Withhub

ANNUAL REPORT 2011

SHANGHAI JIAODA WITHHUB INFORMATION INDUSTRIAL COMPANY LIMITED*

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

Stock Code: 8205

*for identification purpose only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the "Directors") of SHANGHAI JIAODA WITHUB INFORMATION INDUSTRIAL COMPANY LIMITED (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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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 2011,

– turnover of the Group amounted to approximately RMB98,089,000 (2010: approximately RMB85,622,000) which represented an increase of approximately 14.56%;

– profit attributable to owners of the Company was approximately RMB1,283,000 (2010: loss of approximately RMB16,123,000); and

– the Directors do not recommend the payment of a final dividend (2010: Nil).

** For identification purpose only*

Corporate Information

Executive Directors
Mr. Li Zhan *(Chairman)*
Mr. Mo Zhenxi *(Vice Chairman)*
Mr. Wu Hanyuan (appointed on 7 July 2011)
Mr. Du Songning (appointed on 7 July 2011)
Mr. Wang Yiming *(Chief Executive Officer)*
Mr. Qiao Jin
Mr. Cheng Min (retired on 7 July 2011)
Mr. Yuan Tingliang (retired on 7 July 2011)

Independent Non-executive Directors
Mr. Yuan Shumin
Dr. Cao Guo Qi
Dr. Chan Yan Chong

Supervisors
Mr. Chen Minglong
Mr. Yao Benqiang
Mr. Yu Jiming
Ms. Qin Yan
Ms. Zhang Yan

Company Secretary
Ms. Ho Wing Yan *ACIS ACS(PE)*

Audit Committee and Remuneration Committee
Mr. Yuan Shumin *(Chairman)*
Dr. Cao Guo Qi
Dr. Chan Yan Chong

Compliance Officer
Mr. Li Zhan

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. Li Zhan
Mr. Wang Yiming

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

Auditor
SHINEWING (HK) CPA Limited
43/F, The Lee Gardens,
33 Hysan Avenue, Causeway Bay, Hong Kong.

Legal Advisers
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, on behalf of the Board, announce the results review on Shanghai Jiaoda Withub Information Industrial Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the prior year, and also would like to take this opportunity to introduce the future business plan of the Company and core products which the Company will focus on during the coming financial year.

During the past 2011, Shanghai Jiaoda Withub Information Industrial Company Limited, under the leadership of the Board of the Company and the concerted efforts of all staffs of the Company, has achieved, in general, the operation objectives formulated by the Company at the beginning of the year by proactively exploring new business whilst facing the difficult operating environment,.

Currently, the primary operations of the Company are in four categories, including software development, system integration, solutions and product distribution. During 2011, the Company increased the proportion of sales in its own products and technology gradually, and enhanced the core competitiveness of the Company. 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.

Research and development of its own products is the foundation of the sustainable development of the Company's business. In 2011, the Company enhanced in the research and development of its own products, reported for the registration of several software copyrights and software products of proprietary brands. This has formed a series of products with proprietary intellectual property, namely PRO-V Large Screen Fusion Playing Software (PRO-V 大螢幕融合播放軟體), PRO-W Large Screen Window Manager Software (PRO-W 大螢幕開窗管理軟體), Multi-media Showroom Intelligent Control System (多媒體展覽智慧控制系統), DMSP Intelligent Multi-screen Expander (DMSP 智慧多屏擴展器), DMSR Intelligent Transformation Fusion Processor (DMSR 智慧變形融合器), ENP Embedded Digital Media Player System (ENP 嵌入式數位媒體播放系統), and ECP Embedded Digital Media (Interaction) Player System (ECP 嵌入式數位媒體(互動)播放系統).

Chairman's Statement

In 2012, the Company will continue to strengthen the research and development of its own products to enhance our business capabilities. Meanwhile, we will focuse on facilitating corporate culture of the Group to enhance the Group's cohesiveness, which is particularly important for improving our results and striving for future success under current market circumstances. 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 courage in meeting challenges, so as to enable us to realize our achievements.

Last but not least, I would like to thank our customers and shareholders for their stalwart support and trust, enabling us to forge ahead with determination and maximize our excellence.

By order of the Board

Li Zhan
Chairman

Shanghai, 20 March 2012

Management Discussion and Analysis

RESULTS

For the year ended 31 December 2011, the Group recorded a turnover of approximately RMB98,089,000 (2010: approximately RMB85,622,000), representing an increase of RMB12,467,000 or 14.56% as compared to the last year. The Group recorded a profit of RMB1,280,000, representing an increase compared with the loss of RMB16,126,000 for the year ended 31 December 2010.

BUSINESS REVIEW AND FUTURE PROSPECTS

For the entire financial year under review ended 31 December 2011, the total revenue of the Group has increased from RMB85,622,000 to RMB98,089,000. The growth of RMB12,467,000 in revenue represents 14.56% increase of the Group's sales in 2011. The Group recorded a loss of RMB16,126,000 for the previous year and a profit before tax of RMB1,280,000 during the year.

Revenue are mainly generated from the sales and distribution of computer and electrical products and accessories which made up of 65.91% of the total sales (or RMB64,650,000), and this are followed by 21.44% of total sales (or RMB21,027,000) for business solutions development and provision, 9.10% (or RMB8,928,000) for application software, 3.55% (or RMB3,484,000) for installation and maintenance of network and data security product. 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 increased by RMB5,009,000 in revenue as compared with RMB59,641,000 last year, representing an increase of 8.40%. It is mainly due to economic situation recovery and consumer market, resulting in the growth in the demand in the market.

Revenue in business solutions development has increased by RMB3,995,000 or 23.46% from RMB17,032,000 in the previous year.

Revenue of application software business has increased by RMB2,819,000 from RMB6,109,000 last year, representing an increase of 46.15%. Sales from installation and maintenance of network and data security has slightly increased by RMB644,000 from the previous year of RMB2,840,000, representing an increase of 22.68%.

The gross profit has decreased from RMB16,506,000 to RMB15,669,000. This represents a decrease of RMB837,000 or 5.07%. The decrease is mainly caused by the increase of the cost of sales. The gross profit margin has decreased from the previous financial year of 19.28% to the current year of 15.97%.

Other revenue has decreased by RMB106,000 or 3.25% to RMB3,154,000 for the current year from the previous year of RMB3,260,000.

Management Discussion and Analysis

The profit attributable to the associate company amounted to RMB167,000 for the current year as compared to the loss of RMB5,258,000 for the previous year, representing an increase of RMB5,425,000.

Distribution cost has increased by RMB1,521,000 or 30.06% from RMB5,060,000 for the previous year to RMB6,581,000 during the year.

The Management will be committed to cutting unnecessary expenses and improve the productivity of our managers. The Company will mainly focus on the cost control in the future. For the purpose of current business, the Company will try to expand into new markets, including part of business acquired from new customers through the introduction by the existing customers and the efforts taken by the Management in market promotion.

In conclusion, although the principal business has achieved a slight growth in the first half of the year, the Company will still face more severe challenges in 2012 and our Group will maintain the principal business so as to reap more profits.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2011, shareholders' funds of the Group amounted to approximately RMB83,468,000 (2010: RMB81,932,000). Current assets amounted to approximately RMB102,360,000 (2010: RMB92,016,000), of which approximately RMB60,101,000 (2010: RMB59,724,000) were bank balances and cash. The Group had non-current liabilities amounted to approximately RMB1,800,000 (2010: RMB2,500,000) and its current liabilities amounted to approximately RMB34,096,000 (2010: RMB27,155,000), which mainly comprised of other creditors and accrued expenses. The Group did not have any long-term debts.

WORKING CAPITAL RATIO AND GEARING RATIO

As at 31 December 2011, the Group had a net cash position and its working capital ratio (current assets to current liabilities) was 3.00 (2010: 3.39); and gearing ratio (liabilities to total assets) was approximately 30% (2010: 27%).

