Tower
88 Century Boulevard
Shanghai
The PRC

Hong Kong Share Registrar and Transfer Office

Union Registrar Limited
Rooms 1901-02, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai
Hong Kong

Stock Code

8205

Company Website

www.withub.com.cn

Chairman's Statement

To All Shareholders,

I am pleased to deliver this year for the review of the past year performance of Shanghai Jiaoda Withub Information Industrial Company Limited (the "Company") and its subsidiaries (collectively the "Group") and also would like to take this chance to highlight the ideal of the future business plan and core product that our company would like to focus in the coming financial year.

For the year of 2008, it has been the most challenging period for the Company in view of the current world economy situation. We are facing the most serious financial crises of the decade arise from US second housing mortgage problem. The crises have caused the major financial institutions to collapse or seek for the government assistance worldwide especially in US and Europe. The financial problems have caused the global economy to slow down including Asia countries like China.

The China is having quite a strong growth in the first half of the year. However, the growth has suddenly deteriorated in the second half of the year especially after the Beijing Olympic Game. The commodity price such as gold, oil and coal fall sharply. The property sector also facing the down turn trend. The share market in the country also has adjusted almost 60% from the peak. All these have wiped out some of the wealth of the people and discourage consumer from spending in the market. In addition, the export of the countries has also been reduced significantly and caused the closure of factories in the Guangzhou and created a jobless figure of over 20 million people. All these have caused the weak business sentiment in the market and also affect our company business.

In view of this, the China government has come out with some counter problem policy including the planned budget to invest 4,000 billion Renminbi in order to create demand in the domestic market, encourage domestic consumption market in order to maintain the growth rate of 8%, create jobs and also replace the demand shortfall from the cut down of export to overseas.

However, in view of this changing environment, our group has been able to make a profit for the first time in 5 years and achieved a long waited turnaround in this year. I would like to thank management for their relentless effort to make this happen. The profit although is small but it indicated our management and company is heading toward the right direction by implementation of stringent cost control, productivity management and also able to maintain the existing market for our product and services.

In last year, our company main product and services remains at the traditional business such as the sales and distribution of computer and electrical products and accessories which made up of 69% of the total sales and this are followed by 24% of total sales for business solutions development, 4% for application software, 2.3% or for network and data security. These business segments remain the core services and products for the company in the past and also for the future.

Chairman's Statement

Our management is attempting to maintain the existing client from government entities and also the private corporate clients by providing excellence service and good quality products to them. Our company marketing efforts is also focus around Shanghai and Jiangzu areas where our main operation is based.

Our company has in this year further upgrade and strengthens the quality of the management in certain key areas including cost management, research and development management, productivity management and also marketing management.

In the future plan for the coming years, our company has deployed some good strategy and plans to take advantage of the existing strength of our company. We will continue to focus our service and products in the same area and also to look for good and potential computer and electronic products from overseas in order to be their exclusive and sole agent for the China market.

We will also continue to maintain our software related business such as software development, maintenance and marketing of the proprietary software to the corporate client in the government department and also private corporate.

We will also look for good business partner to join venture into certain strategic business and also look for good business investment opportunity in order to expand our company business.

In conclusion, our management will garner their attention on the market in order to achieve some growth target continuously for the coming year in order to lead the company to a positive and progressive path. We are cautiously optimistic that we will achieve the good result based on the consistent contribution of the management.

By order of the Board

Li Zhan
Chairman

Shanghai, 27 March 2009

Management Discussion and Analysis

Results

For the year ended 31 December 2008, the Group recorded a turnover of approximately RMB87,642,000 (2007: approximately RMB100,686,000), representing a slight decrease of RMB13,044,000 or 13% as compared to the last year. The Group recorded a profit of merely RMB334,000 which is almost breakeven for this year as compared with considerable loss of RMB801,000 for the year ended 31 December 2007. This year the Group did not suffer more losses as a result of the Company's effort to trim down the operations with associated company, the heavy cut down of the administrative expenses as well as the ability to maintain the gross profit margin at the competitive market.

Business Review and Future Prospects

For the full financial year under review ended 31 December 2008, the total revenue for the Group has dropped from RMB100,686,000 to RMB87,642,000. The drop of RMB13,044,000 represent 13% fall from the 2007 group sales figure. The Group registered a profit before tax of RMB334,000 for the first time in 5 years. The Group achieved a turnaround this year from the loss of RMB801,000 in last year.

The revenue are mainly consisting of the sales and distribution of computer and electrical products and accessories which made up of 69% of the total sales or RMB60,196,000, and this are followed by 24% of total sales or RMB21,865,000 for business solutions development, 4% or RMB3,545,000 for application software, 2.3% or RMB2,036,000 for network and data security. These business segments remain the core services and products for the company in the past and also for the future.

The sales and distribution of computer and electrical products and accessories has reduced in revenue from the previous year of RMB83,950,000. The reduction represents RMB23,754,000 or 28% of previous figure. The reduction is mainly caused by the slowdown in the demand in the market due to the weak economic situation and also the consumer market.

However, the business solutions development has increased their revenue from the previous of RMB9,042,000. This represents an increase of RMB of 12,823,000 or 58% of the previous sales. The increase is mainly due to more project is completed in this year based on the contract signed during the good year in 2007 or before.

The application software has reduced in the revenue from RMB6,150,000. The reduction represents a value of RMB of 2,605,000 or 42% of the previous figure. This is due to the weak sales in the market based on the weak consumption market. The network and data security sales has slightly increased from the previous year of RMB1,544,000. This represents a increase of RMB492,000 or 32% of the previous figure.

The improved of result is mainly contributed by the improvement in the gross profit, other revenue, result from the associate company and also the further cut down of the administrative expenses.

Management Discussion and Analysis

The gross profit has improved from RMB11,217,000 to RMB12,949,000. This represents an improvement of RMB1,732,000 or 15.5%. The improvement is mainly accredited to the lower down of the cost of sales. The gross profit margin has improved from the previous financial year of 11.1% to the current year of 14.7%.

The Company has also able to further cut down the administrative expenses from the previously year of RMB11,394,000 to the current year of RMB10,794,000. This represent a cost reduction of RMB600,000 or 5.2%. The cut down of cost is mainly contributed by the slash down of the salaries and staff benefits and also the reduction in the cost of depreciation.

The other revenue has improved to RMB2,552,000 for the current year from the previous year of RMB1,488,000. This shown an good improvement of RMB1,064,000 or 71%. The improvement is caused by the increase of RMB1,000,000 in the interest income and also bad debt recovered and dividend from the available resale company.

The result of the associate company has achieved slight improved to RMB594,000 for the current year as compared to the previous year of RMB537,000. This indicated a slight improvement of RMB57,000 or 10%.

However, the distribution cost has almost doubled to RMB4,967,000 from the previous year of RMB2,649,000. This stands for an increase of RMB2,318,000 or 87%. The increase in distribution cost is caused by the increase of the transportation cost especially the oil price.

In future the Company main focus is still on the cost control in order to continue to monitor the cost in achieve the targeted profit. The management will try it bests to reduce unnecessary expenses and also to improve the productivity of the management staff.

As for the business in future, the Company will try to expand into the new market area including obtaining some business from the new customer through introduction of the existing client and marketing effort from the management.

In conclusion, as this year is the cornerstone for the Company to make profit for the for the first time in recent year, the Group will try to maintain a profitable year in the coming year although the company will face a more challenging year of 2009 in view of the current financial crises.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2008, shareholders' funds of the Group amounted to approximately RMB95,011,000 (2007: RMB94,416,000). Current assets amounted to approximately RMB86,353,000 (2007: RMB94,665,000), of which approximately RMB49,664,000 (2007: RMB40,839,000) were bank balances and cash. The Group had no non-current liabilities and its current liabilities amounted to approximately RMB24,096,000 (2007: RMB33,158,000), which mainly comprised of other creditors and accrued expenses. The Group did not have any long-term debts.

Management Discussion and Analysis

Working Capital Ratio, Gearing Ratio

As at 31 December 2008, the Group had a net cash position and its working capital ratio (current assets to current liabilities) was 3.58 (2007: 2.85); and gearing ratio (long-term debt to shareholders' funds) was zero (2007: zero).

Capital Commitments and Significant Investments

The Group had no capital commitments and significant investments for the year ended 31 December 2008.

Material Acquisitions or Disposals

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies for the year ended 31 December 2008.

Segmental Information

All of the Group's activities are conducted in the PRC and are divided into two business segments – namely business application solutions and sales of goods. Accordingly, analysis by business segments is provided in note 6 to the consolidated financial statements.

Employee Information

As at 31 December 2008, the Group had 105 full time employees (2007: 102), comprising 18 in management, finance and administration (2007: 22), 24 in research and development (2007: 16), 42 in application development and engineering (2007: 38), and 18 in sales and marketing (2007: 23). Also, the Group had 3 school staff (2007: 3).

The Group has not experienced any disruption of its normal business operations due to labour disputes or significant turnover of staff. The Directors consider that the Company has maintained a very good relationship with its staff.

Remuneration of employees including Directors' emoluments and all staff related costs for the year ended 31 December 2008 was approximately RMB5,632,000 (2007: RMB6,278,000).

The Group's remuneration and bonus policies are principally determined with reference to the qualification, experience and performance of individual employee.

Charges on Group Assets

As at 31 December 2008, the Group had not pledged any assets to its bankers to secure banking facilities granted to the Group (2007: Nil).

Management Discussion and Analysis

Details of Future Plans for Material Investments or Capital Assets

The Directors presently do not have any future plans for material investments or capital assets. The management will continue to monitor the industry and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

Foreign Exchange Exposure

During the year ended 31 December 2008, the Group's monetary assets and transactions are denominated in RMB, HKD and USD. Though the exchange rates between RMB, HKD and USD are not pegged, there are relatively low level of fluctuation in exchange rates among RMB, HKD and USD. The management did notice the recent appreciation in the exchange rate of RMB to HKD and USD and are of the opinion that it does not currently have a material adverse impact on the Group's financial position. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

As at 31 December 2008, the Group did not have any significant contingent liabilities (2007: Nil).

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS

The Company has seven executive Directors, and four independent non-executive Directors. Their details are set out below:

Executive Directors

Mr. Li Zhan (李湛), aged 48, is a Professor of Shanghai Jiao Tong University (上海交通大學), Mentor of doctorate student. He studied in Shanghai Jiao Tong University (上海交通大學) from 1978 and got a bachelor degree in engineering in 1982, a Master degree in 1984 and a doctorate degree in 1987,and served as the first Chairman of the postgraduates student union. Mr. Li worked at Shanghai Jiao Tong University (上海交通大學) since his graduation and was promoted to Professor in 1992. He visited the Economic School of University of Copenhagen in Denmark from 1993 to 1995, and conducted a senior research there, and he served as Deputy Officer of Technology Economic Research Office (技術經濟教研室), the Founding Chairman and General Manager of Shanghai Jiaoda Onlly Group (上海交大昂立集團), Deputy Secretary of Faculty of Social Science and Engineering of Shanghai Jiao Tong University (社會科學與工程系), the Deputy Director of Faculty of Operation Management and Decision Science of Shanghai Jiao Tong University (經濟管理與決策科學系) and since 1995, he was the Mentor of doctorate students of Management School of Shanghai Jiao Tong University (上海交通大學管理學院). Mr. Li was appointed to work in Hong Kong from 1996 to 2007, and he served as the General Manager of Development and Research Department for Shanghai Industrial Investment (Holdings) Co., Ltd. (香港上海實業（集團）有限公司) and concurrently worked as the Deputy General Manager of Corporate Management Department of Shanghai Industrial Investment (Holdings) Co., Ltd. (上海實業集團企業管理部) and the Deputy General Manager of Chairman Office in Shanghai Industrial Holdings Limited (上海實業控股有限公司), and he worked as the Officer of Research Center of Innovation and Entrepreneurship of Shanghai Jiao Tong University (上海交通大學科技創業研究中心) since 2003. Since 2008, Mr. Li has been the Officer of Shanghai Withub Hi-Tech Business Incubator (上海慧谷高科技創業中心) and the Deputy General Manager of Shanghai Jiao Tong University Science Park Co., Ltd (上海交大科技園有限公司). Mr. Li is a representative of the board of directors of Shanghai Jiao Tong University Science Park Co., Ltd (上海交大科技園有限公司), which is a substantial shareholder of the Company. Mr. Li has profound experience and excels in academic research and has accumulated over 20 years of experience in corporate operation and investment management.

