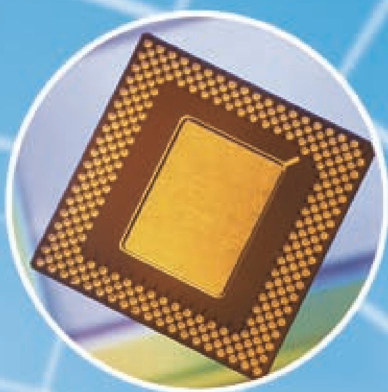
Withub

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 2009

*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 2009,

– turnover of the Group amounted to approximately RMB84,608,000 (2008: approximately RMB87,642,000) which represented a slight decrease of approximately 3%;

– Profit attributable to equity holders of the Company was approximately RMB2,707,000 (2008: profit of approximately RMB334,000); and

– the Directors do not recommend the payment of a final dividend (2008: 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 (retired on 7 July 2009)

Independent Non-executive Directors

Mr. Yuan Shumin
Dr. Cao Guo Qi (appointed on 7 July 2009)
Dr. Chan Yan Chong (appointed on 7 July 2009)
Mr. Liu Fei (retired on 7 July 2009)
Prof. Gu Junzhong (retired on 7 July 2009)
Prof. Shao Shihuang (retired on 7 July 2009)

Supervisors

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

Company Secretary and Qualified Accountant

Ms. Ho Wing Yan *ACIS ACS*

Audit Committee and Remuneration Committee

Mr. Yuan Shumin *(Chairman)*
Dr. Cao Guo Qi (appointed on 7 July 2009)
Dr. Chan Yan Chong (appointed on 7 July 2009)
Prof. Gu Junzhong (retired on 7 July 2009)
Prof. Shao Shihuang (retired on 7 July 2009)

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

Auditor

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

Legal Advisers

As to Hong Kong law
Jun He Law Offices
Suite 2208
22nd Floor, Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law
AllBright Law Offices
Hong Kong Plaza 28th Floor
No. 283 Huaihai Middle Road
Shanghai
The PRC

Hong Kong Share Registrar and Transfer Office

Union Registrar Limited
18th Floor, 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 announce the results review on Shanghai Jiaoda Withub Information Industrial Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for prior year, and also would like to take this opportunity to introduce the future business planning of the Company and core products which the Company will focus on during financial year.

The overall operating environment remained challenging during the first six months this year although the impact of global financial crisis appeared to be subsiding since the second quarter of 2009. When facing the unprecedented fluctuation in the market during the second half of 2008, we adopted a series of measures to guarantee financial strength of the Group. Business base remains solid and enable us to capture business opportunities in adverse circumstances and continue enhancing our business advantages.

As global economy slows down, market demand is weak and risks remain high. We focus on balancing relevant risks while endeavoring to realize business growth. Risk management remains the primary task of the Group. We adopted a practical manner and took advantage of core strengths of the Group when developing new businesses. The Company's main products and services still belong to a traditional business, including sales and distribution of computer and electrical products and accessories, which accounts for 47% of total sales. Secondly, commercial solutions development business has experienced tremendous progress during this year, and accounts for 46% of total sales. Application software business and network and data security products business were approximate to such businesses for last year, accounting for 4% and 3% of total sales respectively.

Despite the slowdown in overall economic activities, we focused on enhancing relevant business strengths and foundation in respect of significant business opportunities and committed to provide long-term sustainable growth motivation for the Group. In order to respond to changes in the market, we enriched the product portfolio to meet clients' demands and enhanced our multi-channel sales strategy and sales efficiency.

Our management commits to retaining the existing clients from government authorities and private enterprises by providing excellent service and quality products. Our marketing efforts are also focusing on the region including Shanghai and Jiangsu where our principal businesses are based.

During the year, the Company further enhanced and strengthened management quality in certain key fields including cost management, research and development management, production capacity management and marketing management.

Chairman's Statement

Looking forward, despite the improved market sentiment, we expect that the operating environment will remain challenging as global economy remains fragile. We, therefore, shall stay alert and flexibly adjust our strategies in response to changes in the market. Our solid financial strength provides us flexibility in grasping business opportunities in uncertain market.

While continuing to enhance our business capabilities, we are equally focusing on facilitating corporate culture of the Group to enhance the Group's cohesiveness, which is particularly important in current market environment as well as for long-term success of the Group. I would like to take this opportunity to express my sincerest appreciation to our staff and management team for their persistent efforts, and to the members of the Board for their wisdom and bravery in meeting challenges, so as to enable us to realize our achievements.

Lastly but not the least, I would like to thank our customers and shareholders for their firm support and trust, which enables us to forge ahead with determination and maximize our excellence.

By order of the Board

Li Zhan
Chairman

Shanghai, 25 March 2010

Management Discussion and Analysis

Results

For the year ended 31 December 2009, the Group recorded a turnover of approximately RMB84,608,000 (2008: approximately RMB87,642,000), representing a slight decrease of RMB3,034,000 or 3% as compared to the last year. The Group recorded a profit of merely RMB2,707,000 which is almost breakeven for this year as compared with the profit of RMB334,000 for the year ended 31 December 2008. This year the Group recorded a significant growth in revenue over the previous year as a result of the heavy cut down of the cost of sales while maintaining the administrative expenses and the Company was able 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 2009, the total revenue for the Group has dropped from RMB87,642,000 to RMB84,608,000. The drop of RMB3,034,000 in revenue represents 3% fall of the Group's sales in 2008. Following the profit of RMB334,000 for the previous year. The Group continues to record a profit before tax of RMB2,707,000 for the current year.

The revenue are mainly consisting of the sales and distribution of computer and electrical products and accessories which made up of 47% of the total sales or RMB39,855,000, and this are followed by 46% of total sales or RMB38,700,000 for business solutions development, 4% or RMB3,588,000 for application software, 3% or RMB2,465,000 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 RMB60,196,000. The reduction represents RMB20,341,000 or 34% 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 RMB21,865,000. This represents an increase of RMB of 16,835,000 or 77% 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 2008 or before.

The application software has reduced in the revenue from RMB3,545,000. The reduction represents a value of RMB 43,000 or 1% 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 RMB2,036,000. This represents a increase of RMB429,000 or 21% of the previous figure.

The improved of result is mainly contributed by the improvements in the gross profit and other revenue, and also the further cut down of the distribution expenses.

Management Discussion and Analysis

The gross profit has improved from RMB12,949,000 to RMB14,609,000. This represents an improvement of RMB1,660,000 or 12.82%. 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 14.77% to the current year of 17.27%.

Administrative expenses for the Company increased RMB701,000 or 6.49% from the previously year of RMB10,794,000 to the current year of RMB11,495,000. The increase is mainly contributed to the recognition of impairment loss in receivables and the increase in income tax expenses of associate companies.