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

The Group had no capital commitments and significant investments for the year ended 31 December 2011.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies for the year ended 31 December 2011.

Management Discussion and Analysis

SEGMENT 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 presented in note 6 to the consolidated financial statements.

EMPLOYEE INFORMATION

As at 31 December 2011, the Group had 141 full time employees (2010: 125), comprising 17 in management, finance and administration (2010: 17), 45 in research and development (2010: 39), 56 in application development and engineering (2010: 47), and 20 in sales and marketing (2010: 19). Also, the Group had 3 school staff (2010: 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 2011 was approximately RMB 10,536,000 (2010: RMB 9,949,000).

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 2011, bank deposits of approximately RMB514,000 (2010: nil) were pledged to the bank to secure certain subcontracting projects.

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.

Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURE

During the year ended 31 December 2011, the Group's monetary assets and transactions are mainly 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 noted that the recent appreciation in the exchange rate of RMB to HKD and USD and is 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 2011, the Group did not have any significant contingent liabilities (2010: Nil).

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 ("Mr. Li"), aged 51, 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 and Mentor of doctorate student of Shanghai Jiao Tong University (上海交通大學). He studied in Shanghai Jiao Tong University from 1978 and got a bachelor degree in engineering in 1982, a Master degree in 1984 and a doctorate degree in 1987. Mr. Li worked at Shanghai Jiao Tong University 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. Mr. Li was appointed to work in Hong Kong from 1996 to 2007, 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). Mr. Li has served as the Vice-president of Shanghai Jiaoda Industrial Investment Management (Group) Limited and the general manager of Shanghai Jiaoda Science and Technology Park Limited since 2009. Mr. Li has profound experience and excels in academic research and has accumulated over 21 years of experience in corporate operation and investment management.

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS (Continued)

Executive Directors (Continued)

Mr. Mo Zhenxi ("Mr. Mo"), aged 57, 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 上海汽車配件修配廠支部 (Shanghai Motor Parts Maintenace and 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. Wu Hanyuan ("Mr. Wu"), aged 59, was appointed as the executive director of the Company in July 2011. He is the deputy secretary of the Party Committee, secretary of the Discipline Commission, union president and chief supervisor of Shanghai Xin Xuhui (Group) Limited. From 1984 to 1987, he learned in an amateur university majoring in Chinese Language and Literature and graduated with a college degree. From 1969 to 1973, Mr. Wu was the corporal and platoon sergeant of the 18th Company, 2nd Battalion, 67th Regiment of the Heilongjiang Production and Construction Corps, and was the vice instructor of the 20th Company, 2nd Battalion, 67th Regiment of the Heilongjiang Production and Construction Corps from 1973 to 1978; From 1979 to 1984, Mr. Wu was the trade union officer of Fenglin Industrial Company Limited（楓林工業公司）in Xuhui District; From 1984 to 1993, Mr. Wu held the secretary of the Party Committee, section chief, deputy secretary of Party Committee and secretary of the Discipline Commission in Collective Enterprise Administration in Xuhui District successively; From 1993 to 2001, Mr. Wu held the deputy general manager, general manager and branch secretary in Shanghai Shilong Industrial Zone Joint Development Co., Ltd.; From 2001 to date, Mr. Wu held positions as secretary of the Party Committee, secretary of the Discipline Commission, union president in Shanghai Xin Xuhui (Group) Limited successively, and was rewarded for several papers and works published previously.

Mr. Wu was the member of the 6th, 11th and 12th National Committee of Xuhui District in Shanghai respectively, and was rewarded and recorded a merit by the Peoples' Government of Xunhui District in Shanghai in 1989; From 2004 to 2005, he was nominated as advanced worker of the Discipline Supervisory System in Xuhui District.

Mr. Du Songning ("Mr. Du"), aged 44, was appointed as the executive director of the Company in July 2011. He is graduated form Shanghai Jiao Tong University, major in Shipping Engineering and Technology Economics. He has engaged in research, investment and business management of securities and futures for a long time, and is familiar with the operation of Chinese securities market. Mr. Du is one of the first futures practicing brokers and securities practicing analysts in the PRC.

He has engaged in corporate management for many years and is familiar with corporate business, administration and financial operations. He has worked for Shanghai Jiao Tong University, Shanghai Nan Yang International Industrial Co., Ltd (now known as Shanghai Xin Nanyang Co., Ltd (Shanghai Stock: 600661)), Shenyin & Wanguo Securities Co., Ltd., Shanghai Jiao Da Industrial Investment Management (Group) Co., Ltd, and served as director in more than 10 companies. He is now served as the Deputy General Manager of Shanghai Jiao Tong University Science Park Co., Ltd (上海交大科技園有限公司).

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS (Continued)

Executive Directors (Continued)

Mr. Wang Yiming ("Mr. Wang"), aged 44, 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. Qiao Jin ("Mr. Qiao"), aged 27, was appointed as an executive Director of our Company on 18 May 2010. Mr. Qiao graduated from the School of Management and Engineering of Shanghai Jiaotong University in 2008 with a master degree in Management. Since 2008, he has served in Ernst & Young (China) Advisory Limited (安永(中國)企業諮詢有限公司), rendering audit services to numerous listed companies. He has worked in 上海徐匯國有資產投資經營有限公司 (Shanghai Xuhui State-owned Assets Management Company) since 2010, engaging in the fields like investment and assets disposition.

Independent Non-executive Directors

Mr. Yuan Shumin ("Mr. Yuan"), aged 61, 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

DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

Dr. Cao Guo Qi ("Dr. Cao"), aged 49, was appointed as an independent non executive Director by the Company on 7 July 2009. He holds a doctor's degree in Economics. He served as the associate professor and deputy department head of Shanghai University of Finance and Economics the EMBA professor of Hunan University, 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 ("Dr. Chan"), aged 61, was appointed as an independent non executive Director on 7 July 2009. 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. Chen Minglong ("Mr. Chen"), aged 46, was appointed by our Company as a supervisor and the chairman of supervisory committee on 18 May 2010 holds a master degree in Management and is a certified accountant, asset appraiser and tax appraiser. Mr. Chen was the Deputy Section Chief of the Xuhui District Audit Department (徐匯區審計局) and State-owned Assets Management Commission of Xuhui District (徐匯區國資辦資產管理科), the Section Chief of Asset Management Department of State-owned Assets Supervision and Administration Commission of the State Council of Xuhui District (徐匯區國資委產權管理科) and the Deputy General Manager of Shanghai Xuhui State Owned Assets Investment & Business Co., Ltd.

Biographical Details of Directors, Supervisors and Senior Management

SUPERVISORS (Continued)

Mr. Yao Benqiang ("Mr. Yao"), aged 59, 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 ("Mr. Yu"), aged 52, 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 Administrator, Supervisor and Section Chief of Cost Section of Finance Department (財務處成本科管理員、組長及科長), Deputy Head of Finance Department, Head of Foreign Economic and Trade Department (對外經濟貿易處) and 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 Deputy Chief Accountant and Manager of Finance Division of Shanghai Science & Technology Investment Corporation, the chairman of Supervisory Committee of 上海眾恒信息產業有限公司, Head of Supervisors (監事長) of 上海燃料動力汽車有限公司 and a director of 上海中新技術創業投資有限公司, supervisor of 上海申騰資訊技術有限公司 and supervisor of 廣東冠昊生物科技股份有限公司. Mr. Yu was appointed by the Company in July 2005.

Ms. Qin Yan ("Ms. Qin"), aged 37, 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 上海理工大學 (University of Shanghai for 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 ("Ms. Zhang"), aged 37, 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 ("Ms. Cao"), aged 42, 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 ("Mr. Zhang"), aged 39, 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 2011.