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS (Continued)

Executive Directors (Continued)

Mr. Yuan Tingliang (袁廷亮), aged 62, holds a Bachelor degree and is a Senior Engineer. Mr. Yuan joined the Company in May 1998 when it was incorporated and is the Chairman of the Company and responsible for the direction and positioning of the overall business operations. Since 1982, Mr. Yuan has acted in various positions at Shanghai Jiao Tong University, including the 精密儀器系副系主任 (Assistant Supervisor of the Department of Precision Instrument) and the 電子信息學院副院長 (Assistant Dean of the College of Electronic Information). Mr. Yuan has also been actively involved in the research and development in the technology field. Mr. Yuan is a board representative of Shanghai Jiaoda Industrial Investment Management (Group) Limited which is a substantial shareholder of the Company.

Mr. Cheng Min (程敏), aged 58, holds a Bachelor degree and is a Senior Economist. Mr. Cheng joined the Company since its incorporation in May 1998 and is the Vice Chairman and responsible for the overall business planning of the Group. Since 1984, Mr. Cheng has acted as the 上海徐匯集體事業管理局副局長 (Deputy Director of Shanghai Xuhui Collective Business Management Office), 黨委書記 (General Manager and Party Secretary) of 上海徐匯區工業總公司 (Shanghai Xuhui District Industrial Company) and Chairman and Party Secretary of Shanghai Xin Xuhui (Group) Limited. Mr. Cheng is also the Chairman of 上海香海化妝品銷售有限公司 (Shanghai Xiang Hai Cosmetics Limited) and 上海匯星電腦網絡工程有限公司 (Shanghai Hui Xing Computer Network Engineering Limited), Vice Chairman of 上海復旦綠源泉生物醫藥科技有限公司 (Shanghai Futan Green Spring Bio-Pharmaceutical Technology Limited) and a director of 上海草津電機有限公司 (Shanghai Cao Jin Electrics Limited) and 上海交大科技園有限公司 (Shanghai Jiaoda Science and Technology Park Limited) which is a substantial shareholder of the Company. Mr. Cheng is a board representative for Shanghai Xin Xuhui (Group) Limited which is a substantial shareholder of the Company.

Mr. Mo Zhenxi (莫振喜), aged 54, joined the Company since April 1998 and is the Vice Chairman and responsible for the supervision of the Company's operation and financial activities. Since 1979, he had held several positions including deputy-secretary in上海汽車配件廠配覺支部 (Shanghai Motor Parts Distribution Department), 紀檢員 (a prosecutor) in上海市紀委正科 (Shanghai Disciplinary Correction Section) and a department head in Shanghai Technology Investment Company and General Manager and Chief Officer of Shanghai Technology Investment Company.

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS (Continued)

Executive Directors (Continued)

Mr. Wang Yiming (王亦鳴), aged 41, holds a bachelor degree in electronic and a master degree in business administration from Shanghai Jiao Tong University. He has taught in Shanghai Jiao Tong University since 1989. Prior to the appointment as executive director of the Company in September 2004, Mr. Wang was the chief executive officer and an initial management shareholder of the Company and involved in the establishment of the Company in 1998 and has worked for the Company since then. He possesses knowledge and experience in the development and management of network security, electronic communications and modernisation of information infrastructure of government agencies. Mr. Wang is the vice chairman of Shanghai Jiaoda Withub Software Company Limited and Shanghai Withub Duogao Information Construction Company Limited, and executive director of Shanghai Jiaoda Withub Technology Street Company Limited. Mr. Wang is responsible for the planning and implementation of overall business operations as well as determining the positioning and direction for technological research and development.

Mr. Li Wei (李瑋), aged 32, graduated from Department of Management Science and Engineering of the School of Management of Shanghai Jiao Tong University in 2003 with a Doctoral degree in Management. During his study, Mr. Li conducted research mainly in the field of finance, insurance and social security, and involved in various research projects on National Natural Science Foundation of China and corporate trust. He has also published over ten thesis in industry publications. He worked at the State-owned Assets Administration Office of Shanghai Xuhui District and was responsible for strategic development and planning, and formulating researches and proposals for regional state-owned assets and enterprises reform. He has acted as the deputy manager of the investment division of 上海徐匯國有資產投資經營有限公司 since July 2004, in which he was responsible for corporate investment, hi-tech projects investment and capital management.

Mr. Shang Ling (商令), aged 38, graduated from School of Naval Architecture and Ocean Engineering, Shanghai Jiao Tong University in 1993 with a Bachelor degree in Engineering. Mr. Shang served in school as technical staff of Pao Sui-Loong Library (包兆龍圖書館) of Shanghai Jiao Tong University after graduation. Since 1994, he served as the Manager in 上海申聯信息技術公司, and served in Technology Division of Shanghai Jiao Tong University since 1996. Mr. Shang worked as an assistant officer in 上海慧谷高科技創業中心 (Shanghai Withub Hi-Tech Business Incubator) in 1999. He studied in Management School of Shanghai Jiao Tong University in 1998 and graduated in June 2001 with a Master degree in Business Administration. Since 2000, he has been the General Manager of 上海慧谷投資管理有限公司, General Manager of Shanghai Jiaoda Withub Technology Street Company Limited 上海交大慧谷科技街有限公司, Chairman of 上海交大慧谷數碼設備技術有限公司, Chairman of 上海慧谷港灣酒店管理有限公司 and Vice Chairman of 上海數娛產業管理有限公司.

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS (Continued)

Independent Non-executive Directors

Professor Shao Shihuang (邵世煌), aged 70, is a professor as well as mentor for doctorate students (博士生導師) in Donghua University (東華大學). Professor Shao graduated from Nanjing Polytechnic Institute (presently known as Southeast University) (南京工學院現稱東南大學) in 1960 specialised in industrial electrical automation (工業企電氣自動化專業) and was a visiting scholar in the University of Maryland in the United States. Professor Shao is the 副理事長 (vice chairman) of 中國紡織工程學會 (Textile Engineer Society of the PRC) and 上海市微電腦應用學會 (Society of Micro-Computer Application of Shanghai). He has been awarded the 國家科技進步二等獎 (National Technology Advancement Second Tier Award), two 上海市教學改革二等獎 (Shanghai Municipal Education Reform Second Tier Award), 上海市科技進步三等獎 (Shanghai Municipal Technology Advancement Third Tier Award) and was accredited as 全國高等學校科技先進工作者 (National Tertiary Schools' Pioneer). Professor Shao was appointed as an independent non-executive Director by the Company in September 2001.

Professor Gu Junzhong (顧君忠), aged 59, holds a Master degree and is a supervisor of 多媒體技術研究室 (the Multimedia Information Technology Research Centre) of 華東師範大學 (East China Normal University) 計算機科學技術系 (Department of Computer Science and Technology) and 第三屆上海市信息化專家委員 (Member of the third IT Advisor Committee of Shanghai Municipal Government). Professor Gu started teaching at 華東師範大學 (East China Normal University) since 1982 and became a professor since 1991 and a mentor for doctorate students since 1994. Professor Gu also acted several times as the guest researcher at the National Information Technology Research Centre (GMD) in Germany during the period from 1987 to 1997. He has published numerous thesis in publications and conferences both in the PRC and overseas, and has obtained various awards and recognitions in the PRC. Professor Gu was appointed as an independent non-executive Director by the Company in December 2001.

Mr. Yuan Shumin (袁樹民), aged 58, graduated from School of Accounting of Shanghai University of Finance and Economics in January 1983 with a bachelor degree in Economics, and taught there after graduation. In January 1985, he attended the part-time Postgraduate program in School of Accounting of Shanghai University of Finance and Economics, and graduated in June 1988 with a master degree in Economics. Mr. Yuan became associate professor in 1992, and promoted as professor in 1977. Since 1993, he has been supervisor of teaching department, assistant supervisor and assistant dean of School of Accounting, standing assistant dean and dean of School of Adult Education (成教學院) of Shanghai University of Finance and Economics. He Studied in a part-time doctorate program of Management at School of Management of Fudan University from January 1995, and graduated in January 1998 with a doctorate degree in Science. In July 2001, he was appointed as tutor of accounting doctorate program in Shanghai University of Finance and Economics. He has served in School of Accounting in Shanghai Finance University since September 2005, and is currently worked as supervisor of School of Accounting. Mr. Yuan has written various thesis, studies, teaching material, and served as Chairman of Computerized Accountancy Association for Youth (青年會計電算化分會) of PRC Accounting Association (中國會計學會). Mr. Yuan was appointed as an independent non-executive Director by the Company in June 2007.

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

Mr. Liu Fei (劉菲), aged 37, graduated from Kunming University of Science and Technology with a Bachelor degree in Engineering in June 1994. He was the physical education team head and vice chairman of the student union during school times, and was awarded as Outstanding member of Chinese Communist Youth League (優秀共青團員) and Outstanding Leader in Student Union (優秀學生會幹部). He graduated from Central South University (中南工業大學) with a Master degree in June 2000, his research topic was mining economic and systematic engineering, and obtained a Master degree in mining engineering.

From July to December 1994, he involved in the preparation work of construction of Shaanxi Feng County Erlihe copper zinc mine. From March to July 1995, he designed and organized the commencement of construction of inclined well of Shaanxi Zha Shui County Mujiazhuang copper mine independently. From May to December 1995, he conducted a feasible research of Lueyang County Hejiayan gold mine, and managed the exploration, mining design and commencement mining of the mine. From May to August 1996, he conducted an experimental mining on the method used at Luonan County Hulugou gold mine. From late 2002 to 2004, he was responsible for the preparation construction of Shaanxi Shanyang County gold mine. He was the Deputy Section Chief of Mining Department (局礦業處) in 2002. He served as Vice General Manager and Chief Engineer, General Manager in (山陽泰鼎礦業有限公司) in 2003, and was promoted to the position of General Manager of 西安縱橫投資管理有限公司 in 2005. He has been the Section Chief of Mining Department (局礦業處) since 2006.

Mr. Liu has involved in the writing and editing of "Constructional Guidance on Small Scale Ore with Non-ferrous Geology" (有色地質小型礦山建設指南), and completed the "Experimental Research on the Mining method for Unsteady Orebody at Shangyang Xiajiadian gold mine" (山陽夏家店金礦不穩固礦體方法試驗研究). He received the Technology Third Tier Award from 陝西有色金屬控股集團. In 2005, he founded 西安縱橫投資管理有限公司, raised capital of over 10 millions, and acquired best mining right, conducted investment risk study and development, and initially listed the company overseas.