The other revenue has increased RMB1,015,000 or 39.77% to RMB3,567,000 for the current year from the previous year of RMB2,552,000, primarily due to the fact that dividend from the available for sale company for the year increased to RMB2,334,000 from RMB180,000 last year.

The result of the associate company has recorded a substantial fall to RMB34,000 for the current year as compared to the previous year of RMB594,000. This indicated a decrease of RMB560,000 or 94.28%.

Distribution cost has decreased RMB959,000 on 19.31% from RMB4,967,000 for the previous year to RMB4,008,000 for the current year. The decrease was contributed to the decrease in 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, after making profit for the last year for the first time, we continued to make profit in an obvious extent, bringing the Company to another milestone. The Group will try to maintain and enlarge the profits although the company is expected to encounter more challenges in 2010.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2009, shareholders' funds of the Group amounted to approximately RMB97,803,000 (2008: RMB95,011,000). Current assets amounted to approximately RMB100,916,000 (2008: RMB86,353,000), of which approximately RMB63,530,000 (2008: RMB49,664,000) were bank balances and cash. The Group had non-current liabilities amounted to approximately RMB891,000 (2008: nil) and its current liabilities amounted to approximately RMB36,235,000 (2008: RMB24,096,000), 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 2009, the Group had a net cash position and its working capital ratio (current assets to current liabilities) was 2.79 (2008: 3.58); and gearing ratio (long-term debt to shareholders' funds) was zero (2008: zero).

Capital Commitments and Significant Investments

The Group had no capital commitments and significant investments for the year ended 31 December 2009.

Material Acquisitions or Disposals

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies for the year ended 31 December 2009.

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 2009, the Group had 109 full time employees (2008: 105), comprising 16 in management, finance and administration (2008: 18), 32 in research and development (2008: 24), 41 in application development and engineering (2008: 42), and 17 in sales and marketing (2008: 18). Also, the Group had 3 school staff (2008: 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 2009 was approximately RMB5,555,000 (2008: RMB5,632,000).

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 2009, the Group had not pledged any assets to its bankers to secure banking facilities granted to the Group (2008: 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 2009, 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 2009, the Group did not have any significant contingent liabilities (2008: Nil).

Closure of Register of Members

The register of members of the Company will be closed from 18 April 2010 to 18 May 2010 (both days inclusive), during which no transfer of shares will be effected. The holders of shares whose name appears on the register of members of the Company at 4:00 p.m. on 16 April 2010 will be entitled to attend and vote at the AGM. In order to qualify for attendance at the above meeting, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H share registrar, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not later than 4:00 p.m. on 16 April 2010.

Code of Conduct Regarding Securities Transactions by the Directors

The Company had adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry of all the Directors and the Company and was not aware of any non-compliance with the Exchange's required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year.

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS

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

Executive Directors

Mr. Li Zhan (李湛), aged 49, was appointed as an executive Director and the Chairman of the Company in July 2008 and participated in the positioning of the Company's overall business direction. He 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. He has served as the Vice-president of Shanghai Jiaoda Industrial Investment Management (Group) Limited, the general manager of Shanghai Jiaoda Science and Technology Park Limited and the Chairman of Shanghai Jiaoda Withub Technology Street Company Limited since 2009. 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. Cheng Min (程敏), aged 59, holds a Bachelor degree and is a Senior Economist. Mr. Cheng joined the Company since its incorporation in May 1998 and is an executive Director and the Vice Chairman of the Company 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 黨委書記(General Manager and Party Secretary) and Vice-Chairman of 上海白貓（集團）有限公司 (Shanghai White Cat (Group) Co. Ltd.) and Chairman of 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 55, joined the Company since April 1998 and is an executive Director and 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.

Mr. Yuan Tingliang (袁廷亮), aged 63, holds a Bachelor degree and is a Senior Engineer. Mr. Yuan joined the Company in May 1998 when it was incorporated and is an executive Director and 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.

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS (Continued)

Executive Directors (Continued)

Mr. Wang Yiming (王亦鳴), aged 42, 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 an 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 33, was appointed as an executive Director of the Company in July 2005. He was 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. He has been the Chief Executive Officer and an Executive Director of 南嶺化工（國際）控股有限公司since July 2005.

Independent Non-executive Directors

Mr. Yuan Shumin (袁樹民), aged 59, was appointed as an independent non executive Director by the Company in June 2007. He was 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 from Fudan University 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 serving as the president of School of Accounting. Mr. Yuan has written various thesis, studies, teaching material, and served as Chairman of Computerized Accountancy Association for Youth (中青年會計電算化分會) of PRC Accounting Association (中國會計學會).

Biographical Details of Directors, Supervisors and Senior Management

Independent Non-executive Directors (Continued)

Dr. Cao Guo Qi (曹國琪), aged 47, was appointed as an independent non executive Director by the Company on 7 July 2007. He holds a doctor's degree in Economics. HHhe served as the associate professor and deputy department head of Shanghai University of Finance and Economics, an intern economist of the International Monetary Authority, Economic and Finance Committee of the European Community (now known as "European Union"), a project coordinator of the International Bank, General Manager of Jin Tai Finance Company Limited in Hong Kong, Vice President of the Board of Directors and Chief Executive Officer of Sui Chong Holdings Limited (瑞昌控股有限公司), a listed company in Hong Kong. He participated in the preparation of the Yangshan Deep-water Port Project, and he was appointed as Director and General Manager of Shanghai Lingang New City Investment and Development Company Limited (上海臨港新城投資開發集團有限公司), which was responsible for the Yangshan Deep-water Port Project, a key project of the Government, and Director of East Sea Bridge Construction Company Limited (東海大橋工程建設有限公司). He is currently the executive director and General Manager of both East Team (China) Limited and Jianhui Investment Company Limited. Mr. Cao has served as the key management and leader of major units and departments from local and abroad for a long period of time. He is specialized in project investment, finance and management, financial management, fund operation and management, merging and acquisition, assets and capital operation, human resources management and project consultation. He also possesses extensive experience in starting a business, and is relatively sensitive towards macroeconomic development and market expansion.

Dr. Chan Yan Chong, aged 59, was appointed as an independent non executive Director on 7 July 2007. He graduated from Nanyang University in Singapore with a degree in Mathematics. Then he obtained a Master degree in Operational Research at Lancaster University and Doctorate in Management Studies at Manchester University. Dr. Chan serves as the MBA programme director, the associate professor of business school at the City University of Hong Kong, the group leader of Centa-City Index (now known as CCI) research group, the economic advisor of Ganzhou City Government in Jiangxi Province, the president of the Operational Research Society of Hong Kong and the advisor of the Hong Kong Institute of Investors. He served as an advisor to the Central Policy Unit of Hong Kong and a council member of Sham Shui Po District Council of Hong Kong. In 2001, Dr. Chan was awarded the Best Commercial Application Research Prize of the City University of Hong Kong. He has published 20 professional books and more than 3,000 articles, and is also a feature column writer for many newspapers and magazines.