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 13.2% of the Group's turnover for the year, of which the largest customer accounted for 3.3% of the Group's turnover for the year.

Purchases from major suppliers accounted for the following percentages:

The largest supplier:	50.5%
Total percentage of the five largest suppliers:	63.5%

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 2011 are set out in the annual report on pages 32 to 91.

Dividends

The directors do not recommend the payment of any dividends in respect of the year ended 31 December 2011.

Financial Summary

A summary of the results and assets and liabilities of the Group for each of the five years ended 31 December 2011 is set out on page 92 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 consolidated 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 2011 to 31 December 2011, none of the Directors or supervisors was granted options to subscribe for H shares of the Company. As at 31 December 2011, 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 page 35 and note 34 to the consolidated financial statements.

Retirement Benefits

Details of the retirement benefit scheme of the Group are set out in note 27 to the consolidated 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 *(Chairman)*
Mr. Mo Zhenxi *(Vice Chairman)*
Mr. Wu Hanyuan (appointed on 7 July 2011)
Mr. Du Songning (appointed on 7 July 2011)
Mr. Wang Yiming (Chief Executive Officer)
Mr. Qiao Jin
Mr. Cheng Min (retired on 7 July 2011)
Mr. Yuan Tingliang (retired on 7 July 2011)

Independent Non-executive Directors

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

Supervisors

Mr. Chen Minglong
Mr. Yao Benqiang
Mr. Yu Jiming
Ms. Qin Yan
Ms. Zhang Yan

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 2010. 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 2011, 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 and nature	Number and class of securities *(Note 1)*	Approximate percentage in the issued share capital of the Company/ subsidiary
Cheng Min	Company	Beneficial owner	4,700,000 domestic shares (L)	0.98%
Wang Yiming	Company	Beneficial owner	9,840,000 domestic shares (L)	2.05%
	Shanghai Huikang Information Technology Company Limited *(Note 2)*	Beneficial owner	100,000 shares (L)	10.00%

Notes:

1. The letter "L" represents the interests in the 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 2011, 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.

Directors', Supervisors' and Chief Executives' 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, supervisor and chief executives of the Company 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 2011, 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	Capacity and nature	Number and class of shares *(Note 1)*	Approximate percentage of interest
Shanghai Jiaoda Science and Technology Park Limited	Beneficial owner *(Note 2)*	114,000,000 domestic shares (L)	23.75%
Shanghai Xin Xuhui (Group) Limited	Beneficial owner *(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 2011, 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	**Capacity and nature**	**Number and class of shares** *(Note)*	**Approximate percentage of interest**
Chen Jianbo	Beneficial owner	24,300,000 domestic shares (L)	5.06%

Note: The letter "L" represents the entity's interest in the shares of the Company.

Save as disclosed above, as at 31 December 2011, 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.

Board Practices and Procedures

Throughout the year ended 31 December 2011, the Company was in compliance with the Board Practices Procedures as set out in Rule 5.34 of the GEM Listing Rules.

Report of the Directors

CONNECTED TRANSACTION

Licence Agreement

On 1 September 2011, 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 September 2011 to 31 August 2014 (both days inclusive) and the annual licence fees are RMB1,693,965 (exclusive of property management fees, water, electricity, internet network and other miscellaneous charges) for the period from 1 September 2011 to 31 August 2012 and the annual licence fees are RMB1,693,965 (exclusive of property management fees, water, electricity, internet network and other miscellaneous charges) for the period from 1 September 2012 to 31 August 2013. The annual licence fees are RMB1,693,965 (exclusive of property management fees, water, electricity, internet network and other miscellaneous charges) for the period from 1 September 2013 to 31 August 2014. 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 31 August 2011.

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 32 to the consolidated financial statements.

Directors' Interests in Contracts

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

Report of the Directors

Closure of Register of Members

The register of members of the Company will be closed from 19 May 2012 to 18 June 2012 (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 18 May 2012 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 18 May 2012.

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 2011.

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.

Public Float

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, at least 25%of the Company's issued share capital were held by members of the public as at the date of the Annual Report.

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 2011 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.

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, 20 March 2012

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 2011, 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 2011 and are confident about the prospects and future development of the Group.

On behalf of the Supervisory Committee

Chen Minglong
Chairman of the Supervisory Committee

Shanghai, the PRC, 20 March 2012

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 standard of dealings is Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the Stock Exchange's required standard of dealings and its code of conduct securities transactions by the Directors during the year.

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 12 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. Mo Zhenxi, Mr. Wu Hanyuan and Mr. Du Songning all are executive Directors are commencing from 7 July 2011 to 7 July 2014. Mr. Wang Yiming, executive Director and Mr. Yuan Shumin, independent non-executive Director, are commencing from 30 September 2010 to 30 September 2013 and 22 June 2010 to 22 June 2013 respectively, the terms of Mr. Qiao Jin, an executive Directors, is commencing from 18 May 2010 to 18 May 2013. 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 2011. Details of the attendance of the Board are as follows:

	Attendance Regular board meetings
Executive Directors	
Mr. Li Zhan *(Chiarman)*	4/4
Mr. Mo Zhenxi *(Vice Chairman)*	3/4
Mr. Wu Hanyuan (appointed on 7 July 2011)	2/2
Mr. Du Songning (appointed on 7 July 2011)	2/2
Mr. Wang Yiming (Chief Executive Officer)	4/4
Mr. Qiao Jin	3/4
Mr. Cheng Min (retired on 7 July 2011)	2/2
Mr. Yuan Tingliang (retired on 7 July 2011)	2/2
Independent Non-executive Directors	
Mr. Yuan Shumin	4/4
Dr. Cao Guo Qi	4/4
Dr. Chan Yan Chong	4/4

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

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

In order to maintain the transparency and independence of the corporate governance, the Chairman of the Company is Mr. Li Zhan, the Vice-chairmen of the Company is 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 2011:

Name of Members	**Attendance**
Mr. Yuan Shumin *(Chairman)*	1/1
Dr. Cao Guo Qi	1/1
Dr. Chan Yan Chong	1/1

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 HK$420,000 was charged to the Group's consolidated statement for the year ended 31 December 2011 for the auditing services provided by SHINEWING (HK) CPA Limited ("SHINEWING"), the existing auditors of the Company. During the year, the amount charged in respect of non-auditing services provided by SHINEWING was HK$10,000.

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 four formal meetings during the year ended 31 December 2011. Details of the attendance of the audit committee meetings are as follows:

Name of Members	**Attendance**
Mr. Yuan Shumin *(Chairman)*	4/4
Dr. Cao Guo Qi	4/4
Dr. Chan Yan Chong	4/4

The Group's unaudited quarterly and interim results and audited annual results during the year ended 31 December 2011 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

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

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

Annual Report and Financial Statements

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

Accounting Period

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

Accounting Records

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

Going Concern

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

Internal Controls

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

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

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS 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 91, which comprise the consolidated statement of financial position as at 31 December 2011, 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 of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 of the consolidated financial statements that give a true and fair view 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 2011 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
Chong Kwok Shing
Practising Certificate Number: P05139

Hong Kong
20 March 2012

Consolidated Statement Of Comprehensive Income

For the year ended 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
Turnover	5	**98,089**	85,622
Cost of sales		**(82,420)**	(69,116)
Gross profit		**15,669**	16,506
Other revenue	7	**3,154**	3,260
Distribution expenses		**(6,581)**	(5,060)
Administrative expenses		**(11,129)**	(15,574)
Impairment loss recognised in respect of interest in an associate	14	**-**	(10,000)
Share of results of associates		**167**	(5,258)
Profit (loss) before tax		**1,280**	(16,126)
Income tax expense	9	**-**	-
Profit (loss) for the year	10	**1,280**	(16,126)
Other comprehensive income			
Exchange difference arising on translation of foreign operations		**253**	252
Total comprehensive income (expense) for the year		**1,533**	(15,874)
Profit (loss) for the year attributable to:			
Owners of the Company		**1,283**	(16,123)
Non-controlling interest		**(3)**	(3)
		1,280	(16,126)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**1,536**	(15,871)
Non-controlling interest		**(3)**	(3)
		1,533	(15,874)
Earnings (loss) per share (in RMB)			
Basic and diluted	12	**0.0027**	(0.0336)