SUPERVISORS

Mr. Zhang Gongda (張功達), aged 50, is the chairman of the Company's supervisory committee and responsible for the supervision of the overall business and financial activities of the Company. Mr. Zhang holds a Bachelor degree and is a senior economist and an accountant. Mr. Zhang has over 30 years of experience in financial budgeting and investment management. He was the 科長 (Section Chief) of 崇明縣財政局綜合預算科 (Consolidated Budgetary Section of Xuemin County Finance Office), the manager of 崇明營業部 (Operation Division (Chong Ming)) of Shanghai Finance Securities Co., 科長 (Section Chief) of 徐匯區財政局綜合計劃預算科 (Consolidated Planning and Budgetary of Xuhui District Finance Office) and 徐匯區財政局局長助理 (Assistant to Secretary of Xuhui District Finance Office). Mr. Zhang is 常務副總經理 (Executive Deputy General Manager) of 徐匯區國有資產投資經營有限公司 and deputy officer of State-owned Assets Administration Office of Xuhui District. Mr. Zhang was appointed by the Company in July 2005.

Biographical Details of Directors, Supervisors and Senior Management

SUPERVISORS (Continued)

Mr. Yao Benqiang (姚本強), aged 56, is a supervisor of the Company and responsible for the supervision of the Company's financial activities. Mr. Yao has over 23 years of experience in financial accounting and auditing. Mr. Yao joined Shanghai Xin Xuhui in 1995 and became the financial controller in 1998. He was awarded 上海市財務總監業務培訓班證書 (the Certificate of Continuing Education of Shanghai Chief Financial Officer) and is the 徐匯區內部審計協會副理事長 (Vice chief counsel of Xuhui District Internal Audit Committee), 區會計學會理事 (council member of District Accountancy Committee) and 市成本研究會會員 (member of the City Costing Research Committee). Mr. Yao was appointed by the Company in December 2001.

Mr. Yu Jiming (俞紀明), aged 50, is a supervisor of the Company and responsible for the supervision of the Company's operation and financial activities. Mr. Yu graduated with Bachelor degree in University of Science and Technology Beijing and is a Senior Accountant and a registered accountant. Mr. Yu held various positions in 上海浦東鋼鐵公司 including 財務處成本科管理員、組長及科長 (Administrator, Supervisor and Section Chief of Cost Section of Finance Department), 財務處副處長 (Deputy Head of Finance Department) and 對外經濟貿易處處長 (Head of Foreign Economic and Trade Department) and 副總會計師 (Deputy Chief Accountant). He was also the General Manager of 三綱國際貿易公司. Since 1999, Mr. Yu has acted as the Manager of Finance Division of Shanghai Science & Technology Investment Corporation, a director and Chief Finance Officer of 上海眾恒信息產業有限公司，監事長 (Head of Supervisors) of 上海燃料動力汽車有限公司 and a supervisor of 上海格爾軟件股份有限公司, Shanghai ShenTeng Information Technology Co., Ltd. and 上海科技同濟信息技術有限公司 (Shanghai Technology Tong Ji Information Company). Mr. Yu was appointed by the Company in July 2005.

Ms. Qin Yan (秦燕), aged 34, is the representative of the employees and is a supervisor of the Company. Ms. Qin is the manager of the integration department of the Company responsible for network integration design and wiring design. She graduated with Bachelor degree in 上海華東理工大學 (East China University of Science & Technology) specialized in complex machinery and subsequently obtained a master degree specialised in measurement techniques and instruments. Ms. Qin was appointed by the Company in September 2000.

Ms. Zhang Yan (張燕), aged 34, is the representative of the employees and is a supervisor of the Company. Ms. Zhang graduated from Shanghai Normal University and majored in Chinese Language Education in 1997. In 2005, she obtained a Bachelor degree in Administration Management from Fudan University. From 2001 to 2005, she acted as the Human Resources Officer and Supervisor of ZyXEL Communications (Shanghai) Corporation. During 2003 to 2005, she was the Human Resources Manager of Shanghai Sanjiu Commercial Investment Limited Company (上海三九商業投資有限公司). Since 2005, she has acted as the HR Manager and Deputy Office Director of Shanghai Jiaoda Withhub Information Industrial Company Limited.

Biographical Details of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Ms. Cao Zhen (曹蓁), aged 39, graduated from Shanghai Jiao Tong University. Ms. Cao is the vice president of the Company and the general manager of the integration business, in charge of the system integration business. Ms. Cao had worked in various positions including 上海交大科外系語言所 (Shanghai Jiaoda Ke Wai System Language Centre) as an engineer, 上海天明科技有限公司 as a manager, 上海瀚英實業發展有限公司 (Shanghai Han Ying Industrial Development Company Limited) as a manager, the general manager of Network Integration Centre (網絡集成中心) of the Company and being a chief project officer of the Company. Ms. Cao was appointed by the Company in May 2005.

Mr. Zhang Yuanyuan (張元元), aged 36, graduated from Shanghai Jiao Tong University with an MBA. Mr. Zhang is the vice president of the Company, in charge of the business management, human resources management, investment management of subsidiaries, qualification certification management, etc. Mr. Zhang had worked in various positions including Royton Technologies Co. Ltd. as a chief investment officer, 上海三九藥店有限責任公司 (Shanghai San Jiu Yao Dian Company Limited) as a managing director, 江蘇三九醫藥零售有限公司 (Jiangsu San Jiu Yi Yao Retail Company Limited) as a president, 杭州三九醫藥零售有限公司 (Hangzhou San Jiu Yi Yao Retail Company Limited) as a director, 上海三九醫藥有限公司 as a director, 上海價美醫藥零售連鎖有限公司 (Shanghai Jia Mei Yi Yao Retail Chain Company Limited) as a director. Mr. Zhang Yuanyuan was appointed by the Company in May 2005.

Mr. Chong Cha Hwa (張家華), aged 43, is the company secretary and the qualified accountant of the Company. Mr. Chong is a fellow member of the Association of Chartered Certified Accountants, United Kingdom and a member of the Malaysian Institute of Certified Public Accountants, Malaysia. He has obtained a bachelor degree major in finance and minor in computer from the University of Science, Malaysia. Prior to joining the Company, Mr. Chong has gained more than 16 years of experience in the accounting and finance area servicing private and public listed companies in Hong Kong and the South Asia region. He was appointed by the Group in March 2005.

Report of the Directors

The Board of Directors is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2008.

Principal Activities

The Group is principally engaged in the development and provision of business application solutions which include business solutions, application software, network and data security products and is also engaged in the sales and distribution of computers and electrical products.

Major Customers and Suppliers

During the year under review, the Group's sales to the five largest customers accounted for 10.37% of the Group's turnover for the year, of which the largest customer accounted for 2.64% of the Group's turnover for the year.

Purchases from major suppliers accounted for the following percentages:

The largest supplier:	32.24%
Total percentage of the five largest suppliers:	62.17%

Save as disclosed above, as far as the Directors are aware, neither the Directors or their associates nor any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued capital) and management shareholders had any material interest in the five largest customers and five largest suppliers.

Results

The Group's results and financial position for the year ended 31 December 2008 are set out in the annual report on pages 34 to 83.

Dividends

The directors do not recommend the payment of any dividends in respect of the year ended 31 December 2008.

Financial Summary

A summary of the results and assets and liabilities of the Group for each of the five years ended 31 December 2008 is set out on page 84 of the annual report.

Plant and Equipment

Details of the movements in the plant and equipment of the Group and of the Company during the year are set out in note 13 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 24 to the financial statements.

Report of the Directors

Share Option Scheme

The Company conditionally adopted a Share Option Scheme by a resolution of all shareholders of the Company on 7 July 2002. The Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

The maximum number of H shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30 per cent. of the H shares in issue from time to time. The total number of H shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 13,200,000 H shares, being 10 per cent. of issued H shares. The total number of H shares issued and which may fall to be issued upon exercise of the options granted or to be granted under the Share Option Scheme and any other share option scheme of the Group to each grantee in any 12-month period up to the date of grant shall not exceed one per cent. of the H shares in issue for the time being ("Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the shareholders and the shareholders' approval in general meeting of the Company with such grantee and his associates abstaining from voting.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. No eligible participants who are PRC nationals and have taken up any options to subscribe for H shares shall be entitled to exercise any such options until the current restrictions imposed by the relevant PRC laws and regulations restricting PRC nationals from subscribing for and dealing in H shares or any laws or regulations with similar effects (the "H Shares Restrictions") have been abolished or removed. Options may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of offer for the grant of the option subject to the provisions for early termination thereof. The subscription price for H shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (aa) the closing price of the H shares on GEM as stated in the Stock Exchange's daily quotations on the date of the offer of grant, which must be a business day; (bb) the average closing price of the H shares on GEM as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (cc) the nominal value of the H shares.

During the period from 1 January 2008 to 31 December 2008, none of the Directors or supervisors was granted options to subscribe for H shares of the Company. As at 31 December 2008, none of the Directors or the supervisors had any rights to acquire H shares in the Company.

Reserves

Details of movements in the reserves of the Group and of the Company during the year are set out in note 32 to the financial statements.

Retirement Benefits

Details of the retirement benefit scheme of the Group are set out in note 25 to the financial statements.

Report of the Directors

Directors and Supervisors

The directors and supervisors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Li Zhan（李湛）(appointed on 7 July 2008)
Mr. Cheng Min（程敏）
Mr. Mo Zhenxi（莫振喜）
Mr. Yuan Tingliang（袁廷亮）
Mr. Wang Yiming（王亦鳴）
Mr. Li Wei（李瑋）
Mr. Shang Ling（商令）(appointed on 7 July 2008)
Mr. Lu Yaohui（陸耀輝）(retired on 7 July 2008)
Mr. Qian Zhenying（錢振英）(retired on 7 July 2008)

Independent Non-executive Directors

Professor Shao Shihuang（邵世煌）
Professor Gu Junzhong（顧君忠）
Mr. Yuan Shumin（袁樹民）
Mr. Liu Fei（劉菲）
Mr. Hu Shaoming, Herman（胡曉明）(retired on 7 July 2008)

Supervisors (the "Supervisor", members of the supervisory committee of the Company)

Mr. Zhang Gongda（張功達）
Mr. Yao Benqiang（姚本強）
Mr. Yu Jiming（俞紀明）
Ms. Qin Yan（秦燕）
Ms. Zhang Yan（張燕）
Mr. Wang Yanghua（黃永華）(resigned on 30 June 2008)

According to the provisions of the Articles of Association of the Company, the terms of service of all the Directors and the Supervisors are three years. All Directors and the Supervisors (except the representative of the employees) are subject to re-election at a general meeting upon the expiration of their terms of service.

Directors' and Supervisors' Service Contracts

The Company did not enter into any service contract with its executive Directors and independent non-executive Directors and each of the executive Directors, independent non-executive Directors and Supervisors, except Mr. Wang Yiming ("Mr. Wang") disclosed below.

Pursuant to the articles of association of the Company, Mr. Wang is appointed as an executive Director for a term of three years commencing from 30 September 2007. Mr. Wang will not receive any remuneration as an executive Director. However, Mr. Wang has entered into a service contract with the Company for the position of chief executive officer of the Company and he is entitled to an annual salary and a discretionary bonus determined by reference to the overall performance of the Group.

Report of the Directors

Directors', Supervisors' and Senior Executives' Emoluments

Details of the Directors', Supervisors' and senior executives' emoluments and the highest paid individuals are set out in note 8 to the consolidated financial statements.

Directors', Supervisors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 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) 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%
Li Zhan	Company	Beneficial owner	12,000 domestic shares (L)	0.003%

Notes:

1. The letter "L" represents the interests in the shares 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 31 December 2008, 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.

Report of the Directors

Directors' Rights to Acquire Shares or Debentures

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Substantial Shareholders' and Other Persons' Interests and Short Position in Shares and Underlying Shares in the Company

A. Substantial shareholders

As at 31 December 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 executive of the Company) 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 shareholders	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 Company	Beneficial owner	57,000,000 domestic shares (L)	11.88%

Report of the Directors

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 31 December 2008, 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)	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 31 December 2008, 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.