SUPERVISORS

Mr. Zhang Gongda (張功達), aged 51, 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 57, 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 35, 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 35, 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 40, 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 37, 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.

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 2009.

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 13% of the Group's turnover for the year, of which the largest customer accounted for 4% of the Group's turnover for the year.

Purchases from major suppliers accounted for the following percentages:

The largest supplier:	16%
Total percentage of the five largest suppliers:	24%

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 2009 are set out in the annual report on pages 32 to 34.

Dividends

The directors do not recommend the payment of any dividends in respect of the year ended 31 December 2009.

Financial Summary

A summary of the results and assets and liabilities of the Group for each of the five years ended 31 December 2009 is set out on pages 85 to 86 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 2009 to 31 December 2009, none of the Directors or supervisors was granted options to subscribe for H shares of the Company. As at 31 December 2009, 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 33 to the financial statements.

Retirement Benefits

Details of the retirement benefit scheme of the Group are set out in note 26 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）
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）(retired on 7 July 2009)

Independent Non-executive Directors

Mr. Yuan Shumin（袁樹民）
Dr. Cao Guo Qi（曹國琪）(appointed on 7 July 2009)
Dr. Chan Yan Chong（曾淵滄）(appointed on 7 July 2009)
Mr. Liu Fei（劉菲）(retired on 7 July 2009)
Professor Shao Shihuang（邵世煌）(retired on 7 July 2009)
Professor Gu Junzhong（顧君忠）(retired on 7 July 2009)

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）

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.

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 2009, 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 H 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 2009, 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 2009, 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%

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 2009, 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 2009, 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.

Report of the Directors

CONNECTED TRANSACTION

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 31 to the financial statements.

Report of the Directors

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, Mr. Yuan Shumin, Dr. Cao Guo Qi and Dr. Chan Yan Chong.

The Company's consolidated financial statements for the year ended 31 December 2009 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 2009.

Board Practices and Procedures

Throughout the year ended 31 December 2009, the Company was in compliance with the Board Practices Procedures as set out in Rule 5.34 of the GEM Listing Rules.

Auditor

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

On behalf of the Board

Li Zhan
Chairman

Shanghai, the PRC, 25 March 2010

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 2009, 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 2009 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, 25 March 2010

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 nine Directors, of whom six are executive Directors and three 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 13 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. Cheng Min, Mr. Mo Zhenxi, Mr. Yuan Tingliang and Mr. Li Wei, all are 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. Dr. Cao Guo Qi and Dr. Chan Yan Chong both are independent non-executive Directors are commencing from 7 July 2009 to 7 July 2012 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 four regular board meetings during the year ended 31 December 2009. Details of the attendance of the Board are as follows:

	Attendance Regular board meetings
Executive Directors	
Mr. Li Zhan	4/4
Mr. Cheng Min	4/4
Mr. Mo Zhenxi	3/4
Mr. Yuan Tingliang	4/4
Mr. Wang Yiming	4/4
Mr. Li Wei	4/4
Mr. Shang Ling (retired on 7 July 2009)	0/4
Independent Non-executive Directors	
Professor Shao Shihuang (retired on 7 July 2009)	2/2
Professor Gu Junzhong (retired on 7 July 2009)	2/2
Mr. Yuan Shumin	4/4
Mr. Liu Fei (retired on 7 July 2009)	0/3
Dr. Cao Guo Qi (appointed on 7 July 2009)	1/2
Dr. Chan Yan Chong (appointed on 7 July 2009)	0/2

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

Report of Corporate Governance

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 Mr. Yuan Shumin (Chairman), Dr. Cao Guo Qi and Dr. Chan Yan Chong.

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 one during the year. The following was an attendance record of the remuneration committee meeting for the year ended 31 December 2009:

Name of Members	**Attendance**
Mr. Yuan Shumin *(Chairman)*	1/1
Professor Gu Junzhong (retired on 7 July 2009)	1/1
Professor Shao Shihuang (retired on 7 July 2009)	1/1
Dr. Cao Guo Qi (appointed on 7 July 2009)	0/0
Dr. Chan Yan Chong (appointed on 7 July 2009)	0/0

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

AUDITOR'S REMUNERATION

An amount of approximately HK$380,000 was charged to the Group's consolidated income statement for the year ended 31 December 2009 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, Mr. Yuan Shumin (Chairman), Dr. Cao Guo Qi and Dr. Chan Yan Chong.

The audit committee held five formal meetings during the year ended 31 December 2009. Details of the attendance of the audit committee meetings are as follows:

Name of Members	**Attendance**
Mr. Yuan Shumin *(Chairman)*	5/5
Professor Gu Junzhong (retired on 7 July 2009)	3/3
Professor Shao Shihuang (retired on 7 July 2009)	3/3
Dr. Cao Guo Qi (appointed on 7 July 2009)	1/2
Dr. Chan Yan Chong (appointed on 7 July 2009)	0/2

The Group's unaudited quarterly and interim results and audited annual results during the year ended 31 December 2009 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.

Report of Corporate Governance

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

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 32 to 84, which comprise the consolidated statement of financial position as at 31 December 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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. 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.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of its 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
25 March 2010

Consolidated Statement of Comprehensive Income

For the Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Turnover	5	**84,608**	87,642
Cost of sales		**(69,999)**	(74,693)
Gross profit		**14,609**	12,949
Other revenue	7	**3,567**	2,552
Distribution expenses		**(4,008)**	(4,967)
Administrative expenses		**(11,495)**	(10,794)
Share of results of associates		**34**	594
Profit before tax		**2,707**	334
Income tax expense	9	**–**	–
Profit for the year attributable to owners of the Company	10	**2,707**	334
Exchange difference arising on translation of foreign operations and other comprehensive income for the year		**85**	261
Total comprehensive income for the year attributable to owners of the Company		**2,792**	595
Earnings per share (in RMB) – Basic and diluted	12	**0.0056**	0.0007

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-current assets			
Plant and equipment	13	**2,601**	576
Investments in associates	14	**26,446**	26,912
Intangible asset	15	**2,550**	2,850
Available-for-sale investments	16	**2,416**	2,416
		34,013	32,754
Current assets			
Inventories	17	**3,457**	4,550
Amounts due from customers for contract works	18	**9,778**	7,484
Trade receivables	19	**13,691**	14,531
Deposits, prepayments and other receivables	20	**9,378**	9,124
Amount due from a related party	31	**1,000**	1,000
Amount due from an associate	31	**82**	–
Bank balances and cash	21	**63,530**	49,664
		100,916	86,353
Current liabilities			
Trade payables	22	**6,798**	8,955
Other payables and accrued expenses	23	**27,073**	15,020
Amount due to a shareholder	31	**1,800**	–
Amount due to a related party	31	**564**	121
		36,235	24,096
Net current assets		**64,681**	62,257
		98,694	95,011