Consolidated Statement Of Financial Position

As at 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
Non-current assets			
Plant and equipment	13	**359**	1,284
Interests in associates	14	**10,025**	10,038
Intangible assets	15	**3,748**	2,250
Other receivable	20	**-**	3,580
Available-for-sale investments	16	**2,416**	2,416
Pledged bank deposits	21	**450**	-
		16,998	19,568
Current assets			
Inventories	17	**4,572**	3,181
Amounts due from customers for contract works	18	**6,202**	5,599
Trade receivables	19	**17,219**	16,343
Deposits, prepayments and other receivables	20	**13,311**	6,014
Amounts due from associates	32	**191**	1,155
Amount due from a shareholder	32	**700**	-
Pledged bank deposits	21	**64**	-
Bank balances and cash	21	**60,101**	59,724
		102,360	92,016
Current liabilities			
Trade payables	22	**7,814**	8,444
Other payables and accrued expenses	23	**25,375**	18,336
Amount due to a shareholder	32	**365**	365
Amount due to a related party	32	**542**	10
		34,096	27,155
Net current assets		**68,264**	64,861
		85,262	84,429

Consolidated Statement Of Financial Position (Continued)

As at 31 December 2011

	NOTES	**2011 RMB'000**	2010 RMB'000
Capital and reserves			
Share capital	24	**48,000**	48,000
Reserves		**35,468**	33,932
Equity attributable to owners of the Company		**83,468**	81,932
Non-controlling interest		**(6)**	(3)
Total equity		**83,462**	81,929
Non-current liability			
Deferred income	25	**1,800**	2,500
		85,262	84,429

The consolidated financial statements on pages 32 to 91 were approved and authorised for issue by the board of directors on 20 March 2012 and are signed on its behalf by:

Li Zhan
Director

Wang Yiming
Director

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2011

	Attributable to owners of the Company								
	Share capital	Share premium	Capital reserve (Note 34b(i))	Statutory reserves (Note 34b(ii))	Translation reserve	Accumulated losses	Total	Non-controlling interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	48,000	61,068	16,000	223	187	(27,675)	97,803	-	97,803
Loss for the year	-	-	-	-	-	(16,123)	(16,123)	(3)	(16,126)
Other comprehensive income for the year									
- Exchange difference arising on translation of foreign operations	-	-	-	-	252	-	252	-	252
Total comprehensive (expense) income for the year	-	-	-	-	252	(16,123)	(15,871)	(3)	(15,874)
At 31 December 2010 and 1 January 2011	48,000	61,068	16,000	223	439	(43,798)	81,932	(3)	81,929
Profit for the year	-	-	-	-	-	1,283	1,283	(3)	1,280
Other comprehensive income for the year									
- Exchange difference arising on translation of foreign operations	-	-	-	-	253	-	253	-	253
Total comprehensive (expense) income for the year	-	-	-	-	253	1,283	1,536	(3)	1,533
At 31 December 2011	**48,000**	**61,068**	**16,000**	**223**	**692**	**(42,515)**	**83,468**	**(6)**	**83,462**

Consolidated Statement Of Cash Flows

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**1,280**	(16,126)
Adjustments for:		
Amortisation of intangible asset	**300**	300
Allowance for inventories	**207**	-
Depreciation of plant and equipment	**935**	935
Government grant	**(850)**	(191)
Impairment loss recognised in respect of amount due from a related party	**-**	1,000
Impairment loss recognised in respect of interest in an associate	**-**	10,000
Impairment loss recognised in respect of other receivables	**-**	25
Impairment loss recognised in respect of trade receivables	**99**	1,406
Interest income	**(1,033)**	(803)
Loss on disposals of plant and equipment	**8**	36
Reversal of impairment loss recognised in respect of other receivables	**(245)**	-
Reversal of impairment loss recognised in respect of trade receivables	**(863)**	-
Share of results of associates	**(167)**	5,258
Waiver of operating lease payment	**-**	(926)
Operating cash flows before movements in working capital	**(329)**	914
(Increase) decrease in inventories	**(1,598)**	276
(Increase) decrease in amounts due from customers for contract works	**(603)**	4,179
Increase in trade receivables	**(177)**	(4,058)
Increase in deposits, prepayments and other receivables	**(3,472)**	(208)
Increase in amount due from a shareholder	**(700)**	-
(Decrease) increase in trade payables	**(630)**	1,646
Increase (decrease) in other payables and accrued expenses	**7,039**	(8,737)
NET CASH USED IN OPERATING ACTIVITIES	**(470)**	(5,988)
INVESTING ACTIVITIES		
Increase in time deposits with original maturity of more than three months when acquired	**(8,833)**	(2,390)
Increase in pledged bank deposit	**(514)**	-
Purchase of plant and equipment	**(22)**	(331)
Interest received	**1,033**	770
Repayment from (advances to) associates	**964**	(1,073)
Dividend received from an associate	**180**	1,150
Development costs incurred	**(1,798)**	-
Proceeds from disposals of plant and equipment	**4**	27
NET CASH USED IN INVESTING ACTIVITIES	**(8,986)**	(1,847)

Consolidated Statement Of Cash Flows (Continued)

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
FINANCING ACTIVITIES		
Advance from (payment to) a related party	**532**	(554)
Cash received from government grant	**150**	1,800
Advance from a shareholder	**-**	141
NET CASH FROM FINANCING ACTIVITIES	**682**	1,387
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(8,774)**	(6,448)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**41,334**	47,530
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**318**	252
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash (Note 21)	**32,878**	41,334

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

1. GENERAL

Shanghai Jiaoda 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 Renminbi ("RMB") 0.10 each at Hong Kong Dollar ("HKD")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 2/F, Block 7, 471 Gui Ping Road, Shanghai, PRC and its principal place of business is Building A, Shanghai Jiaoda Withub Information Park, No. 951 Panyu Road, Shanghai, PRC.

The consolidated financial statements are presented in 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 35.

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

Application of new and revised standards and interpretations

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendment to HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
Amendments to Hong Kong Accounting Standards ("HKAS") 24 (Revised)	Related Party Disclosures
Amendment to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) - Interpretation ("Int") 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs has had no material impact on the Group's performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

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

New and revised standards, amendments and interpretations in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates of First-Time Adopters[1]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2014.
6 Effective for annual periods beginning on or after 1 January 2015.

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

New and revised standards, amendments and interpretations in issue but not yet effective (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

New and revised standards, amendments and interpretations in issue but not yet effective (Continued)

New and revised Standards on consolidation

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries and associates. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in the exchange for goods.

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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither 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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. 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. Additional losses are 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, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

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.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue generated from the construction contracts is recognised in accordance with the Company's accounting policy as further detailed in the below section headed "construction contracts".

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. 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.

Construction contracts

Where the outcome of development and provision of business solutions, application software, and installation and maintenance of network and data security products 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 relative 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 development and provision of business solutions, application software, and installation and maintenance of network and data security products 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 receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised to write off the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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 Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the 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 under the heading of the translation reserve (attributed to non-controlling interest as appropriate).

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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.

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 liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

Current and 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 current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development expenditures

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

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment loss (if any), on the same basis as intangible assets acquired separately.

Inventories

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

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits with a maturity of three months or less.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

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 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 as loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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 the 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 the reporting period. Financial assets are considered to be 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
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other 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 credit period ranging from 90 to 180 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's 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.