DISCLOSEABLE AND CONNECTED TRANSACTION

Entrusted Loan Agreement

On 18 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 HKD22,600,000) (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 4 July 2008.

The provision of the Entrusted Loan by the Company to Nanyang Properties constituted a discloseable transaction under Chapter 19 of the GEM Listing Rules and is subject to reporting and announcement requirements.

The provision of the Entrusted Loan by the Company to Nanyang Properties also constituted financial assistance provided by the Company not in the ordinary and usual course of business for the benefit of a connected person. As the relevant percentage ratios of the Entrusted Loan Agreement were more than 2.5% and the total value of the assistance exceeded HK$10,000,000, the Entrusted Loan is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Further, pursuant to Rule 17.15 of the GEM Listing Rules, a disclosure obligation arose when the Company entered into the Entrusted Loan Agreement as the provision of the Entrusted Loan exceeded the 8% threshold of the assets ratio.

Details of the above has been disclosed in the Company's announcement dated 3 November 2008 and circular dated 24 November 2008.

Report of the Directors

Licence Agreement

On 11 September 2008, the Company, as licensee, has entered into a licence agreement (the "Licence Agreement") with上海交通大學資產管處 (unofficial translation being Shanghai Jiao Tong University Asset Management Office) ("Jiaoda Management"), the asset management office of Shanghai Jiao Tong University ("SJTU"), as licensor, a connected person of the Company, for use of the Premises.

Jiaoda Management is the management office of SJTU, a renowned tertiary education institution in the PRC. SJTU is an indirect holding company of a substantial shareholder of the Company, Shanghai Jiaoda Science and Technology Park Company Limited, which holds 23.75% of the total registered capital of the Company, Shanghai Jiaoda Science and Technology Park Company Limited is owned as to 55.42% by Shanghai Jiaoda Industrial Investment Management (Group) Limited, which is in turn wholly beneficially owned by SJTU. Accordingly, Jiaoda Management is a connected person of the Company under the GEM Listing Rules by virtue of being an associate of Shanghai Jiaoda Science and Technology Park Company Limited, which is a substantial shareholder of the Company. Therefore, the Licence Agreement constitutes a continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

The term of the Licence Agreement is three years, from 1 August 2008 to 31 July 2011 (both days inclusive) and the annual licence fees are RMB2,000,000 (exclusive of property management fees, water, electricity, internet network and other miscellaneous charges) for the period from 1 August 2008 to 31 July 2009 and RMB2,400,000 (exclusive of property management fees, water, electricity, internet network and other miscellaneous charges) for the period from 1 August 2009 to 31 July 2011. Details of the terms of the Licence Agreement including but not limited to maximum aggregate annual value has been disclosed in the Company's announcement dated 12 September 2008.

The Board confirmed that the Licence Agreement was entered into by both parties after arm's length negotiations having regard to the prevailing conditions of the rental market of properties of similar size and area and in similar location. The Premises provide a suitable premise to be used by the Company as office.

In view of the above, the Directors (including independent non-executive Directors) of the Company are of the opinion that the terms (including the annual licence fees) of the Licence Agreement are on normal commercial terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole. In addition, the terms of the Licence Agreement are no less favourable to the Company than terms available from independent third parties.

Details of related party transactions are set out in note 30 to the financial statements.

Directors' Interests in Contracts

Save as disclosed in the annual report, no contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Competing Interests

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Company.

Audit Committee

The Company established an audit committee on 7 July 2002 with written terms of reference. The audit committee comprises the three independent non-executive Directors, Prof. Gu Junzhong (Chairman), Prof. Shao Shihuang and Mr. Yuan Shumin.

The Company's consolidated financial statements for the year ended 31 December 2008 have been reviewed by the audit committee, who recommended such statements to the Board. The financial reporting process and internal control of the Company have also been reviewed by the audit committee, who were of the opinion that no further improvement was required for the time being. During the year, the audit committee has held four formal meetings.

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 year ended 31 December 2008.

Board Practices and Procedures

Throughout the year ended 31 December 2008, the Company was in compliance with the Board Practices Procedures as set out in Rule 5.34 of the GEM Listing Rules.

Auditors

SHINEWING (HK) CPA Limited were appointed as auditors of the Group in succession to Messrs. BDO MaCabe Lo Limited who resigned from the office on 20 December 2006. Prior to that, Messrs. BDO MaCabe Lo Limited had been the auditors of the Group for three years.

SHINEWING (HK) CPA Limited will retire and, being eligible, offer themselves for re-appointment as auditors of the Group at the forthcoming annual general meeting of the Company.

On behalf of the Board

Li Zhan
Chairman

Shanghai, the PRC, 27 March 2009

Report of the Supervisory Committee

To: All Shareholders

Shanghai Jiaoda Withub Information Industrial Company Limited has complied with the Company Law of the PRC during the year ended 31 December 2008, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company, exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principles of honesty and trustworthiness and worked cautiously and diligently.

During the year we carefully reviewed the use of the proceeds raised in strict compliance with the plan of use of proceeds disclosed in the prospectus of the Company dated 25 July 2002 for the listing of the Company's H shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. We provided reasonable suggestions and advice on the operations and development plans to the Board and strictly and effectively monitored whether the policies and decisions made had conformed with the state laws and regulations and the Articles of Association of the Company or safeguarded the interests of shareholders.

After investigation, we consider that the financial statements of the Group and of the Company, audited by SHINEWING (HK) CPA Limited, truly and sufficiently reflect the operating results of the Group and asset positions of the Group and of the Company. We also reviewed the Report of the Directors and profit distribution proposal. We consider that the aforesaid report and proposal meet the requirements of the relevant regulations and articles of the Company. We have attended the meeting of the Board. We consider that the members of the Board, the general manager and other officers have strictly complied with the principles of honesty and trustworthiness, worked diligently and sincerely acted in the best interests of the Group. None of the Directors, general manager and the officers have abused their authorities, caused damage to the interests of the Group and infringed upon the interests of the Group and its staff, nor have they violated any laws, regulations or the Company's Articles of Association.

We are satisfied with the various tasks achieved as well as the cost-effectiveness gained in 2008 and are confident about the prospects and future development of the Group.

On behalf of the Supervisory Committee

Zhang Gongda
Chairman of the Supervisory Committee

Shanghai, the PRC, 27 March 2009

Report of Corporate Governance

The Group has complied with most of the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules ("CG Code") other than the deviations as disclosed in this report.

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 securities transactions by the Directors.

BOARD OF DIRECTORS

The Board comprises eleven Directors, of whom seven are executive Directors and four are independent non-executive Directors. Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the pages 10 to 14 of the Annual Report. The participation of independent non-executive Directors in the Board brings independent judgement on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

The Company did not enter into any service contract with its executive Directors and independent non-executive Directors except for Mr. Wang Yiming's chief executive officer service contract, which has been discussed in the aforesaid Directors' and Supervisors' Service Contracts' section. However, according to article 96 of the articles of association of the Company, the terms of the Directors shall be three years. Upon the expiry of the term, the Directors shall be eligible for re-election at the shareholders' general meeting of the Company. Therefore, the terms of Mr. Li Zhan, Mr. Yuan Tingliang, Mr. Cheng Min, Mr. Mo Zhenxi, Mr. Li Wei and Mr. Shang Ling, all are executive Directors and Professor Shao Shihuang, Professor Gu Junzhong and Mr. Liu Fei, all are independent non-executive Directors, are commencing from 7 July 2008 to 7 July 2011. Mr. Wang Yiming, executive Director and Mr. Yuan Shumin, independent non-executive Director, are commencing from 30 September 2007 to 30 September 2010 and 22 June 2007 to 22 June 2010 respectively.

The Board considers that all of the independent non-executive Directors are independent as to the Company has received from each of them the annual confirmation of independence required by the GEM Listing Rules.

Report of Corporate Governance

The Board is responsible for the leadership and control of the Company and also approve business plans, evaluate the performance of the Group and oversight of management. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to executive Directors and senior management, while reserving certain key matters for its approval. When the Board delegates aspects of its management and administration functions to Management, it has given clear directions as to the powers of Management, in particular, with respect to the circumstances where Management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board held six board meetings (including four regular board meetings) during the year ended 31 December 2008. Details of the attendance of the Board are as follows:

	Attendance	
	Regular board meetings	**Other board meetings**
Executive Directors		
Mr. Li Zhan (appointed on 7 July 2008)	2/2	1/1
Mr. Cheng Min	4/4	2/2
Mr. Mo Zhenxi	4/4	2/2
Mr. Wang Yiming	4/4	2/2
Mr. Yuan Tingliang	3/4	2/2
Mr. Li Wei	4/4	2/2
Mr. Shang Ling (appointed on 7 July 2008)	0/2	0/1
Mr. Lu Yaohui (retired on 7 July 2008)	2/3	–
Mr. Qian Zhenying (retired on 7 July 2008)	3/3	–
Independent Non-executive Directors		
Professor Shao Shihuang	2/4	1/2
Professor Gu Junzhong	3/4	1/2
Mr. Yuan Shumin	4/4	2/2
Mr. Liu Fei	0/4	0/2
Mr. Hu Shaoming, Herman (retired on 7 July 2008)	0/3	–

The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each board meeting.

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

In order to maintain the transparency and independence of the corporate governance, the Chairman of the Company is Mr. Li Zhan, the Vice-chairmen of the Company are Mr. Cheng Min and Mr. Mo Zhenxi and the Chief Executive Officer of the Company is Mr. Wang Yiming. The roles of the Chairman, Vice-Chairman and the Chief Executive Officer are segregated and assumed by those separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the Board is responsible for the leadership and effective running of the Board, the Vice-chairmen are responsible for the overall business planning of the Group, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively. The division of responsibilities between the Chairman, Vice-chairmen and the Chief Executive Officer have been clearly established and set out in writing.

REMUNERATION COMMITTEE

The remuneration committee was established on 7 July 2005 and comprising three independent non-executive Directors, namely Professor Gu Junzhong (Chairman), Professor Shao Shihuang and Mr. Yuan Shumin.

The role and function of the remuneration committee included the determination of the remuneration package of all directors and senior management of the Company. The principal elements of the remuneration package may include basic salary, discretionary bonus and share option. The determined guidelines are based on their skill, knowledge and involvement in the Company's affairs and which are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

The remuneration committee consults the Chairman and Chief Executive Officer about its proposals related to the remuneration of the directors and senior management of the Company. The remuneration committee met twice during the year. The following was an attendance record of the remuneration committee meeting for the year ended 31 December 2008:

Name of Members	**Attendance**
Professor Gu Junzhong *(Chairman)*	2/2
Professor Shao Shihuang	2/2
Mr. Yuan Shumin	2/2

However, the Company has not disclosed the terms of reference of remuneration committee by including such information on the Company website. The Company will take appropriate actions to comply with the CG Code.

Report of Corporate Governance

AUDITORS' REMUNERATION

An amount of approximately HK$380,000 was charged to the Group's consolidated income statement for the year ended 31 December 2008 for the auditing services provided by SHINEWING (HK) CPA Limited ("SHINEWING"), the existing auditors of the Company. There is no significant non-audit service assignment provided by SHINEWING during the year.

AUDIT COMMITTEE

The audit committee was established on 7 July 2002 with written terms of reference. The financial reporting process and internal control of the Company have also been reviewed by the audit committee, who were of the opinion that no further improvement was required for the time being.

The audit committee comprises three independent non-executive Directors, Professor Gu Junzhong (Chairman), Professor Shao Shihuang and Mr. Yuan Shumin.