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Capital and reserves			
Share capital	24	**48,000**	48,000
Reserves		**49,803**	47,011
Total equity		**97,803**	95,011
Non-current liability			
Deferred income	25	**891**	–
		98,694	95,011

The consolidated financial statements on pages 32 to 84 were approved and authorised for issue by the board of directors on 25 March 2010 and are signed on its behalf by:

Yuan Tingliang *Director*	**Wang Yiming** *Director*

Consolidated Statement of Changes in Equity

For the Year ended 31 December 2009

	Share capital RMB'000	Share premium RMB'000	Capital reserve (Note 33(a)) RMB'000	Statutory reserves (Note 33(b)) RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2008	48,000	61,068	16,000	223	(159)	(30,716)	94,416
Profit for the year	–	–	–	–	–	334	334
Other comprehensive income for the year	–	–	–	–	261	–	261
Total comprehensive income for the year	–	–	–	–	261	334	595
At 31 December 2008 and 1 January 2009	48,000	61,068	16,000	223	102	(30,382)	95,011
Profit for the year	–	–	–	–	–	2,707	2,707
Other comprehensive income for the year	–	–	–	–	85	–	85
Total comprehensive income for the year	–	–	–	–	85	2,707	2,792
At 31 December 2009	**48,000**	**61,068**	**16,000**	**223**	**187**	**(27,675)**	**97,803**

Consolidated Statement of Cash Flows

For the Year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
Operating activities		
Profit before tax	**2,707**	334
Adjustments for:		
Amortisation of intangible asset	**300**	300
Depreciation of plant and equipment	**249**	505
Dividends from available-for-sale investments	**(2,334)**	(180)
Impairment loss recognised (reversed) in respect of trade receivables	**109**	(75)
Interest income	**(714)**	(1,592)
Loss on disposal of plant and equipment	**28**	–
Share of results of associates	**(34)**	(594)
Operating cash flows before movements in working capital	**311**	(1,302)
Decrease in inventories	**1,093**	2,267
Increase in amounts due from customers for contract works	**(2,294)**	(4,203)
Decrease (increase) in trade receivables	**731**	(342)
(Increase) decrease in deposits, prepayments and other receivables	**(254)**	17,641
(Decrease) increase in trade payables	**(2,157)**	2,427
Increase (decrease) in other payables and accrued expenses	**12,053**	(11,610)
Increase in deferred income	**891**	–
Net cash from operating activities	**10,374**	4,878
Investing activities		
Increase in time deposits with original maturity of more than three months when acquired	**(16,000)**	-
Purchase of plant and equipment	**(2,302)**	(56)
(Advance to) repayment from an associate	**(82)**	500
Dividends received from available-for-sale investments	**2,334**	180
Interest received	**714**	1,592
Dividends received from associates	**500**	–
Repayment from a related party	**–**	1,349
Net cash (used in) from investing activities	**(14,836)**	3,565
Financing activities		
Advance from a shareholder	**1,800**	–
Advance from a related party	**443**	121
Net cash from financing activities	**2,243**	121

Consolidated Statement of Cash Flows

For the Year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
Net (decrease) increase in cash and cash equivalents	**(2,219)**	8,564
Cash and cash equivalents at 1 January	**49,664**	40,839
Effect of foreign exchange rate changes	**85**	261
Cash and cash equivalents at 31 December, represented by bank balances and cash (Note 21)	**47,530**	49,664

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

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 (collectively referred to as the "Group") are principally engaged in the provision of business solutions, development and sale of application system and network and data security products and sales and distribution of computer and electrical products and accessories in the PRC. Particulars of the Company's subsidiaries are set out in Note 33.

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

In the current year, the Group has applied a number of new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

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)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Interpretation ("INT") 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 January 2011.
6 Effective for annual periods beginning on or after 1 July 2010.
7 Effective for annual periods beginning on or after 1 January 2013.

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 July 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 consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

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.

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 into line with those used by other members of the Group.

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

Investments 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 statement of financial position 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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 not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold 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 end of the reporting period, as measured by 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 the amount can be measured reliably and its receipt is considered probable.

Where the outcome of 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 statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from sales of goods is 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 on initial recognition.

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

Plant and equipment

Plant and equipment are stated at cost less subsequent 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 profit or loss in the period in which the item is derecognised.

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 lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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.

Exchange differences arising on the settlement of monetary items, and on the retranslation 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 other comprehensive income in the consolidated financial statements and will be reclassified from equity to profit or loss on disposal of foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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 end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

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

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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 loss. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Research and development expenditures

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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. Impairment loss is recognised as an expense immediately.

Where 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 impairment loss is recognised as income immediately.

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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.

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.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 to the net carrying amount on initial recognition.

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. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from a related party/an associate and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity. At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in equity is reclassified to profit or loss (see accounting policy on impairment of 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 the end of each reporting period (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. 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 affected.

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.

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 and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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 an associate/a related party, 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 loss 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 amoritsed 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 recognsied directly in other comprehensive income and accumulated 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.

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 into 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, a shorter period.

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Other financial liabilities

Other financial liabilities (including trade payables, other payables and accrued expenses and amounts due to a related party and a shareholder) are subsequently measured at amortised cost, using the effective interest 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 in other comprehensive income is recognised in profit or loss.

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

4. CRITICAL ACCOUNTING JUDGMENTS 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 judgments, 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 followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

Impairment loss recognised in respect of trade and other receivables

The Group makes impairment loss based on assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or change in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. In determining whether impairment loss on receivables is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. 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. During the year ended 31 December 2009, the Group recognised impairment loss of approximately RMB109,000 (2008: nil).

Allowance for inventories

The management of the Group reviews ageing analysis at the end of each reporting period 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 judgment in respect of the expectation about the market condition and the future demand for such items in inventory. During the year ended 31 December 2009 and 2008, the Group did not recognised any impairment loss on inventories.

Estimated impairment of assets

At the end of each reporting period, 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;

– investments in associates;

If any such indication exists, the asset's recoverable amount is estimated. Impairment loss is recognised in the consolidated statement of comprehensive income 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 impairment assessment is performed as at the end of any given reporting period.

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

Estimated impairment of assets (Continued)

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 utilised, 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.

5. TURNOVER

Turnover represents amounts received and receivable from the provision of business solutions, development and sales of application system and network and data security products and sales and distribution of computer and electrical products and accessories.