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, 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 trade and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Impairment losses on available-for-sale equity investments will not be reversed through 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 investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss 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 instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the 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 (including all fees and points 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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 and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible assets

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.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Notes to the Consolidated Financial Statements

4. 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 underlying 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.

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.

Construction contracts

The Group recognised project revenue and profit of business solutions development, application software contract, and installation and maintenance of network and data security products contract according to the management's estimation of the total outcome of the project as well as the percentage of completion of contract works. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

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 judgement 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 2011, the Group recognised impairment loss of approximately RMB99,000 (2010: RMB1,406,000) and a reversal of impairment of approximately RMB863,000 (2010: nil) for trade receivables and nil impairment loss (2010: RMB25,000) and a reversal of impairment of approximately RMB245,000 (2010: nil) for other receivables.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 2011, the Group recognised allowance of approximately RMB 207,000 (2010: nil) for inventories.

Impairment loss recognised in respect of interests in associates

Determining whether the interests in associates are impaired requires an estimation of the future cash flows expected to arise and the expected dividend yield from the associates in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

During the year ended 31 December 2010, impairment loss on interest in an associate of approximately RMB10,000,000 was recognised as the directors of the Company are in the opinion that the expected future cash flow and dividend yield from the associate are remote. No impairment loss on interest in associates was recognised for the year ended 31 December 2011. Further details are set out in Note 14.

Estimated impairment of assets

At the end of the 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; and
- available-for-sale investments.

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.

If an indication of impairment is identified, such information is further subject to an exercise that requires the Group to estimate the recoverable amounts, representing the higher 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 amounts, the Group may perform such assessment using internal resources or the Group may engage external advisors to assist the Group in making this assessment. Regardless of the resources utilised, the Group is required to make a number of many assumptions in such 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 amount of the revertant asset.

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For the year ended 31 December 2011

5. TURNOVER

Turnover represents revenue arising from the development and provision of business solutions, application software, and installation and maintenance of network and data security products, and sales and distribution of computer and electrical products and accessories for the year. An analysis of the Group's revenue for the year is as follows:

	2011 **RMB'000**	2010 RMB'000
Development and provision of:		
- Business solutions	**21,027**	17,032
- Application software	**8,928**	6,109
- Installation and maintenance of network and data security products	**3,484**	2,840
Sales and distribution of computer and electrical products and accessories	**64,650**	59,641
	98,089	85,622

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

6. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the directors of the Company for the purpose of resource allocation and performance assessment are as follows:

- Business application solutions: Develop and provide business application solutions services which include business solutions, application software, and installation and maintenance of network and data security products.

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

Information regarding the above segments is reported below.

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 years ended 31 December 2011 and 2010:

	Business application solutions		Sales of goods		Consolidated	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
SEGMENT REVENUE						
External sales	**33,439**	25,981	**64,650**	59,641	**98,089**	85,622
Segment profit	**9,300**	7,115	**6,987**	6,867	**16,287**	13,982
Share of results of associates					**167**	(5,258)
Impairment loss recognised in respect of interest in an associate					**-**	(10,000)
Interest income					**1,033**	803
Unallocated corporate income					**1,914**	2,279
Unallocated operating expenses					**(18,121)**	(17,932)
Profit (loss) for the year					**1,280**	(16,126)

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, share of results of associates and impairment loss recongised in respect of interest in an associate and amount due from a related party. This is the measure reported to the directors of the Company for the purposes of resources allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment as at the end of the reporting period:

	Business application solutions		Sales of goods		Consolidated	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Segment assets	**20,722**	18,811	**15,597**	9,495	**36,319**	28,306
Interests in associates					**10,025**	10,038
Unallocated corporate assets					**73,014**	73,240
Total assets					**119,358**	111,584
Segment liabilities	**26,852**	21,183	**4,887**	5,429	**31,739**	26,612
Unallocated corporate liabilities					**4,157**	3,043
Total liabilities					**35,896**	29,655

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, interests in associates, amount due from a shareholder and amounts due from associates, pledged bank deposits, bank balances and cash and other assets for corporate use including other receivables.

- all liabilities are allocated to reportable segments other than amount due to a shareholder and other payables for which the corporate is liable.

6. SEGMENT INFORMATION (Continued)

Other segment information

	Business application solutions		Sales of goods		Unallocated		Consolidated	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Amounts included in the measure of segment profit or segment assets:								
Addition to non-current assets	**22**	331	**-**	-	**-**	-	**22**	331
Depreciation of plant and equipment	**935**	935	**-**	-	**-**	-	**935**	935
Amortisation of intangible asset	**300**	300	**-**	-	**-**	-	**300**	300
Impairment loss recognised in respect of trade receivables	**78**	418	**21**	988	**-**	-	**99**	1,406
Impairment loss recognised in respect of other receivables	**-**	25	**-**	-	**-**	-	**-**	25
Loss on disposal of plant and equipment	**8**	36	**-**	-	**-**	-	**8**	36
Bad debts recovered	**-**	(178)	**-**	-	**-**	-	**-**	(178)
Allowance for inventories	**-**	-	**207**	-	**-**	-	**207**	-
Reversal of impairment losses recognised in respect of trade receivables	**(604)**	-	**(259)**	-	**-**	-	**(863)**	-
Reversal of impairment loss recognised in respect of other receivables	**(245)**	-	**-**	-	**-**	-	**(245)**	-
Amounts regularly provided to the directors of the Company for consideration but not included in the measure of segment result or segment assets:								
Interests in associates	**-**	-	**-**	-	**10,025**	10,038	**10,025**	10,038
Impairment loss recognised in respect of interest in an associate	**-**	-	**-**	-	**-**	10,000	**-**	10,000
Impairment loss recognised in respect of amount due from a related party	**-**	-	**-**	-	**-**	1,000	**-**	1,000
Share of results of associates	**-**	-	**-**	-	**(167)**	5,258	**(167)**	5,258
Interest income	**-**	-	**-**	-	**(1,033)**	(803)	**(1,033)**	(803)

Geographical information

Over 95% of the Group's revenue was generated from customers in the PRC during the two years ended 31 December 2011 and 2010 and all of the Group's assets were located in the PRC. Therefore, no geographical segment information is presented.

Information about major customers

There is no customer with whom transactions have exceeded 10% of the Group's total revenue during the two years ended 31 December 2011 and 2010.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

7. OTHER REVENUE

	2011 RMB'000	2010 RMB'000
Interest income	1,033	803
Bad debts recovered	-	178
Government grants (Note 25)	850	191
Waiver of operating lease payments (Note)	-	926
Rental income	472	753
Others	799	409
	3,154	3,260

Note : During the year ended 31 December 2010, the landlord, Shanghai Jiao Tong University, agreed to waive partial operating lease payments payable by the Company of approximately RMB926,000 for the period from September 2008 to December 2009.

8. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments of each director for the year ended 31 December 2011 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. Li Zhan	-	-	-	-
Mr. Cheng Min (note ii)	-	-	-	-
Mr. Mo Zhenxi	-	-	-	-
Mr. Wang Yiming (note iii)	-	240	-	240
Mr. Yuan Tingliang (note ii)	-	210	-	210
Mr. Qiao Jin	-	-	-	-
Mr. Wu Hanyuan (note i)	-	-	-	-
Mr. Du Songning (note i)	-	-	-	-
Independent non-executive directors				
Dr. Cao Guo Qi	40	-	-	40
Dr. Chan Yan Chong	40	-	-	40
Mr. Yuan Shumin	40	-	-	40
	120	450	-	570

8. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(Continued)

(a) Directors' emoluments (Continued)

Notes:

(i) Appointed on 7 July 2011.

(ii) Resigned on 7 July 2011.