The audit committee held four formal meetings during the year ended 31 December 2008. Details of the attendance of the audit committee meetings are as follows:

Name of Members	**Attendance**
Professor Gu Junzhong *(Chairman)*	4/4
Professor Shao Shihuang	4/4
Mr. Yuan Shumin	4/4

The Group's unaudited quarterly and interim results and audited annual results during the year ended 31 December 2008 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

However, the Company has not disclosed the terms of reference of audit committee by including such information on the Company website. The Company will take appropriate actions to comply with the CG Code.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

Annual Report and Financial Statements

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the quarterly and annual financial statements, and announcements to shareholders, the Directors aim to present a balanced and understandable assessment of the Group position and prospects.

Accounting Period

The Directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the Hong Kong Companies Ordinance and the applicable accounting standards.

Going Concern

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, is appropriate to adopt the going concern basis in preparing the financial statements.

Internal Controls

Internal control system, being an integral part of the Group's operations, is a process effected by the Board and management team to provide reasonable assurance on the effectiveness and efficiency of operations in achieving the established corporate objectives, safeguarding Group assets, providing reliable financial reporting, and complying with applicable laws and regulations.

The Board is responsible to ensure that the Company maintains a sound and effective internal controls and risk management procedures in the Group and for reviewing its effectiveness through the Audit Committee on an on-going basis. The Board is responsible to ensure management's implementation of the Group's internal controls covering financial, operational and compliance aspects, as well as risk management procedures. Through the Audit Committee, the Board has regularly reviewed the effectiveness of risk management and internal control activities within the Group's business operations.

Independent Auditor's Report

信永中和 ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF SHANGHAI JIAODA WITHUB INFORMATION INDUSTRIAL COMPANY LIMITED
上海交大慧谷信息產業股份有限公司
(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Shanghai Jiaoda Withub Information Industrial Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 83, which comprise the consolidated balance sheet as at 31 December 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except as described in the basis for qualified opinion paragraph, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BASIS FOR QUALIFIED OPINION

Our report on the consolidated financial statements of the Group for the year ended 31 December 2007 was qualified in view of the limitations on the scope on certain other receivables and other payables.

Any adjustments found to be necessary to the opening balances as at 1 January 2008 may affect the results and cash flows and the related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2008. Also the comparative figures in respect of the net assets of the Group as at 31 December 2007 and the results and cash flows and the related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2007 may not be comparable with the figures for the current year.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE FOR THE CORRESPONDING FIGURES

In our opinion, except for the effects of such adjustments on the opening balances that might have been found to be necessary had we been able to satisfy ourselves as to the matters described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of Group's affairs as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427

Hong Kong
27 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Turnover	*5*	**87,642**	100,686
Cost of sales		**(74,693)**	(89,469)
Gross profit		**12,949**	11,217
Other revenue	*7*	**2,552**	1,488
Distribution expenses		**(4,967)**	(2,649)
Administrative expenses		**(10,794)**	(11,394)
Share of results of associates		**594**	537
Profit (loss) before tax		**334**	(801)
Income tax expense	*9*	**–**	–
Profit (loss) for the year	*10*	**334**	(801)
Earnings (loss) per share (in RMB)	*12*		
– Basic		**0.0007**	(0.0017)

Consolidated Balance Sheet

As at 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Non-current assets			
Plant and equipment	*13*	**576**	1,025
Interests in associates	*14*	**26,912**	26,318
Intangible asset	*15*	**2,850**	3,150
Available-for-sale investments	*16*	**2,416**	2,416
		32,754	32,909
Current assets			
Inventories	*17*	**4,550**	6,817
Amounts due from customers for contract works	*18*	**7,484**	3,281
Trade receivables	*19*	**14,531**	14,114
Deposits, prepayments and other receivables	*20*	**9,124**	26,765
Amounts due from related parties	*30*	**1,000**	2,349
Amounts due from associates	*30*	**–**	500
Bank balances and cash	*21*	**49,664**	40,839
		86,353	94,665
Current liabilities			
Trade payables	*22*	**8,955**	6,528
Other payables and accrued expenses	*23*	**15,020**	26,630
Amounts due to a related party	*30*	**121**	–
		24,096	33,158
Net current assets		**62,257**	61,507
Total assets less current liabilities		**95,011**	94,416
Capital and reserves			
Share capital	*24*	**48,000**	48,000
Reserves		**47,011**	46,416
Total equity		**95,011**	94,416

The consolidated financial statements on pages 34 to 83 were approved and authorised for issue by the Board of Directors on 27 March 2009 and are signed on its behalf by:

Li Zhan
Director

Wang Yiming
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Share capital RMB'000	Share premium RMB'000	Capital reserve (Note 32(a)) RMB'000	Statutory reserves (Note 32(b)) RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2007	48,000	61,068	16,000	223	(600)	(29,915)	94,776
Exchange difference arising on translation of the financial statements of an overseas subsidiary recognised directly in equity	–	–	–	–	441	–	441
Loss for the year and total recognised income and expenses for the year	–	–	–	–	–	(801)	(801)
At 31 December 2007 and 1 January 2008	48,000	61,068	16,000	223	(159)	(30,716)	94,416
Exchange difference arising on translation of the financial statements of an overseas subsidiary recognised directly in equity	–	–	–	–	261	–	261
Profit for the year and total recognised income and expenses for the year	–	–	–	–	–	334	334
At 31 December 2008	**48,000**	**61,068**	**16,000**	**223**	**102**	**(30,382)**	**95,011**

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 RMB'000	2007 RMB'000
Operating activities		
Profit (loss) before tax	**334**	(801)
Adjustments for:		
Depreciation of plant and equipment	**505**	704
Interest income	**(1,592)**	(566)
Loss on disposal of plant and equipment	**–**	55
Amortisation of intangible asset	**300**	300
Impairment loss (reversed) recognised in respect of trade receivables	**(75)**	409
Dividends from available-for-sale investments	**(180)**	(45)
Share of results of associates	**(594)**	(537)
Operating cash flows before movements in working capital	**(1,302)**	(481)
Decrease in inventories	**2,267**	1,216
Increase in amounts due from customers for contract works	**(4,203)**	(2,651)
Increase in trade receivables	**(342)**	(253)
Decrease in deposits, prepayments and other receivables	**17,641**	6,204
Increase (decrease) in trade payables	**2,427**	(4,268)
Decrease in other payables and accrued expenses	**(11,610)**	(3,090)
Net cash from (used in) operating activities	**4,878**	(3,323)
Investing activities		
Purchases of plant and equipment	**(56)**	(32)
Decrease in amounts due from related parties	**1,349**	(770)
Decrease in amounts due from associates	**500**	507
Interest received	**1,592**	566
Dividends received from available-for-sale investments	**180**	45
Net cash from investing activities	**3,565**	316
Financing activities		
Increase in amounts due to a related party	**121**	–
Decrease in amounts due to associate	**–**	(406)
Net cash from (used in) financing activities	**121**	(406)
Net increase (decrease) in cash and cash equivalents	**8,564**	(3,413)
Cash and cash equivalents at 1 January	**40,839**	43,811
Effect of foreign exchange rate changes	**261**	441
Cash and cash equivalents at 31 December, represented by bank balances and cash	**49,664**	40,839

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. GENERAL

Shanghai Jiadoa Withub Information Industrial Company Limited (the "Company") was incorporated on 4 May 1998 as a joint stock limited liability company in Shanghai, the People's Republic of China (the "PRC"). The Company was listed on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 31 July 2002 by the placing of 132,000,000 overseas listed foreign shares ("H shares") of RMB0.10 each at HK$0.66 per H share. The placing of 132,000,000 H shares included 120,000,000 new H shares and 12,000,000 H shares converted from domestic shares of the Company.

The address of the registered office of the Company is at 2/F, Block 7, 471 Gui Ping Road, Shanghai, PRC and its principal place of business is at Building A, Shanghai Jiaoda Withub Information Park, No. 951 Panyu Road, Shanghai, PRC.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

The Company and its subsidiaries (together with the Company referred to as the "Group") are principally engaged in the development and sales of business solutions and sales of distribution of computer and electrical products and accessories in the PRC. Particulars of the Company's subsidiaries are set out in Note 31 to the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

Hong Kong Accounting Standard (HKAS) 39 & HKFRS7 (Amendments)	Reclassification of Financial Assets
HK (IFRIC) – Interpretation ("Int") 11	HKFRS 2: Group and Treasury Share Transactions
HK (IFRIC) – Int 12	Service Concession Arrangements
HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HK (IFRIC) Int 9 and HKAS 39	Embedded Derivatives[7]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[6]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 July 2009.
[4] Effective for annual periods beginning on or after 1 July 2008.
[5] Effective for annual periods beginning on or after 1 October 2008.
[6] Effective for transfers of assets from customers received on or after 1 July 2009.
[7] Effective for annual periods ending on or after 30 June 2009.

The directors anticipate that all of these pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Among these new standards and interpretations, HKAS 1 (Revised) Presentation of Financial Statements is expected to materially change the presentation of the Group's financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

The amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals or in two separate statements (a separate income statement followed by a statement of other comprehensive income). The management is in the process of making an assessment of what the impact of this amendment is expected to be in the period of initial application. So far it has concluded that the adoption of this amendment does not affect the financial position and results of the Group, but will give rise to additional disclosures.

HKFRS 8 Operating Segments may result in new or amended disclosures. The management is in the process of identifying reportable operating segments as defined in HKFRS 8.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of acquisition is recognised as goodwill. From 1 January 2005 onwards, the Group has discontinued amortisation of goodwill and such goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Any excess of the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities of the associate over the cost of acquisition, after reassessment, is recognised immediately in the profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Research and development expenditures

Expenditure on research activities is recognised as an expenses in the period in which it is incurred.

(d) Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill in "Interests in associates")

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amounts, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(e) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Where the outcome of provision of business solutions development and application software can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, measured as the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of the provision of business solutions development and application software cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade and other receivables.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(h) Retirement benefit costs

Payment to the state-managed retirement benefit scheme are charged as an expense when employees have rendered service entitling them to the contributions.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and amounts due from related parties/associates) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loans and receivables. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period which range from 90 to 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and amounts due from associates/related companies, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed dose not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instrument issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, the shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including trade payables, other payables and amounts due to a related party) are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Effective interest method (Continued)

Derecognition (Continued)

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(k) Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deductions from the carrying amount of the relevant assets are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement as other income.

(l) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit and loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(m) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balances sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment loss recognised in respect of trade receivables

The policy for making impairment loss of the Group is based on the evaluation of collectability and ageing analysis of the trade receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these trade receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

Allowance of inventories

The management of the Group reviews ageing analysis at each balance sheet date and makes allowance for obsolete and slow-moving inventory items identified. The management also estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions which involve judgement in respect of the expectation about the market condition and the future demand for such items in inventory.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment of assets

At each balance sheet date, the Group reviews internal and external sources of information to identify indications that the following assets may be impaired:

– plant and equipment;
– intangible assets;
– available-for-sale investments;

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amounts.

The sources utilised to identify indications of impairment are often subjective in nature and the Group is required to use judgment in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment is performed as at any given balance sheet date.

If an indication of impairment is identified, such information is further subject to an exercise that requires the Group to estimate the recoverable value, representing the greater of the asset's fair value less cost to sell or its value in use. Depending on the Group's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable value, the Group may perform such assessment utilising internal resources or the Group may engage external advisors to counsel the Group in making this assessment. Regardless of the resources utilitised, the Group is required to make many assumptions to make this assessment, including the utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable value of any asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

5. TURNOVER

Turnover comprises:

	2008 **RMB'000**	2007 RMB'000
Development and provision of:		
– Business solutions development	**21,865**	9,042
– Application software	**3,545**	6,150
– Network and data security products	**2,036**	1,544
Sales and distribution of computer and electrical products and accessories	**60,196**	83,950
	87,642	100,686

Turnover as disclosed above is net of applicable PRC business tax.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. SEGMENT INFORMATION

Business segments

For management reporting purpose, the Group is currently organised into two operating divisions – business application solutions and sales of goods. These divisions are the basis on which the Group reports its primary segment.