	2009 **RMB'000**	2008 RMB'000
Development and provision of:		
– Business solutions development	**38,700**	21,865
– Application software	**3,588**	3,545
– Network and data security products	**2,465**	2,036
Sales and distribution of computer and electrical products and accessories	**39,855**	60,196
	84,608	87,642

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

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and return approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reporting segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

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.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

6. SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 December

	Business application solutions		Sales of goods		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
SEGMENT REVENUE						
External sales	**44,753**	27,446	**39,855**	60,196	**84,608**	87,642
Segment profit	**10,103**	6,382	**4,162**	6,284	**14,265**	12,666
Share of results of associates					**34**	594
Interest income					**714**	1,592
Unallocated corporate income					**2,511**	960
Unallocated operating expenses					**(14,817)**	(15,478)
Profit for the year					**2,707**	334

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of corporate income and expenses, interest income, central administration costs, directors' salaries and share of results of associates. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	Business application solutions		Sales of goods		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	**20,707**	14,703	**10,611**	14,355	**31,318**	29,058
Investments in associates					**26,446**	26,912
Unallocated corporate assets					**77,165**	63,137
Total assets					**134,929**	119,107
Segment liabilities	**28,282**	13,402	**4,052**	6,691	**32,334**	20,093
Unallocated corporate liabilities					**4,792**	4,003
Total liabilities					**37,126**	24,096

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than intangible assets, available-for-sale investments, investments in associates, amount due from a related party and an associate, bank balances and cash and assets used jointly by reportable segments.

- all liabilities are allocated to reportable segments other than amount due to a shareholder and liabilities for which reportable segments are jointly liable.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

6. SEGMENT INFORMATION (Continued)

Other segment information

	Business application solutions		Sales of goods		Consolidated	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
For the year ended 31 December						
Amounts included in the measure of segment profit or segment assets:						
Capital expenditure	**2,302**	56	**–**	–	**2,302**	56
Depreciation of plant and equipment	**249**	504	**–**	1	**249**	505
Amortisation of intangible asset	**300**	300	**–**	–	**300**	300
Impairment loss recognised (reversed) in respect of trade receivables	**109**	(75)	**–**	–	**109**	(75)
Bad debts recovered	**(209)**	(464)	**–**	–	**(209)**	(464)
Loss on disposal of plant and equipment	**28**	–	**–**	–	**28**	–
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets:						
Investments in associates	**–**	–	**–**	–	**26,446**	26,912
Share of results of associates	**–**	–	**–**	–	**34**	594
Interest income	**–**	–	**–**	–	**714**	1,592

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

6. SEGMENT INFORMATION (Continued)

Geographical information

Over 95% of the Group's revenue was generated from customers in the PRC during the two years ended 31 December 2009 and all of the Group's assets were located in the PRC. Therefore, no geographical segment information is presented.

Information about major customers

The Group's customer base includes one (2008: nil) customer with whom transactions have exceeded 10% of the Group's revenue. In 2009, revenues from this customer amounted to approximately RMB15,654,000 (2008: RMB2,855,000).

7. OTHER REVENUE

	2009 **RMB'000**	2008 RMB'000
Dividends from available-for-sale investments	**2,334**	180
Interest income	**714**	1,592
Bad debts recovered	**209**	464
Government grants (Note 25)	**9**	–
Impairment loss reversed in respect of trade receivables	**–**	75
Others	**301**	241
	3,567	2,552

8. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments of each director for the year ended 31 December 2009 is set out below:

Name of director	Fee RMB'000	Salaries and allowance RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive directors				
Mr. Cheng Min	–	–	–	–
Mr. Mo Zhenxi	–	–	–	–
Mr. Li Wei	–	–	–	–
Mr. Wang Yiming (note v)	–	247	–	247
Mr. Yuan Tingliang	–	300	–	300
Mr. Shang Ling (note iii)	–	–	–	–
Mr. Li Zhan (note iv)	–	–	–	–
Independent non-executive directors				
Dr. Cao Guo Qi (note i)	20	–	–	20
Dr. Chan Yan Chong (note i)	40	–	–	40
Professor Shao Shihuang (note ii)	–	–	–	–
Professor Gu Junzhong (note ii)	–	–	–	–
Mr. Yuan Shumin	40	–	–	40
Mr. Liu Fei (note iii)	–	–	–	–
	100	547	–	647

Notes:

(i) Appointed on 7 July 2009

(ii) Retired on 7 July 2009.

(iii) Appointed on 2 July 2008 and retired on 7 July 2009.

(iv) Appointed on 2 July 2008

(v) The retirement benefit contribution of Mr. Wang Yiming was paid by the Company's major shareholder, Shanghai Jiao Tong University. The Group was not required to reimburse the retirement benefit paid by Shanghai Jiao Tong University.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

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

(a) Directors' emoluments (Continued)

The emoluments of each director for the year ended 31 December 2008 is set out below:

Name of director	Fee RMB'000	Salaries and allowance RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive directors				
Mr. Cheng Min	–	–	–	–
Mr. Mo Zhenxi	–	–	–	–
Mr. Lu Yaohui (note ii)	–	–	–	–
Mr. Qian Zhengying (note ii)	–	–	–	–
Mr. Li Wei	–	–	–	–
Mr. Wang Yiming (note iv)	–	267	–	267
Mr. Yuan Tingliang	–	240	–	240
Mr. Shang Ling (note i)	–	–	–	–
Mr. Li Zhan (note i)	–	–	–	–
Independent non-executive directors				
Professor Shao Shihuang	–	–	–	–
Professor Gu Junzhong	–	–	–	–
Mr. Yuan Shumin	–	–	–	–
Mr. Liu Fei (note i)	–	–	–	–
Mr. Hu Shao-Ming, Herman (note ii)	–	–	–	–
	–	507	–	507

Notes:

(i) Appointed on 2 July 2008

(ii) Retired on 2 July 2008.

(iii) The retirement benefit contribution of Mr. Wang Yiming was paid by the Company's major shareholder, Shanghai Jiao Tong University. The Group was not required to reimburse the retirement benefit paid by Shanghai Jiao Tong University.

No directors waived or agreed to waive their emoluments for the two years ended 31 December 2009. No emoluments have been paid by the Group to any director 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 2009.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

8. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(Continued)

(b) Supervisors' emoluments

The emoluments of each supervisor for the year ended 31 December 2009 is set out below:

Name of supervisor	**Salaries and allowance RMB'000**	**Contributions to retirement benefits scheme RMB'000**	**Total RMB'000**
Ms. Qin Yan	**111**	**22**	**133**
Mr. Zhang Gongda	**–**	**–**	**–**
Mr. Yao Benqiang	**–**	**–**	**–**
Mr. Yu Jiming	**–**	**–**	**–**
Ms. Zhang Yan	**88**	**16**	**104**
	199	**38**	**237**

The emoluments of each supervisor for the year ended 31 December 2008 is set out below:

Name of supervisor	Salaries and allowance RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Ms. Qin Yan	96	22	118
Mr. Zhang Gongda	–	–	–
Mr. Yao Benqiang	–	–	–
Mr. Yu Jiming	–	–	–
Ms. Zhang Yan (note i)	–	–	–
	96	22	118

Notes:

(i) Appointed on 2 July 2008

No emoluments have been paid by the Group to any supervisor 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 2009.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

8. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(Continued)

(c) The five highest paid individuals

During the year, the five highest paid individuals included two (2008: two) directors of the Company, whose emoluments have been set out in the directors' emoluments above. The emoluments of the remaining three (2008: three) individuals are as follows:

	2009 **RMB'000**	2008 RMB'000
Salaries and other benefits	**576**	588
Contributions to retirement benefits scheme	**101**	83
	677	671

The emoluments of each of the highest paid individuals for the two years ended 31 December 2009 were within the band of nil to HKD1,000,000 (2009: equivalent to RMB892,870 and 2008: equivalent to RMB881,890). 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 2009.