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

The emoluments of each director for the year ended 31 December 2010 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. Li Zhan	-	-	-	-
Mr. Cheng Min	-	-	-	-
Mr. Mo Zhenxi	-	-	-	-
Mr. Wang Yiming (note iii)	-	260	-	260
Mr. Yuan Tingliang	-	297	-	297
Mr. Qiao Jin (note i)	-	-	-	-
Mr. Li Wei (note ii)	-	-	-	-
Independent non-executive directors				
Dr. Cao Guo Qi	40	-	-	40
Dr. Chan Yan Chong	40	-	-	40
Mr. Yuan Shumin	40	-	-	40
	120	557	-	677

Notes:

(i) Appointed on 18 May 2010.

(ii) Resigned on 18 May 2010.

(iii) The retirement benefit contribution of Mr. Wang Yiming was paid by the Company's indirect 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 2011. 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 2011.

8. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(Continued)

(b) Supervisors' emoluments

The emoluments of each supervisor for the year ended 31 December 2011 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	**131**	**29**	**160**
Mr. Chen Minglong	**-**	**-**	**-**
Mr. Yao Benqiang	**-**	**-**	**-**
Mr. Yu Jiming	**-**	**-**	**-**
Ms. Zhang Yan	**106**	**25**	**131**
	237	**54**	**291**

The emoluments of each supervisor for the year ended 31 December 2010 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	21	132
Mr. Zhang Gongda (i)	-	-	-
Mr. Chen Minglong (ii)	-	-	-
Mr. Yao Benqiang	-	-	-
Mr. Yu Jiming	-	-	-
Ms. Zhang Yan	90	19	109
	201	40	241

Notes:

(i) Resigned on 18 May 2010.

(ii) Appointed on 18 May 2010.

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 2011.

8. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(Continued)

(c) The five highest paid individuals

During the year, the five highest paid individuals included two (2010: two) directors of the Company, whose emoluments have been set out in the directors' emoluments above. The emoluments of the remaining three (2010: three) individuals are as follows:

	2011 **RMB'000**	2010 RMB'000
Salaries and other benefits	**555**	601
Contributions to retirement benefits scheme	**99**	110
	654	711

The emoluments of each of the highest paid individuals for the two years ended 31 December 2011 were within the band of nil to HKD1,000,000 (equivalent to RMB829,100 (2010: RMB872,620)). No emoluments have been paid by the Group to any of the 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 2011.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

9. INCOME TAX EXPENSE

Hong Kong Profits Tax has not been provided for in the consolidated financial statements as there were no assessable profits derived from Hong Kong for both years.

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

No provision for Enterprise Income Tax has been made for both years ended 31 December 2011 since the assessable profits of the companies within the Group are wholly absorbed by tax losses brought forward.

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

	2011 RMB'000	2010 RMB'000
Profit (loss) before tax	**1,280**	(16,126)
Tax at the PRC domestic income tax rate of 25% (2010: 25%)	**320**	(4,032)
Tax effect of difference tax rate of a subsidiary	**(27)**	51
Tax effect of expenses not deductible for tax purpose	**145**	3,109
Tax effect of income not taxable for tax purpose	**(574)**	(51)
Utilisation of tax losses previously not recognised	**(52)**	(497)
Tax effect on tax losses not recognised	**230**	106
Tax effect of share of results of associates	**(42)**	1,314
Income tax expense for the year	**-**	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

10. PROFIT (LOSS) FOR THR YEAR

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

	2011 RMB'000	2010 RMB'000
Staff costs (including directors' and supervisors' emoluments) (Note 8(a) and (b)) comprises:		
Salaries and other benefits	**9,342**	9,015
Contributions to retirement benefits scheme	**1,194**	934
Total staff costs	**10,536**	9,949
Amortisation of intangible asset (included in administrative expenses)	**300**	300
Auditors' remuneration	**348**	332
Allowance for inventories (included in cost of sales)	**207**	-
Cost of inventories recognised as an expense (included in cost of sales)	**57,902**	51,712
Depreciation of plant and equipment	**935**	935
Impairment loss recognised in respect of trade receivables (included in administrative expenses)	**99**	1,406
Impairment loss recognised in respect of other receivables (included in administrative expenses)	**-**	25
Impairment loss recognised in respect of amount due from a related party (included in administrative expenses)	**-**	1,000
Reversal of impairment losses recognised in respect of trade receivables (included in administrative expenses)	**(863)**	-
Reversal of impairment losses recognised in respect of other receivables (included in administrative expenses)	**(245)**	-
Loss on disposal of plant and equipment	**8**	36
Exchange (gain) loss, net	**(642)**	745
Research and development expenditures (Note)	**2,400**	4,554
Share of income tax expenses of associates (included in the share of results of associates)	**188**	178
Gross rental income from office premises	**(472)**	(753)
Less: operating lease charges in respect of office premises	**472**	753
	-	-

Note: During the year ended 31 December 2011, research and development costs included staff costs of approximately RMB1,695,000 (2010: RMB3,496,000) for the Group's employees engaged in research and development activities, which are also included in staff costs as above.

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11. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2011 and 2010, nor has any dividend been proposed since the end of the reporting period.

12. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for the year is based on the profit for the year attributable to owners of the Company of approximately RMB1,283,000 (2010: loss of approximately RMB16,123,000) and the weighted average number of 480,000,000 (2010: 480,000,000) ordinary shares in issue during the year.

Diluted earnings (loss) per share is the same as the basic earnings (loss) per share since the Company has no potential dilutive shares as at 31 December 2011 and 2010.

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 2010	2,205	2,655	1,143	6,003
Additions	-	129	202	331
Disposals	-	(91)	(215)	(306)
Reimbursement of leasehold improvement cost by landlord (Note)	(650)	-	-	(650)
At 31 December 2010 and 1 January 2011	1,555	2,693	1,130	5,378
Additions	-	22	-	22
Disposals	-	(348)	-	(348)
At 31 December 2011	1,555	2,367	1,130	5,052
ACCUMULATED DEPRECIATION				
At 1 January 2010	-	2,259	1,143	3,402
Provided for the year	778	141	16	935
Eliminated on disposals	-	(28)	(215)	(243)
At 31 December 2010 and 1 January 2011	778	2,372	944	4,094
Provided for the year	777	141	17	935
Eliminated on disposals	-	(336)	-	(336)
At 31 December 2011	1,555	2,177	961	4,693
CARRYING VALUES				
At 31 December 2011	-	190	169	359
At 31 December 2010	777	321	186	1,284

13. PLANT AND EQUIPMENT (Continued)

Note: During the year ended 31 December 2010, the landlord has agreed to reimburse partial leasehold improvement cost to the Company in an amount of approximately RMB650,000.

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 33⅓%
Furniture and office equipment	20% to 33⅓%
Motor vehicles	20%

14. INTERESTS IN ASSOCIATES

	2011 RMB'000	2010 RMB'000
Unlisted investments, at cost	**52,317**	52,317
Impairment loss recognised	**(12,624)**	(12,624)
Share of post-acquisition losses and other comprehensive expenses, net of dividends received	**(29,668)**	(29,655)
	10,025	10,038

Included in the cost of investments in associates is goodwill of approximately RMB2,699,000 (2010: 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 2010, 31 December 2010 and 31 December 2011	2,699
ACCUMULATED IMPAIRMENT	
At 1 January 2010, 31 December 2010 and 31 December 2011	(2,624)
CARRYING VALUE	
At 31 December 2010 and 31 December 2011	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 Company 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.

14. INTERESTS IN ASSOCIATES (Continued)

During the year ended 31 December 2010, the directors of the Company were advised by one of its associates, Shanghai Jiaoda Science & Technology Park Information Technology (Shangrao) Company Limited ("STPIT") 上海交大科技園信息技術(上饒)有限公司, that their project had been suspended. In conducting their assessment on the recoverable amount of the Group's investment in the shares of STPIT, the directors of the Company have taken into account the impact of such suspension of project and accordingly, an impairment loss of approximately RMB10,000,000 in the interests in associates was recognised and charged to consolidated statement of comprehensive income for the year ended 31 December 2011.