Business application solutions: Develop and provide business application solutions services which include business solutions development, application software and network and data security products.

Sales of goods: Sales and distribution of computer and electrical products and accessories.

Segment information about these businesses is presented below.

For the year ended 31 December

	Business application solutions		Sales of goods		Consolidated	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
SEGMENT REVENUE						
External sales	**27,446**	16,736	**60,196**	83,950	**87,642**	100,686
Interest income					**1,592**	566
Unallocated other revenue					**960**	922
					90,194	102,174
RESULTS						
Segment results	**6,382**	6,979	**6,284**	3,537	**12,666**	10,516
Unallocated operating expenses					**(12,926)**	(11,854)
Share of results of associates	**594**	537	**–**	–	**594**	537
Profit (loss) before tax					**334**	(801)
Income tax expense					**–**	–
Profit (loss) for the year					**334**	(801)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Balance sheets as at 31 December

	Business application solutions		Sales of goods		Consolidated	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
ASSETS						
Segment assets	**14,703**	14,672	**14,355**	14,425	**29,058**	29,097
Interests in associates	**26,912**	26,318	**–**	–	**26,912**	26,318
Unallocated corporate assets					**63,137**	72,159
Total assets					**119,107**	127,574
LIABILITIES						
Segment liabilities	**13,402**	10,522	**6,691**	6,765	**20,093**	17,287
Unallocated corporate liabilities					**4,003**	15,871
Total liabilities					**24,096**	33,158
For the year ended 31 December						
OTHER INFORMATION						
Capital expenditure	**56**	32	**–**	–	**56**	32
Depreciation of plant and equipment	**504**	694	**1**	10	**505**	704
Amortisation of intangible asset	**300**	300	**–**	–	**300**	300
Impairment loss (reversed) recognised in respect of trade receivables	**(75)**	352	**–**	57	**(75)**	409
Bad debts recovered	**(464)**	(248)	**–**	–	**(464)**	(248)
Loss on disposal of plant and equipment	**–**	55	**–**	–	**–**	55

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. SEGMENT INFORMATION (Continued)

Geographical segment

Over 95% of the Group's revenue were generated from customers in the PRC during the two years ended 31 December 2008 and 31 December 2007 and all of the Group's assets were located in the PRC. Therefore, no geographical segment information is presented.

7. OTHER REVENUE

	2008 RMB'000	2007 RMB'000
Interest income	**1,592**	566
Dividends from available-for-sale investments	**180**	45
Government grants (note)	**–**	40
Bad debts recovered	**464**	248
Impairment loss reversed in respect of trade receivables	**75**	–
Others	**241**	589
	2,552	1,488

Note: The Group's government grants are subsidies received for the development of the Group's products.

8. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of 14 (2007: 11) directors were as follows:

	2008 RMB'000	2007 RMB'000
Fees	**–**	–
Other emoluments		
– Salaries and other benefits	**507**	390
– Contributions to retirement benefits scheme	**–**	–
	507	390

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. DIRECTORS', SUPERVISORS AND EMPLOYEES' EMOLUMENTS

(Continued)

(a) Directors' emoluments (Continued)

Details of emoluments paid to individual independent non-executive directors during the two years ended 31 December 2008 and 31 December 2007 are as follows:

	2008 RMB'000	2007 RMB'000
Independent non-executive directors		
Mr. Hu Shao-Ming, Herman (retired on 2 July 2008)		
Fees	–	–
Other emoluments		
– Salaries and other benefits	–	–
– Contributions to retirement benefits scheme	–	–
	–	–
Professor Shao Shihuang		
Fees	–	–
Other emoluments		
– Salaries and other benefits	–	–
– Contributions to retirement benefits scheme	–	–
	–	–
Professor Gu Junzhong		
Fees	–	–
Other emoluments		
– Salaries and other benefits	–	–
– Contributions to retirement benefits scheme	–	–
	–	–
Mr. Yuan Shumin		
Fees	–	–
Other emoluments		
– Salaries and other benefits	–	–
– Contributions to retirement benefits scheme	–	–
	–	–
Mr. Liu Fei (appointed on 2 July 2008)		
Fees	–	–
Other emoluments		
– Salaries and other benefits	–	–
– Contributions to retirement benefits scheme	–	–
	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. DIRECTORS', SUPERVISORS AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Details of emoluments paid to individual executive directors during the two years ended 31 December 2008 and 31 December 2007 are as follows:

	2008 RMB'000	2007 RMB'000
Executive directors		
Mr. Cheng Min		
Fees	–	–
Other emoluments		
– Salaries and other benefits	–	–
– Contributions to retirement benefits scheme	–	–
	–	–
Mr. Mo Zhenxi		
Fees	–	–
Other emoluments		
– Salaries and other benefits	–	–
– Contributions to retirement benefits scheme	–	–
	–	–
Mr Lu Yaohui (retired on 2 July 2008)		
Fees	–	–
Other emoluments		
– Salaries and other benefits	–	–
– Contributions to retirement benefits scheme	–	–
	–	–
Mr. Qian Zhenying (retired on 2 July 2008)		
Fees	–	–
Other emoluments		
– Salaries and other benefits	–	–
– Contributions to retirement benefits scheme	–	–
	–	–
Mr. Li Wei		
Fees	–	–
Other emoluments		
– Salaries and other benefits	–	–
– Contributions to retirement benefits scheme	–	–
	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. DIRECTORS', SUPERVISORS AND EMPLOYEES' EMOLUMENTS

(Continued)

(a) Directors' emoluments (Continued)

Details of emoluments paid to individual executive directors during the two years ended 31 December 2008 and 31 December 2007 are as follows:

	2008 RMB'000	2007 RMB'000
Mr. Wang Yiming		
Fees	–	–
Other emoluments		
– Salaries and other benefits	267	240
– Contributions to retirement benefits scheme	–	–
	267	240
Mr. Yuan Tingliang		
Fees	–	–
Other emoluments		
– Salaries and other benefits	240	150
– Contributions to retirement benefits scheme	–	–
	240	150
Mr. Shang Ling (appointed on 2 July 2008)		
Fees	–	–
Other emoluments		
– Salaries and other benefits	–	–
– Contributions to retirement benefits scheme	–	–
	–	–
Mr. Li Zhan (appointed on 2 July 2008)		
Fees	–	–
Other emoluments		
– Salaries and other benefits	–	–
– Contributions to retirement benefits scheme	–	–
	–	–
Total	507	390

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. DIRECTORS', SUPERVISORS AND EMPLOYEES' EMOLUMENTS

(Continued)

(a) Directors' emoluments (Continued)

No directors waived or agreed to waive their emolument for the two years ended 31 December 2008 and 31 December 2007. No emoluments have been paid by the Group to any directors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office for the two years ended 31 December 2008 and 31 December 2007.

(b) Supervisors' emoluments

	2008	2007
	RMB'000	RMB'000
Details of supervisors' emoluments are as follows:		
As supervisors	**–**	–
As employees		
– Salaries and other benefits	**96**	72
– Contributions to retirement benefits scheme	**22**	20
	118	92

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. DIRECTORS', SUPERVISORS AND EMPLOYEES' EMOLUMENTS

(Continued)

(b) Supervisors' emoluments (Continued)

Details of emoluments paid to individual supervisors during the two years ended 31 December 2008 and 31 December 2007 are as follows:

	2008 RMB'000	2007 RMB'000
Mr. Qin Yan		
As supervisors	**–**	–
As employees		
– Salaries and other benefits	**96**	72
– Contributions to retirement benefit scheme	**22**	20
	118	92
Mr. Zhang Gongda		
As supervisors	**–**	–
As employees	**–**	–
	–	–
Mr. Yao Benqiang		
As supervisors	**–**	–
As employees	**–**	–
	–	–
Mr. Yu Jiming		
As supervisors	**–**	–
As employees	**–**	–
	–	–
Mr. Wang Yonghua (resigned on 2 July 2008)		
As supervisors	**–**	–
As employees	**–**	–
	–	–
Ms. Zhang Yan (appointed on 2 July 2008)		
As supervisors	**–**	–
As employees	**–**	–
	–	–
	118	92

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. DIRECTORS', SUPERVISORS AND EMPLOYEES' EMOLUMENTS

(Continued)

(b) Supervisors' emoluments (Continued)

No emoluments have been paid by the Group to any supervisors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office for the two years ended 31 December 2008 and 31 December 2007.

(c) The highest paid individuals

During the year, the five highest paid individuals included two directors (2007: one) of the Company, whose emoluments have been set out in the directors' emoluments above. The emoluments of the remaining three (2007: four) individuals are as follows:

	2008 **RMB'000**	2007 RMB'000
Salaries and other benefits	**588**	747
Contributions to retirement benefits scheme	**83**	59
	671	806

The emoluments of each of the highest paid individuals for the two years ended 31 December 2008 and 31 December 2007 were within the band of nil to HKD1,000,000 (2008: equivalent to RMB881,890 and 2007: equivalent to RMB1,083,500). No emoluments have been paid by the Group to any five highest paid individuals of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office for the two years ended 31 December 2008 and 31 December 2007.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

9. INCOME TAX EXPENSE

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

	2008 **RMB'000**	2007 RMB'000
Current tax – PRC	**–**	–
Deferred tax	**–**	–
	–	–

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% progressively from 1st January 2008 onwards. There had been no change in the tax rate for High and New Technology Enterprises ("HNTE").

According to the relevant PRC tax regulations, HNTE operating within a High and New Technology Development Zone are entitled to a reduced Enterprise Income Tax ("EIT") rate of 15%. For the year ended 31 December 2007, the Company had been recognised as a HNTE and accordingly was 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%.

For the year ended 31 December 2008, as the Company could not obtain the recognition of HNTE, therefore the Company and its subsidiaries are subject to applicable EIT rate at 25%.

No provision for Hong Kong Profits Tax has been made as companies within the Group did not generate any assessable profits in Hong Kong for both years.

No provision for EIT has been made for both years ended 31 December 2008 and 31 December 2007 since the assessable profit of the companies within the Group is wholly absorbed by tax losses brought forward and certain companies of the Group did not generate any assessable profit in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

9. INCOME TAX EXPENSE (Continued)

(b) The tax charge for the year can be reconciled to the profit (loss) per the consolidated income statement as follows:

	2008 **RMB'000**	2007 RMB'000
Profit (loss) before tax	**334**	(801)
Tax at the PRC domestic income tax rate of 25% (2007: 33%)	**84**	(265)
Tax effect of difference tax rate of a subsidiary	**94**	–
Tax effect of tax benefits of being a HNTE	**–**	(774)
Tax effect of expenses not deductible for tax purpose	**73**	578
Tax effect of income not taxable for tax purpose	**(150)**	(91)
Utilisation of tax losses previously not recognised	**(237)**	(74)
Tax effect on tax losses not recognised	**319**	–
Tax effect of share of results of associates	**(149)**	(177)
Others	**(34)**	803
Income tax expense for the year	**–**	–

At 31 December 2008, the Group has unused tax losses of approximately RMB14,222,000 (2007: RMB13,894,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profits streams. Pursuant to the relevant laws and regulations in the PRC, the unused tax losses of RMB12,899,000 (2007: RMB13,747,000) will be expired in 2011. Other tax losses may be carried forward indefinitely.