9. INCOME TAX EXPENSE

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company and its subsidiaries is 25% from 1 January 2008 onwards.

No provision for EIT has been made for the both years ended 31 December 2009 since the assessable profits of the companies within the Group are wholly absorbed by tax losses brought forward.

The tax charge for the years can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2009	2008
	RMB'000	RMB'000
Profit before tax	**2,707**	334
Tax at the PRC domestic income tax rate of 25% (2008: 25%)	**677**	84
Tax effect of difference tax rate of a subsidiary	**12**	94
Tax effect of expenses not deductible for tax purpose	**27**	73
Tax effect of income not taxable for tax purpose	**(52)**	(150)
Utilisation of tax losses previously not recognised	**(655)**	(237)
Tax effect on tax losses not recognised	**–**	319
Tax effect of share of results of associates	**(9)**	(149)
Others	**–**	(34)
Income tax expense for the year	**–**	–

At 31 December 2009, the Group has unused tax losses of approximately RMB11,602,000 (2008: RMB14,222,000) 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 approximately RMB10,279,000 (2008: RMB12,899,000) will be expired in 2011. Other tax losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

10. PROFIT FOR THR YEAR

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

	2009 RMB'000	2008 RMB'000
Staff costs (including directors' emoluments) (Note 8(a)) comprises:		
Salaries and other benefits	4,887	5,179
Contributions to retirement benefits scheme	668	453
Total staff costs	5,555	5,632
Auditors' remuneration	330	328
Amortisation of intangible asset	300	300
Depreciation of plant and equipment	249	505
Cost of inventories recognised as an expense – included in cost of sales	53,815	67,206
Impairment loss recognised in respect of trade receivables (included in administrative expenses)	109	–
Share of income tax expense of associates	154	111
Research and development expenditures	4,204	4,516
Net exchange loss	141	132
Loss on disposal of plant and equipment	28	–
Gross rental income from office premises	(64)	–
Less: operating lease charges in respect of office premises	–	–
	(64)	–

11. DIVIDENDS

No dividend was paid or proposed during the two years ended 31 December 2009 and 31 December 2008, nor has any dividend been proposed since the end of the reporting period.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the profit for the year attributable to owners of the Company of approximately RMB2,707,000 (2008: RMB334,000) and the weighted average number of 480,000,000 (2008: 480,000,000) ordinary shares in issue during the year.

Diluted earnings per share is equal to the basic earnings per share since the Company has no dilutive potential shares as at 31 December 2009 and 2008.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

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 2008	716	3,449	1,143	5,308
Additions	–	56	–	56
Disposals	(716)	–	–	(716)
At 31 December 2008 and 1 January 2009	–	3,505	1,143	4,648
Additions	2,205	97	–	2,302
Disposals	–	(947)	–	(947)
At 31 December 2009	2,205	2,655	1,143	6,003
ACCUMULATED DEPRECIATION				
At 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 and 1 January 2009	–	2,929	1,143	4,072
Provided for the year	–	249	–	249
Eliminated on disposals	–	(919)	–	(919)
At 31 December 2009	–	2,259	1,143	3,402
CARRYING VALUES				
At 31 December 2009	2,205	396	–	2,601
At 31 December 2008	–	576	–	576

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 $33^{1}/_{3}$%
Furniture and office equipment	20% to $33^{1}/_{3}$%
Motor vehicles	20%

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

14. INVESTMENTS IN ASSOCIATES

	2009 RMB'000	2008 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	**(23,247)**	(22,781)
	26,446	26,912

Included in the cost of investments in associates is goodwill of approximate RMB2,699,000 (2008: 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 2008, 31 December 2008 and 31 December 2009	2,699
ACCUMULATED IMPAIRMENT	
At 1 January 2008, 31 December 2008 and 31 December 2009	2,624
CARRYING VALUE	
At 31 December 2009 and 31 December 2008	75

During the year ended 31 December 2006, the Group recognised impairment loss of approximately RMB2,624,000 in relation to goodwill arising on acquisition of 45% equity interest in the issued ordinary shares of Union Genesis Limited ("UGL") as UGL and its subsidiaries (collectively referred to as the "UGL Group") have 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 2009

14. INVESTMENTS IN ASSOCIATES (Continued)

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

	2009 **RMB'000**	2008 RMB'000
Total assets	**116,465**	109,086
Total liabilities	**(102,754)**	(92,280)
Minority interests	**(105)**	(97)
Net assets	**13,606**	16,709
Group's share of net assets of associates	**26,872**	26,837
Revenue	**46,829**	75,116
(Loss) profit for the year	**(2,521)**	836
Group's share of results of associates for the year	**34**	594

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 interests in those associates. The amounts of unrecognised share of losses of those associates, extracted from the relevant unaudited management accounts of the Group's associate, both for the year and cumulatively, are as follows:

	2009 **RMB'000**	2008 RMB'000
Unrecognised share of losses of associates for the year	**2,630**	539
Accumulated unrecognised share of losses of associates	**26,322**	23,692

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

14. INVESTMENTS IN ASSOCIATES (Continued)

As at 31 December 2009, 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 2009 & 2008	Proportion of voting power held by the Group 2009 & 2008	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 Techology (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
UGL	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

15. INTANGIBLE ASSET

	RMB'000
COST	
At 1 January 2008, 31 December 2008 and 31 December 2009	6,000
ACCUMULATED AMORTISATION	
At 1 January 2008	2,850
Amortisation for the year	300
At 31 December 2008 and 1 January 2009	3,150
Amortisation for the year	300
At 31 December 2009	3,450
CARRYING VALUES	
At 31 December 2009	2,550
At 31 December 2008	2,850

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 statement of comprehensive income 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 2009

16. AVAILABLE-FOR-SALE INVESTMENTS

	2009 RMB'000	2008 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 the end of each reporting period 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

	2009 RMB'000	2008 RMB'000
Raw materials	**231**	231
Merchandise for resale	**3,226**	4,319
	3,457	4,550

18. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	2009 RMB'000	2008 RMB'000
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profit less recognised loss	**53,678**	34,930
Less: Progress billings	**(43,900)**	(27,446)
Amounts due from contract customers	**9,778**	7,484

At 31 December 2009, retentions held by customers for contract works amounted to RMB227,000 (2008: RMB181,000).