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

	2011 RMB'000	2010 RMB'000
Total assets	97,152	97,424
Total liabilities	(98,960)	(101,536)
Non-controlling interests	(300)	(189)
Net liabilities	(2,108)	(4,301)
Group's share of net assets of associates	9,950	9,963
Revenue	59,652	55,561
Profit (loss) for the year	485	(17,108)
Group's share of profit (loss) of associates for the year	167	(5,258)

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 those associates, as extracted from the relevant management accounts of the associate, both for the year and cumulatively, are as follows:

	2011 RMB'000	2010 RMB'000
Unrecognised share of losses of associates for the year	38	1,755
Accumulated unrecognised share of losses of associates	28,115	28,077

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14. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2011 and 2010, 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	Proportion of voting power held by the Group	Principal activities
				2011 & 2010	2011 & 2010	
Shanghai Withub Duogao Information Construction Company Limited ("Duogao") 上海慧谷多高信息工程有限公司	Private limited liability company	The PRC	Contributed capital	34.00%	34.00%	Design and installation of intelligent household systems
Shanghai Jiaoda Withub Technology Company Limited ("Withub Technology") 上海交大慧谷科技有限公司	Private limited liability company	The PRC	Contributed capital	44.44%	44.44%	Development and sales of business solutions
Shanghai Tong Tron Information Technology Company Limited ("Shanghai Tong Tron") 上海通創信息技術有限公司	Private limited liability company	The PRC	Contributed capital	43.24%	43.24%	Development and sales of business solutions and computer accessories
STPIT	Private limited liability company	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 ("Tong Yong") 上海交大慧谷通用技術有限公司	Private limited liability company	The PRC	Contributed capital	31.11%	31.11%	Development and sales of business solutions
UGL	Private limited liability company	British Virgin Islands	Ordinary	45%	45%	Design, produce and sales of consumer electronics hardware and software
C-NOVA Microsystems Limited	Private limited liability company	Hong Kong	Ordinary	45%	45%	Design, produce and sales of consumer electronics hardware and software
C-NOVA Microsystems (Shanghai) Limited	Private limited liability company	The PRC	Contributed capital	45%	45%	Design, produce and sales of consumer electronics hardware and software

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15. INTANGIBLE ASSETS

	Acquired trade name RMB'000	Development costs RMB'000	Total RMB'000
COST			
At 1 January, 31 December 2010 and 1 January 2011	6,000	-	6,000
Additions for the year	-	1,798	1,798
At 31 December 2011	6,000	1,798	7,798
ACCUMULATED AMORTISATION			
At 1 January 2010	3,450	-	3,450
Amortisation for the year	300	-	300
At 31 December 2010 and 1 January 2011	3,750	-	3,750
Amortisation for the year	300	-	300
At 31 December 2011	4,050	-	4,050
CARRYING VALUES			
At 31 December 2011	1,950	1,798	3,748
At 31 December 2010	2,250	-	2,250

Development costs of approximately RMB1,798,000 as at 31 December 2011 (2010: nil) represented internally generated assets relating to the development of a Health Care Information Sharing Platform project (Note 25).

Acquired trade name 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.

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Acquired trade name	20 years
Development costs	5 years

Notes to the Consolidated Financial Statements

16. AVAILABLE-FOR-SALE INVESTMENTS

	2011 RMB'000	2010 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

	2011 RMB'000	2010 RMB'000
Merchandise for resale	**4,572**	3,181

18. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	2011 RMB'000	2010 RMB'000
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profit less recognised loss	**21,944**	25,782
Less: Progress billings	**(15,742)**	(20,183)
Amounts due from contract customers	**6,202**	5,599

At 31 December 2011, retention money held by customers for contract works is amounted to RMB580,000 (2010: RMB362,000) and advances received from customers for contract work are amounted to RMB3,283,000 (2010 : RMB2,468,000).

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19. TRADE RECEIVABLES

	2011 RMB'000	2010 RMB'000
Trade receivables	**19,293**	19,181
Less: Allowance for doubtful debts	**(2,074)**	(2,838)
	17,219	16,343

The Group allows credit period ranging from 90 to 180 days to its trade customers. The Group does not hold any collateral over its trade receivables. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2011 RMB'000	2010 RMB'000
0 to 90 days	**10,833**	10,629
91 to 180 days	**473**	418
181 to 365 days	**2,104**	1,012
Exceeding 365 days	**3,809**	4,284
	17,219	16,343

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of approximately RMB4,279,000 (2010: RMB5,386,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss.

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	Exceeding 365 days RMB'000
31 December 2011	**17,219**	**12,940**	**12**	**458**	**3,809**
31 December 2010	16,343	10,957	90	1,012	4,284

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.

19. TRADE RECEIVABLES (Continued)

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

	2011	2010
	RMB'000	RMB'000
At 1 January	**2,838**	1,432
Impairment loss recognised in respect of trade receivables	**99**	1,406
Reversal of impairment loss recognised in respect of trade receivables	**(863)**	-
At 31 December	**2,074**	2,838

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB2,060,000 (2010: RMB1,997,000) which has been long outstanding for more than three years.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2011	2010
	RMB'000	RMB'000
Other receivables	**6,629**	8,358
Less: Allowance for doubtful debts	**(505)**	(750)
Deposits and prepayments	**7,187**	1,986
	13,311	9,594
Less: Amount shown under non-current assets	**-**	(3,580)
	13,311	6,014

The fair value of other receivables approximates to its carrying amount, as the impact of discounting is not significant.

At the end of each reporting period, 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.

Notes to the Consolidated Financial Statements

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20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

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

	2011 RMB'000	2010 RMB'000
At 1 January	**750**	725
Impairment loss recognised in respect of other receivables	**-**	25
Reversal of impairment loss	**(245)**	-
At 31 December	**505**	750

Included in the allowance for doubtful debts are individually impaired other receivables with an aggregate balance of approximately RMB505,000 (2010: RMB750,000) which has been long outstanding for more than three years. The Group does not hold any collateral over these balances.

21. PLEDGED BANK DEPOSITS / BANK BALANCES AND CASH

Pledged bank deposits

As at 31 December 2011,bank deposits of approximately RMB514,000 (2010: nil) were pledged to the bank to secure certain subcontracting projects in relation to business solutions development and will be released upon settlement of cost of subcontract services pursuant to the subcontracting agreement. Included in balance of approximately RMB450,000 (2010: nil) represents long-term bank deposits pledged for the subcontracting agreement which will be settled after 12 months after the end of the reporting period and is therefore classified as non-current assets. The pledged deposits carried interest at market rates which ranged from 0.001% to 0.5% per annum.

Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term deposits with an original maturity of six months or less (2010: six months or less). The bank balances and deposits carry interest at market rates which range from 0.001% to 3.05% (2010: 0.001% to 1.98%) per annum.

At 31 December 2011, the Group's bank balances and cash denominated in RMB amounted to approximately RMB52,407,000 (2010: RMB50,971,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Notes to the Consolidated Financial Statements

21. PLEDGED BANK DEPOSITS / BANK BALANCES AND CASH

(Continued)

Bank balances and cash (Continued)

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

	2011 RMB'000	2010 RMB'000
United States Dollar ("USD")	4,847	4,917
Japanese Yen	45	44
HKD	2,802	3,792

	2011 RMB'000	2010 RMB'000
Cash and cash equivalents for the purpose of the consolidated statement of financial position	60,101	59,724
Time deposits with an original maturity of more than three months when acquired	(27,223)	(18,390)
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	32,878	41,334

22. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2011 RMB'000	2010 RMB'000
0 to 90 days	5,066	1,480
91 to 180 days	69	-
181 to 365 days	112	1,976
Exceeding 365 days	2,567	4,988
	7,814	8,444

The average credit period on purchases of goods is 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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23. OTHER PAYABLES AND ACCRUED EXPENSES

	2011 RMB'000	2010 RMB'000
Other payables and accrued expenses	**21,156**	15,449
Deposits and prepayments received from customers	**4,219**	2,887
	25,375	18,336

24. SHARE CAPITAL

	2011 RMB'000	2010 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 2011, the Group received government grants of RMB150,000 (2010: RMB700,000) towards an innovated project, 數字媒體顯示系統. During the year ended 2011, RMB850,000 was recognised as other revenue upon the fulfillment of the related conditions (note 7).