At 31 December 2007, the Group has deductible temporary differences of RMB137,000. Deferred tax asset has not been recognised in relation to the deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

10. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging:

	2008 **RMB'000**	2007 RMB'000
Staff costs (including directors' emoluments) (Note 8(a)) comprises:		
Salaries and other benefits	**5,179**	5,721
Contributions to retirement benefits scheme	**453**	557
Total staff costs	**5,632**	6,278
Auditors' remuneration	**328**	330
Amortisation of intangible asset	**300**	300
Depreciation of plant and equipment	**505**	704
Cost of inventories recognised as an expense – included in cost of sales	**67,206**	87,852
Share of income tax expense of associates	**111**	234
Research and development expenses	**4,516**	4,062
Impairment loss recognised in respect of trade receivables	**–**	409
Loss on disposal of plant and equipment	**–**	55

11. DIVIDENDS

No dividend was paid or proposed during the two years ended 31 December 2008 and 31 December 2007, nor has any dividend been proposed since the balance sheet date.

12. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share for the year is based on the profit (loss) for the year attributable to equity holders of the Company of approximately RMB334,000 (2007: loss of approximately RMB801,000) and the weighted average number of 480,000,000 (2007: 480,000,000) ordinary shares in issue during the year.

No diluted earnings (loss) per share has been presented for the two years ended 31 December 2008 and 31 December 2007 as there were no diluting events existed during both years.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2008

13. PLANT AND EQUIPMENT

	Leasehold improvement RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST				
At 1 January 2007	716	5,226	1,143	7,085
Additions	–	32	–	32
Disposals	–	(1,809)	–	(1,809)
At 31 December 2007 and 1 January 2008	716	3,449	1,143	5,308
Additions	–	56	–	56
Disposals	(716)	–	–	(716)
At 31 December 2008	–	3,505	1,143	4,648
ACCUMULATED DEPRECIATION				
At 1 January 2007	681	3,937	715	5,333
Provided for the year	20	462	222	704
Eliminated on disposals	–	(1,754)	–	(1,754)
At 31 December 2007 and 1 January 2008	701	2,645	937	4,283
Provided for the year	15	284	206	505
Eliminated on disposals	(716)	–	–	(716)
At 31 December 2008	–	2,929	1,143	4,072
CARRYING VALUES				
At 31 December 2008	–	576	–	576
At 31 December 2007	15	804	206	1,025

The above plant and equipment are depreciated at annual rates, on a straight-line basis, as follows:

Leasehold improvement	The shorter of the lease terms or $33\frac{1}{3}$%
Furniture and office equipment	20% to $33\frac{1}{3}$%
Motor vehicles	20%

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For the Year ended 31 December 2008

14. INTERESTS IN ASSOCIATES

	2008	2007
	RMB'000	RMB'000
Unlisted investments, at cost	**52,317**	52,317
Impairment loss recognised	**(2,624)**	(2,624)
Share of post-acquisition losses, net of dividends received	**(22,781)**	(23,375)
	26,912	26,318

Included in the cost of investments in associates is goodwill of approximate RMB2,699,000 (2007: RMB2,699,000) arising on acquisitions of associates in prior years.

The movement of goodwill is set out below:

	RMB'000
COST	
At 1 January 2007, 31 December 2007 and 31 December 2008	2,699
ACCUMULATED IMPAIRMENT	
At 1 January 2007, 31 December 2007 and 31 December 2008	2,624
CARRYING VALUE	
At 31 December 2008 and 31 December 2007	75

During the year ended 31 December 2006, the Group recognised an impairment loss of RMB2,624,000 in relation to goodwill arising on acquisition of a 45% interest in the issued ordinary shares of Union Genesis Limited ("UGL") as UGL and its subsidiaries (collectively referred to as the "UGL Group") had continuously incurred substantial losses which significantly impaired the net assets value of the UGL Group. The directors of the Group had significant doubt about the going concern of the UGL Group and were not certain about the probability of improvement in the profitability and solvency of the UGL Group in the foreseeable future and therefore considered that the goodwill in respect of UGL was fully impaired.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2008

14. INTERESTS IN ASSOCIATES (Continued)

The unaudited summarised financial information in respect of the Group's associates is set out below:

	2008 RMB'000	2007 RMB'000
Total assets	109,086	117,440
Total liabilities	(92,280)	(104,027)
Minority interests	(97)	–
Net assets	16,709	13,413
Group's share of net assets of associates	26,837	26,243
Revenue	75,116	112,345
Profit (loss) for the year	836	(6,738)
Group's shares of result of associates for the year	594	537

The Group has discontinued recognition of its share of losses of certain associates since the Group's share of losses in those associates have exceeded its interest in those associates. The amounts of unrecognised share of those associates, extracted from the relevant unaudited management accounts of the Group's associate, both for the year and cumulatively, are as follows:

	2008 RMB'000	2007 RMB'000
Unrecognised share of losses of associates for the year	539	3,614
Accumulated unrecognised share of losses of associates	23,692	23,153

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2008

14. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2008, the Group had interests in the followings associates:

Name of the entity	Form of business structure	Place of incorporation and operation	Class of shares held	Proportion of nominal value of issued share capital/ registered capital held by the Group 2008 & 2007	Proportion of voting power held by the Group 2008 & 2007	Principal activities
Shanghai Withub Duogao Information Construction Company Limited	Private limited liability company (joint equity)	The PRC	Contributed capital	34.61%	34.61%	Design and installation of intelligent household systems
Shanghai Jiaoda Withub Technology Company Limited ("Withub Technology")	Private limited liability company (joint equity)	The PRC	Contributed capital	44.44%	44.44%	Development and sales of business solutions
Shanghai Ton Tron Information Technology Company Limited ("Shanghai Ton Tron")	Private limited liability company (joint equity)	The PRC	Contributed capital	43.24%	43.24%	Development and sales of business solutions and computer accessories
Shanghai Jiaoda Science & Technology Park Information Technology (Shangrao) Company Limited	Private limited liability company (joint equity)	The PRC	Contributed capital	40%	40%	Research and development of high technology products and real estate management
Shanghai Jiaoda Withub Tong Yong Technology Company Limited	Private limited liability company (joint equity)	The PRC	Contributed capital	31.11%	31.11%	Development and sales of business solutions
Union Genesis Limited	Private limited liability company (joint equity)	British Virgin Islands	Ordinary	45%	45%	Design, produce and sales of consumer electronics hardware and software
C-NOVA Microsystems Limited	Private limited liability company (joint equity)	Hong Kong	Ordinary	45%	45%	Design, produce and sales of consumer electronics hardware and software
C-NOVA Microsystems (Shanghai) Limited	Private limited liability company (joint equity)	The PRC	Contributed capital	45%	45%	Design, produce and sales of consumer electronics hardware and software

Note: During the year ended 31 December 2007, one of the shareholders of Shanghai Ton Tron which contribute 26% of the issued share capital, de-invested from Shanghai Ton Tron ("Shareholder"). As a result, the issued share capital of Shanghai Ton Tron decreased from RMB10,000,000 to RMB7,400,000 and the remaining shareholders shared the equity interest in Shanghai Ton Tron according to the reduced issued share capital. Therefore, the Group's share of the equity interest in Shanghai Ton Tron was increased from 32% to 43.24%.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2008

15. INTANGIBLE ASSET

	RMB'000
COST	
At 1 January 2007, 31 December 2007 and 31 December 2008	6,000
ACCUMULATED AMORTISATION	
At 1 January 2007	2,550
Amortisation for the year	300
At 31 December 2007 and 1 January 2008	2,850
Amortisation for the year	300
At 31 December 2008	3,150
CARRYING VALUE	
At 31 December 2008	2,850
At 31 December 2007	3,150

Intangible asset represents an one-off fee paid to Shanghai Jiao Tong University (上海交通大學) in exchange for the use of the name "交大慧谷" and the right to engage the Electronic Information Institute of Shanghai Jiao Tong University to provide research and development support on a cost reimbursement basis.

The total consideration paid for the above contractual rights is RMB6,000,000. The contract term is 10 years and is renewable for a further term of 10 years at the discretion of the Company.

Amortisation is charged to the consolidated income statement and grouped under administration expenses on a straight-line basis over 20 years.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2008

16. AVAILABLE-FOR-SALE INVESTMENTS

	2008 RMB'000	2007 RMB'000
Unlisted investments:		
– Equity interests in PRC private limited liability companies	**2,266**	2,266
– Other investments	**150**	150
	2,416	2,416

The equity interests in PRC private limited liability companies are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair values cannot be measured reliably.

17. INVENTORIES

	2008 RMB'000	2007 RMB'000
Raw materials	**231**	231
Merchandise for resale	**4,319**	6,586
	4,550	6,817

18. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	2008 RMB'000	2007 RMB'000
Contracts in progress at the balance sheet date		
Contract costs incurred plus recognised profit less recognised loss	**34,930**	20,017
Less: Progress billings	**(27,446)**	(16,736)
Amounts due from contract customers	**7,484**	3,281

At 31 December 2008, retentions held by customers for contract works amounted to RMB181,000 (2007: RMB224,000).

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2008

19. TRADE RECEIVABLES

	2008 RMB'000	2007 RMB'000
Trade receivables	**15,854**	15,512
Less: Allowance for doubt debts	**(1,323)**	(1,398)
	14,531	14,114

The Group allows an average credit period from 90 to 180 days to its trade customers. The followings are an aged analysis of trade receivables net of impairment loss recognised at the balance sheet date:

	2008 RMB'000	2007 RMB'000
0 to 90 days	**9,143**	9,324
91 to 180 days	**1,848**	869
181 to 365 days	**1,044**	1,134
Exceeding 365 days	**2,496**	2,787
	14,531	14,114

The movements of the allowance for doubt debts are stated as below:

	2008 RMB'000	2007 RMB'000
At 1 January	**1,398**	989
Impairment loss reversed	**(75)**	(248)
Impairment loss recognised on receivables	**–**	657
At 31 December	**1,323**	1,398

Included in the allowance for doubt debts are individually impaired trade receivables with an aggregate balance of approximately RMB1,001,000 (2007: RMB1,001,000) which has been long outstanding for more than 5 years. The Group does not hold any collateral over these balances.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of approximately RMB5,694,000 (2007: RMB6,499,000) which are past due as at the balance sheet date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 297 days (2007: 340 days).

19. TRADE RECEIVABLES (Continued)

Ageing of trade receivables which are past due but not impaired.

	Total	Neither past due nor impaired	Past due but not impaired 91 to 180 days	181 to 365 days	>365 days
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2008	**14,531**	**9,598**	**1,393**	**1,044**	**2,496**
31 December 2007	14,114	10,141	52	1,134	2,787

Receivables that were past due but not impaired related to a number of customers which have a good track record with the Group. Based on past experiences, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Included in deposits, prepayments and other receivables as at 31 December 2007 were advance of RMB13,150,000 to two independent third parties which were unsecured, interests-free and repayable on demand. The balances had been fully settled during the year ended 31 December 2008.

21. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.01% to 2.375% (2007: 0.72% to 2.375%).

The Group's bank balances that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	2008 RMB'000	2007 RMB'000
United Stated Dollar	**5,076**	579
Japanese Yen	**33**	545
Hong Kong Dollar	**1,621**	4,146

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2008

22. TRADE PAYABLES

The average credit period on purchases of goods is 180 days. The following is an aged analysis of trade payable at the balance sheet date:

	2008 RMB'000	2007 RMB'000
0 to 90 days	**4,888**	3,917
91 to 180 days	**962**	312
181 to 365 days	**626**	87
Exceeding 365 days	**2,479**	2,212
	8,955	6,528

23. OTHER PAYABLES AND ACCRUED EXPENSES

Included in other payables and accrued expenses as at 31 December 2007 was advance of RMB12,000,000 from an independent third party (the "Creditor") which was unsecured, interests-free and repayable on demand. The balance had been fully settled during the year ended 31 December 2008.