19. TRADE RECEIVABLES

	2009 RMB'000	2008 RMB'000
Trade receivables	**15,123**	15,854
Less: Allowance for doubtful debts	**(1,432)**	(1,323)
	13,691	14,531

The Group allows an average credit period from 90 to 180 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the reporting date:

	2009 RMB'000	2008 RMB'000
0 to 90 days	**8,907**	9,143
91 to 180 days	**278**	1,848
181 to 365 days	**1,454**	1,044
Exceeding 365 days	**3,052**	2,496
	13,691	14,531

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of approximately RMB4,759,000 (2008: RMB4,933,000) which are past due as at the reporting 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 344 days (2008: 297 days).

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

			Past due but not impaired		
	Total RMB'000	Neither past due nor impaired RMB'000	91 to 180 days RMB'000	181 to 365 days RMB'000	>365 days RMB'000
31 December 2009	**13,691**	**8,932**	**253**	**1,454**	**3,052**
31 December 2008	14,531	9,598	1,393	1,044	2,496

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

19. TRADE RECEIVABLES (Continued)

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. The Group does not hold any collateral over these balances.

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

	2009 RMB'000	2008 RMB'000
At 1 January	**1,323**	1,398
Impairment loss reversed	**–**	(75)
Impairment loss recognised on receivables	**109**	–
At 31 December	**1,432**	1,323

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB1,001,000 (2008: RMB1,001,000) which has been long outstanding for more than 5 years. The Group does not hold any collateral over these balances.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2009 RMB'000	2008 RMB'000
Other receivables	**8,634**	8,181
Less: impairment loss	**(725)**	(725)
Deposits and prepayments	**1,469**	1,668
	9,378	9,124

At the end of each reporting date, the Group's other receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history, such as financial difficulties or default in payments and current market conditions. Consequently, specific impairment loss was recognised. There was no movement in the impairment of other receivables during both years.

21. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term deposits with an original maturity of 6 months or less (2008: three months or less). The bank balances and deposits carry interest at market rate which range from 0.01% to 1.98% (2008: 0.01% to 2.375%) per annum.

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

	2009 RMB'000	2008 RMB'000
United Stated Dollar	**5,058**	5,076
Japanese Yen	**40**	33
Hong Kong Dollar	**3,533**	1,621

	2009 RMB'000	2008 RMB'000
Cash and cash equivalents for the purpose of the consolidated statement of financial position	**63,530**	49,664
Time deposits with an original maturity of more than three months when acquired	**(16,000)**	–
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	**47,530**	49,664

22. TRADE PAYABLES

The average credit period on purchases of goods is 180 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2009 RMB'000	2008 RMB'000
0 to 90 days	**1,582**	4,888
91 to 180 days	**1,076**	962
181 to 365 days	**1,234**	626
Exceeding 365 days	**2,906**	2,479
	6,798	8,955

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

23. OTHER PAYABLES AND ACCRUED EXPENSES

	2009 RMB'000	2008 RMB'000
Other payables and accrued expenses	**19,000**	13,869
Deposits and prepayments received from customers	**8,073**	1,151
	27,073	15,020

24. SHARE CAPITAL

	2009 RMB'000	2008 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. DEFERRED INCOME

During the year ended 31 December 2009, the Group received government grants of RMB700,000 (2008: nil) towards a project for the research and development of 全方位大屏幕數字媒體顯示系統. Since the conditions in respect of such government grants had not yet been fulfilled, the amounts received had been treated as deferred income.

During the year ended 31 December 2009, the Group further received a government subsidy of RMB200,000 (2008: nil) towards the Group's normal business operation. During the year, an amount of RMB9,000 fulfilled the conditions of such government grants and were recognised as other revenue during the year.

26. 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% (2008: 22.5%) 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 RMB668,000 (2008: RMB453,000).

27. 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 2009 and 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 2009

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009 RMB'000	2008 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**86,212**	72,482
Available-for-sale investments	**2,416**	2,416
	88,628	74,898
Financial liabilities		
Other financial liabilities measured at amortised cost	**28,162**	22,945

(b) Financial risk management objections and policies

The Group's major financial instruments include trade receivables, other receivables, bank balances and cash, trade payables, other payables, accrued expenses and amounts due from/to a related party/an associate/a shareholder. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate 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

The Group mainly operates in the PRC. Revenue and majority of its operating costs and cost of sales are denominated in RMB. Certain bank balances of the Group are denominated in the United States dollars ("USD") and Hong Kong dollars ("HKD"). Such USD and HKD denominated bank balances are exposed to fluctuations in the value of RMB against USD and HKD in which these bank balances are denominated. Any significant appreciation/depreciation of the RMB against these foreign currencies may result in significant exchange gain/loss which would be recorded in the consolidated statement of comprehensive income.

28. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Currency risk (Continued)

The Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group currently has not entered into any foreign currency forward contracts to hedge against foreign currency risk. Management will consider hedging foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, at the reporting dates are as follows:

	2009 RMB'000	2008 RMB'000
Assets		
USD	**5,058**	5,067
HKD	**3,533**	1,621
	8,591	6,688

Sensitively analysis

The following table details the Group's sensitivity to a 5% (2008: 5%) increase and decrease in RMB against relevant foreign currencies. 5% (2008: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for 5% (2008: 5%) change in foreign currency rates. A positive number indicates an increase in post-tax profit where RMB strengthens 5% (2008: 5%) against the relevant foreign currencies. For a 5% (2008: 5%) weakening of RMB against the relevant currency, there would be an equal but opposite impact on the profit for the year.

	2009 RMB'000	2008 RMB'000
USD		
Profit for the year	**253**	254
HKD		
Profit for the year	**177**	81

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

28. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Interest rate risk

The Group's exposure to cash flow interest rate risk is mainly attributable to its bank balances and deposits at variable rates. During the year, the Group has not hedged its exposure to cash flow interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2008: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2008: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2009 would decrease/increase by approximately RMB635,000 (2008: decrease/increase by approximately RMB497,000).

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate bank balances and deposits.

Credit risk

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the Group's respective recognised financial assets as stated in the consolidated statement of financial position. 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.

The bank balances were deposited in banks with high credit rating, thus the credit risk on these balances is limited.

The Group's concentration of credit risk by geographical locations is mainly in PRC with exposure spread over a number of customers, which accounted for all of total trade receivables for both years ended 31 December 2009.

28. FINANCIAL INSTRUMENTS (Continued)

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

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 manages liquidity risk by holding sufficient liquid assets such as cash to ensure short-term funding requirement are covered with prudent limit. As at 31 December 2009 and 2008, the other financial liabilities including trade payables, other payables and accrued expenses and amounts due to a related party and a shareholder are all due for settlement contractually within one year.