24. SHARE CAPITAL

	2008 RMB'000	2007 RMB'000
Registered, issued and fully paid:		
132,000,000 H shares of RMB0.1 each	**13,200**	13,200
348,000,000 domestic shares of RMB0.1 each	**34,800**	34,800
	48,000	48,000

25. RETIREMENT BENEFITS SCHEME

As stipulated by the PRC regulations, the Group maintains defined contribution retirement plans for all of its employees. The Group contributes to a state-managed retirement plan at 22.5% (2007: 10%) of the basic salary of its employees, and has no further obligation for actual pension payments or post-retirement benefits beyond the annual contributions. The state-managed retirement plan is responsible for the entire pension obligations payable to retired employees. The Group's contributions for the year amounted to approximately RMB453,000 (2007: RMB557,000).

26. SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme in July 2002 (the "Share Option Scheme").

The maximum number of H shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30 per cent. of the H shares in issue from time to time. The total number of H shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 13,200,000 H shares, being 10 per cent. of issued H shares. The total number of H shares issued and which may fall to be issued upon exercise of the options granted or to be granted under the Share Option Scheme and any other share option scheme of the Group to each grantee in any 12-month period up to the date of grant shall not exceed one per cent. of the H shares in issue for the time being ("Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the shareholders and the shareholders' approval in general meeting of the Company with such grantee and his associates abstaining from voting.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. No eligible participants who are PRC nationals and have taken up any options to subscribe for H shares shall be entitled to exercise any such options until the current restrictions imposed by the relevant PRC laws and regulations restricting PRC nationals from subscribing for and dealing in H shares or any laws or regulations with similar effects (the "H Shares Restrictions") have been abolished or removed. Options may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of option is made but shall end in any event not later than 10 years from the date of offer for the grant of the option subject to the provisions for early termination thereof. The subscription price for H shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (a) the closing price of the H shares on GEM as stated in the Stock Exchange's daily quotations on the date of the offer of grant, which must be a business day; (b) the average closing price of the H shares on GEM as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (c) the nominal value of the H shares.

As at 31 December 2008, there were no share options granted under the Share Option Scheme since its adoption.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2008

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008 RMB'000	2007 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**72,482**	81,728
Available-for-sale investments	**2,416**	2,416
	74,898	84,144
Financial liabilities		
Other financial liabilities measured at amortised cost	**14,421**	24,183

(b) Financial risk management objections and policies

The Group's major financial instruments include trade receivables, trade payables, other payables, other receivables and amounts due from (to) related parties/associates. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Currency risk is the risk of loss due to adverse movement in exchange rate relating to investment and transaction denominated in foreign currencies. The Group's monetary assets and transactions are mainly denominated in RMB, HKD and USD. The exposure in exchange rate risks mainly arises from fluctuations in foreign currencies against the functional currency of the relevant Group entities. The Group currently does not have hedging policy in respect of the foreign currency risk. However, management monitors the related foreign currency risk exposure closely and will consider hedging significant foreign currency risk exposure should the need arise.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2008

27. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objections and policies (Continued)

Credit risk

Credit risk is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables. Impairment losses are made when losses are incurred on balance sheet date. The Group limits its exposure to credit risk by vigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with selected government agencies with sound financial standing. Also, certain new customers were required to place cash deposits with the Group to mitigate the maximum exposure to credit risk.

The Group has no significant concentration of credit risk, with exposure spreading over a number of counterparties and customers.

Liquidity risk

The purpose of liquidity management is to ensure sufficient cash flow to meet all financial commitment and to capitalise on opportunities of business expansion. Liquidity is managed on a daily basis by the management which ensures the Group has adequate liquidity for all operations and monitor local and international market for the adequacy of funding and liquidity. The Group manage liquidity risk by holding sufficient liquid assets such as cash to ensure short-term funding requirement are covered with prudent limit.

Maturity analysis

As at 31 December 2008 and 31 December 2007, the Group's financial liabilities have contractual maturities which are summarised below. The amounts disclosed in the table below are the contractual undiscounted cash flows.

As at 31 December 2008

	On demand/ within one year RMB'000	Total contractual undiscounted cash flow and carrying amount RMB'000
Trade payables	8,955	8,955
Other payables	5,345	5,345
Amount due to a related party	121	121
	14,421	14,421

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2008

27. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objections and policies (Continued)

As at 31 December 2007

	On demand/ within one year RMB'000	Total contractual undiscounted cash flow and carrying amount RMB'000
Trade payables	6,528	6,528
Other payables	17,655	17,655
	24,183	24,183

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The carrying amounts of financial assets and financial liabilities reported in the consolidated balance sheet of the Group approximate their fair values due to their immediate or short-term maturities.

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2008

29. OPERATING LEASE COMMITMENTS

	2008 RMB'000	2007 RMB'000
Lease payments paid under operating leases in respect of land and buildings	**1,363**	344

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008 RMB'000	2007 RMB'000
Within one year	**2,167**	344
In the second to fifth year inclusive	**3,800**	–
	5,967	344

Operating lease payments represented rentals payable by the Group for certain of its office premises. Leases are negotiated for an average of 3 years and rentals are fixed for an average of 3 years.

30. RELATED PARTY TRANSACTIONS

(i) Name and relationship of related parties

Name of related parties	Relationship	Amount due from (to) related parties		Maximum outstanding balances during the year	
		2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Shanghai Jiao Tong University Education (Group) Company Limited	Subsidiary of Shanghai Jiao Tong University	**1,000**	1,000	**1,000**	1,000
Shanghai Huikang Information Technology Company Limited	Company controlled by a director of the Company	**(121)**	1,349	**1,349**	1,349
		879	2,349	**2,349**	2,349

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2008

30. RELATED PARTY TRANSACTIONS (Continued)

(ii) Significant related party transactions during the year are:

		Relationship	2008 RMB'000	2007 RMB'000
(a)	Project income generated from – Shanghai Huikang Information Technology Company Limited	Controlled by a director of the Company	–	2,145
(b)	Project income from – Shanghai Jiao Tong University	A shareholder	822	–
(c)	Sales of goods to – Shanghai Jiao Tong University	A shareholder	86	–
(d)	Purchase from – Shanghai Hui Ming Automation Information Technology Company Limited*	Associate of Withub Technology	–	309
(e)	Operating lease payments paid – Shanghai Jiao Tong University	A shareholder	941	–
(f)	Interest income from – Shanghai Jiaoda Nanyang Properties (Group) Limited)	Controlled by a shareholder of the Company	486	–

* For identification purpose only

The directors are of the opinion that the above transactions were entered into on normal commercial terms and in the ordinary course of the Group's business.

(iii) The amounts due from (to) related parties and associates are unsecured, interest-free and repayable on demand.

(iv) The remuneration of directors and other members of key management during the year are set out in Note 8 to the consolidated financial statements. The remuneration of directors and key executive is determined by the remuneration committee having regard to the performance of individuals and market trend.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2008

31. SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

Name of company	Place of incorporation and operation	Class of shares held	Registered/ issued capital	Percentage of equity interest directly attributable to the Company		Principal activities
				2008	2007	
Shanghai Jiaoda Withub Software Company Limited*	The PRC	Contributed capital	RMB5,000,000	**82**	82	Development and sales of business solutions and software (note (i))
Shanghai Withub Information and Professional Training School (the "School")**	The PRC	Contributed capital	RMB1,000,000	**100 (note (ii))**	100 (note (ii))	Inactive
Jiaoda Withub (Hong Kong) Limited***	Hong Kong	Ordinary	HKD12,000,000	**100**	100	Development and sales of business solutions and software

* private limited liability company (domestic joint equity)
** private unincorporated entity
*** private limited liability company

Notes:

(i) Shanghai Jiaoda Withub Software Company Limited has ceased business and became inactive since the year ended 31 December 2007.

(ii) The School is a non-profit making entity with a paid-up capital of RMB1,000,000. According to the articles of association of the School and the relevant regulations in the PRC governing educational institutions, all earnings and receipts from the School can only be used to improve its internal facilities and training standard and cannot be used for any other purposes or be distributed to its organiser.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2008

32. RESERVES

(a) Capital reserve

The Company, in the early stage of its incorporation, obtained technology know-how from a promoter of the Company, Shanghai Jiao Tong University, at nil consideration. In February 2000, the Company injected this technology know-how, being the Courts Management Information System into Withub Technology, at a value of RMB16,000,000 in exchange for 44.44% equity interest in Withub Technology. The value of the contributed technology know-how by Shanghai Jiao Tong University was booked in the capital reserve of the Company.

The capital reserve is non-distributable.

(b) Basis of appropriations to statutory reserves

Statutory reserves comprise statutory surplus reserve and statutory public welfare reserve.

The transfers to statutory surplus reserve and statutory public welfare reserve are based on the net profit under the financial statements prepared using PRC accounting standards.

(i) Statutory surplus reserve

The PRC Company Law requires the appropriation of 10% of the Group's profit after taxation each year to the statutory surplus reserve until the balance reaches 50% of the registered share capital. In normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the Company's production and operation. For the capitalisation of the statutory surplus reserve into share capital, the remaining amount of such reserve after capitalisation shall not be less than 25% of the registered share capital.

(ii) Statutory public welfare reserve

Prior to 1 January 2006, the Group is required in each year to transfer 5% to 10% of the profit after taxation as reported in the statutory accounts prepared in accordance with the PRC accounting standards to the statutory public welfare reserve. Starting from 1 January 2006 the Group is not required to transfer any profit after taxation to statutory public welfare reserve in accordance with the amendment in the PRC Companies Ordinance. Therefore, the Group transferred all the balances of the statutory public welfare reserve as at 31st December 2005 to the statutory surplus reserve during the year ended 31 December 2006.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2008

32. RESERVES (Continued)

(b) Basis of appropriations to statutory reserves (Continued)

(iii) Distributable reserves

In accordance with the Articles of Association of the Company, the reserve available for distributable is the lower of amount determined under accounting principles generally accepted in the PRC and the amount determined under the HKFRSs. Based on the financial statements of the Company prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC, the Company do not have any reserves available for distribution to its equity holders as at 31 December 2008 and 31 December 2007.

33. COMPARATIVE FIGURES

Certain comparative amounts for the year ended 31 December 2007 have been reclassified to conform with the current year's presentation.

Five-Year Financial Summary

RESULTS

	Year ended 31 December				
	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000	2004 (restated) RMB'000
Turnover	**87,642**	100,686	122,450	139,496	132,269
(Loss) profit before tax	**334**	(801)	(16,578)	(10,406)	(868)
Income tax expense (credit)	**–**	–	290	–	(319)
(Loss) profit for the year	**334**	(801)	(16,288)	(10,406)	(1,187)
Attributable to:					
– Equity holders of the Company	**334**	(801)	(16,288)	(9,691)	(1,068)
– Minority interests	**–**	–	–	(715)	(119)
Dividends	**–**	–	–	–	–
(Loss) earnings per share (in RMB)					
– Basic	**0.0007**	(0.0017)	(0.0339)	(0.0202)	(0.0022)
– Diluted	**N/A**	N/A	N/A	N/A	N/A

ASSETS AND LIABILITIES

	Year ended 31 December				
	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000	2004 (restated) RMB'000
Non-current assets	**32,754**	32,909	33,399	49,433	35,445
Current assets	**86,353**	94,665	102,299	110,648	118,607
Total assets	**119,107**	127,574	135,698	160,081	154,052
Current liabilities	**24,096**	33,158	40,922	48,712	32,636
Total net assets	**95,011**	94,416	94,776	111,369	121,416
Share capital	**48,000**	48,000	48,000	48,000	48,000
Reserves	**47,011**	46,416	46,776	63,369	73,306
	95,011	94,416	94,776	111,369	121,306
Minority interest	**–**	–	–	–	110
	95,011	94,416	94,776	111,369	121,416