(c) Fair value

The fair value of 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 recorded in the consolidated statement of financial position of the Group approximate their fair values due to their immediate or short-term maturities.

29. 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 maximising 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 owners of the Company, comprising issued share capital and reserves.

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 2009

30. OPERATING LEASE COMMITMENTS

The Group as lessee

	2009 RMB'000	2008 RMB'000
Minimum lease payments paid under operating leases in respect of land and buildings	**2,116**	1,363

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009 RMB'000	2008 RMB'000
Within one year	**2,485**	2,167
In the second to fifth year inclusive	**1,400**	3,800
	3,885	5,967

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.

The Group as lessor

Rental income earned during the year was RMB64,000 (2008: nil).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2009 RMB'000	2008 RMB'000
Within one year	**245**	–
In the second to fifth year inclusive	**164**	–
	409	–

The office premises are leased to third parties under operating lease with lease negotiated for terms of 2 years. Rentals are fixed within relevant lease terms.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

31. RELATED PARTY TRANSACTIONS

(i) Name and relationship of related parties

(a) Amount due from a related party

Name of related parties	Relationship			Maximum outstanding balances during the year	
		2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Shanghai Jiao Tong University Education (Group) Company Limited	Subsidiary of Shanghai Jiao Tong University	**1,000**	1,000	**1,000**	1,000

The amount is unsecured, non-interest bearing and repayable on demand.

(b) Amount due from an associate

	2009 RMB'000	2008 RMB'000
Shanghai Ton Tron	**82**	–

The amount is unsecured, non-interest bearing and repayable on demand.

(c) Amount due to a related party

	Relationship	**2009 RMB'000**	2008 RMB'000
Shanghai Huikang Information Technology Company Limited	Company controlled by a director of the Company	**(564)**	(121)

The amount is unsecured, non-interest bearing and repayable on demand.

(d) Amount due to a shareholder

	2009 RMB'000	2008 RMB'000
Shanghai Jiao Tong University	**(1,800)**	–

The amount is unsecured, non-interest bearing and repayable on demand.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

31. RELATED PARTY TRANSACTIONS (Continued)

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

		Relationship	2009 RMB'000	2008 RMB'000
(a)	Project income generated from – Shanghai Huikang Information Technology Company Limited	Controlled by a director of the Company	**664**	–
(b)	Project income generated from – Shanghai Jiao Tong University	A shareholder	**70**	822
(c)	Sales of goods to – Shanghai Jiao Tong University	A shareholder	**–**	86
(d)	Purchase from – 上海慧銘自動化信息產業公司	Associate of Withub Technology	**127**	–
(e)	Operating lease payments paid – Shanghai Jiao Tong University	A shareholder	**1,967**	941
(f)	Interest income from – Shanghai Jiaoda Nanyang Properties (Group) Limited	Controlled by a shareholder of the Company	**–**	486

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 remuneration of directors and other members of key management during the year are set out in Note 8. 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 2009

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company at the reporting date is as follows:

	Notes	2009 RMB'000	2008 RMB'000
Non-current assets			
Plant and equipment		**2,601**	525
Investments in associates		**25,075**	25,075
Intangible asset		**2,550**	2,850
Available-for-sale investments		**2,416**	2,416
Investments in subsidiaries	32(a)	**1,000**	1,000
		33,642	31,866
Current assets			
Inventories		**3,455**	4,548
Amounts due from customers for contract works		**9,778**	7,484
Trade receivables		**12,066**	14,531
Deposits, prepayments and other receivables		**9,375**	9,121
Amounts due from subsidiaries	32(b)	**65**	65
Amount due from an associate		**82**	–
Bank balances and cash		**55,697**	42,923
		90,518	78,672
Current liabilities			
Trade payables		**5,606**	8,846
Other payables and accrued expenses		**26,770**	14,581
Amount due to a shareholder		**1,800**	–
Amount due to a related party		**564**	121
		34,740	23,548
Net current assets		**55,778**	55,124
		89,420	86,990

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Continued)

	Note	2009 RMB'000	2008 RMB'000
Capital and reserves			
Share capital		**48,000**	48,000
Reserves	32(c)	**40,529**	38,990
Total equity		**88,529**	86,990
Non-current liability			
Deferred income		**891**	–
		89,420	86,990

(a) Investments in subsidiaries

	The Company	
	2009 RMB'000	2008 RMB'000
Unlisted investments, at cost	**1,000**	1,000

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(a) Investments in subsidiaries (Continued)

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 2009	2008	Principal activities
Shanghai Withub Zhirui Hi-Tech Co., Limited* (note (i))	The PRC	Contributed capital	RMB5,000,000	**82%**	82%	Inactive
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) Formerly known as Shanghai Jiaoda Withub Software Company Limited.

(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 2009

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Continued)

(b) Amounts due from subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand.

(c) Reserves

	Share premium	Capital reserve (Note 33(a)) RMB'000	Statutory reserves (Note 33(b)) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2008	61,068	16,000	223	(27,226)	50,065
Loss for the year	–	–	–	(11,075)	(11,075)
At 31 December 2008 and 1 January 2009	61,068	16,000	223	(38,301)	38,990
Profit for the year	–	–	–	1,539	1,539
At 31 December 2009	61,068	16,000	223	(36,762)	40,529

33. 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 surplus reserve

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

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**84,608**	87,642	100,686	122,450	139,496
Profit (loss) before tax	**2,707**	334	(801)	(16,578)	(10,406)
Income tax expense	**–**	–	–	290	–
Profit (loss) for the year	**2,707**	334	(801)	(16,288)	(10,406)
Attributable to:					
– Equity holders of the Company	**2,707**	334	(801)	(16,288)	(9,691)
– Minority interests	**–**	–	–	–	(715)
Dividends	**–**	–	–	–	–
Earnings (loss) per share (in RMB)					
– Basic	**0.0056**	0.0007	(0.0017)	(0.0339)	(0.0202)
– Diluted	**N/A**	N/A	N/A	N/A	N/A

FIVE-YEAR FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	Year ended 31 December				
	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000
Non-current assets	**34,013**	32,754	32,909	33,399	49,433
Current assets	**100,916**	86,353	94,665	102,299	110,648
Total assets	**134,929**	119,107	127,574	135,698	160,081
Current liabilities	**36,235**	24,096	33,158	40,922	48,712
Non-current liability	**891**	–	–	–	–
Total liabilities	**37,126**	24,096	33,158	40,922	48,712
Total net assets	**97,803**	95,011	94,416	94,776	111,369
Share capital	**48,000**	48,000	48,000	48,000	48,000
Reserves	**49,803**	47,011	46,416	46,776	63,369
	97,803	95,011	94,416	94,776	111,369
Minority interest	**–**	–	–	–	–
	97,803	95,011	94,416	94,776	111,369