During the year ended 31 December 2010, the Group received government grants of RMB1,800,000 towards a project for the development of Health Care Information Sharing Platform (note 15). Such government grants relate to intangible asset recognised. The amount received is initially recognised as deferred income on the statement of financial position and will be transferred to the statement of comprehensive income over the useful life of the relevant asset.

During the year ended 31 December 2010, an amount of RMB191,000 of government subsidy were recognised as other revenue (note 7) upon the fulfillment of the related conditions.

26. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereof during the current and prior years:

	Estimated tax losses RMB'000	Deferred income arising from government grant RMB'000	Total RMB'000
At 1 January 2010	-	-	-
(Charge) credited to profit or loss	625	(625)	-
At 31 December 2010 and 1 January 2011	625	(625)	-
(Charged) credited to profit or loss	(175)	175	-
At 31 December 2011	450	(450)	-

At the end of reporting period, the Group has unused tax losses of approximately RMB10,260,000 (2010: RMB10,255,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB1,800,000 (2010: RMB2,500,000) of such loss. No deferred tax asset has been recognised in respect of the remaining losses of approximately RMB8,460,000 (2010: RMB7,755,000) due to the unpredictability of future profit streams. At 31 December 2011, approximately RMB6,548,000 (2010: RMB8,062,000) included in the above unused tax losses will expire after five years from the year of assessment to which they related. Other losses may be carried forward indefinitely.

27. 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% (2010: 22%) 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 RMB1,194,000 (2010: RMB934,000).

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28. 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 2011 and 2010, there were no share options granted under the Share Option Scheme since its adoption.

Notes to the Consolidated Financial Statements

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 RMB'000	2010 RMB'000
Financial assets		
Loans and receivables (including pledged bank deposits and bank balances and cash)	**84,849**	84,830
Available-for-sale investments	**2,416**	2,416
	87,265	87,246
Financial liabilities		
Financial liabilities measured at amortised cost	**29,877**	24,268

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, pledged bank deposits, bank balances and cash, trade payables, other payables, accrued expenses and amounts due from / to a related party / associates / shareholders. 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 USD and 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.

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.

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29. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	2011 **RMB'000**	2010 RMB'000
Assets		
USD	**4,847**	4,917
HKD	**2,802**	3,792
	7,649	8,709

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2010: 5%) increase and decrease in RMB against relevant foreign currencies. 5% (2010: 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% (2010: 5%) change in foreign currency rates. A positive number indicates a decrease in loss where RMB strengthens 5% (2010: 5%) against the relevant foreign currencies. For a 5% (2010: 5%) weakening of RMB against the relevant currency, there would be an equal but opposite impact on the profit (loss) for the year.

	2011 **RMB'000**	2010 RMB'000
USD		
Profit (loss) for the year	**(242)**	(246)
HKD		
Profit (loss) for the year	**(140)**	(190)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate deposits with bank and is also exposed to fair value interest rate risk in relation to fixed-rate bank deposits. To mitigate the impact of interest rate fluctuations, the Group continually assesses and monitors the exposure to interest rate risk.

29. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

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 (2010: 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 (2010: 100 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2011 would increase/decrease by approximately RMB263,000 (2010: RMB262,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate deposits with bank.

Credit risk

As at 31 December 2011, 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 the PRC with exposure spread over a number of customers, which accounted for 93% (2010: 89%) of the total trade receivables as at 31 December 2011.

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29. 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 2011 and 2010, the financial liabilities including trade payables, other payables and accrued expenses, 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.

30. 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 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 of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs.

31. OPERATING LEASE COMMITMENTS

The Group as lessee

	2011 RMB'000	2010 RMB'000
Minimum lease payments paid under operating leases in respect of land and buildings	**1,872**	1,987

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:

	2011 RMB'000	2010 RMB'000
Within one year	**1,876**	1,356
In the second to fifth year inclusive	**2,823**	84
	4,699	1,440

Operating lease payments represented rentals payable by the Group for certain of its office premises. Leases are negotiated for an average of three years and rentals are fixed for an average of three years. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

The above commitments have included the commitment to an indirect shareholder (note 32(iii)).

The Group as lessor

Property rental income earned during the year was RMB472,000 (2010: RMB753,000).

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

	2011 RMB'000	2010 RMB'000
Within one year	**258**	660

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

32. RELATED PARTY TRANSACTION

i) Significant related party balances at the end of the reporting period are:

a) Amount due from a related party

Name of related party	Relationship			Maximum outstanding balances during the year	
		2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Shanghai Jiao Tong University Education (Group) Company Limited 上海交通大學教育(集團)有限公司	Subsidiary of Shanghai Jiao Tong University	**-**	-	**1,000**	1,000

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

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

	2011 RMB'000	2010 RMB'000
At 1 January	**1,000**	-
Impairment loss recognised in respect of amount due from a related party	**-**	1,000
At 31 December	**1,000**	1,000

b) Amounts due from associates

	2011 RMB'000	2010 RMB'000
Tong Yong	**191**	995
Duogao	**-**	160
	191	1,155

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

32. RELATED PARTY TRANSACTIONS (Continued)

i) Significant related party balances at the end of the reporting period are: (Continued)

c) Amounts due from a direct shareholder

	2011 RMB'000	2010 RMB'000
上海交大科技園有限公司（"上海交大科技園"）	**700**	-

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

d) Amount due to a related party

Name of related parties	**Relationship**	**2011 RMB'000**	2010 RMB'000
Shanghai Huikang Information Technology Company Limited 上海慧康信息技術有限公司（"Shanghai Huikang"）	Company controlled by a director of the Company	**(542)**	-
上海慧銘自動化信息產業有限公司（"上海慧銘"）	Associate of Withub Technology	**-**	(10)

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

e) Amount due to an indirect shareholder

	2011 RMB'000	2010 RMB'000
Shanghai Jiao Tong University	**(365)**	(365)

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

32. RELATED PARTY TRANSACTIONS (Continued)

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

		Relationship	2011 RMB'000	2010 RMB'000
(a)	Project income generated from			
	- Shanghai Huikang	Controlled by a director of the Company	**593**	-
	- 上海交大科技园	Shareholder	**1,150**	-
	-Duogao	An associate	**-**	912
(b)	Sub-contracting project cost to - 上海慧銘	Associate of Withub Technology	**-**	227
(c)	Operating lease payments to			
	-Shanghai Jiao Tong University	An indirect shareholder	**1,694**	1,694
(d)	Rental income from			
	- Tong Yong	An associate	**258**	497

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

(iii) At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases to Shanghai Jiao Tong University which fall due as follows:

	2011 RMB'000	2010 RMB'000
Within one year	**1,694**	1,129
In the second to fifth year inclusive	**2,823**	-
	4,517	1,129

32. RELATED PARTY TRANSACTIONS (Continued)

(iv) Remuneration for key management personnel, including amounts paid to the directors and highest paid employees as disclosed in note 8, is as follows:

	2011 RMB'000	2010 RMB'000
Short-term benefits	**1,125**	1,278
Post-employment benefits	**99**	110
	1,224	1,388

The remuneration of directors and key executive is determined by the remuneration committee having regard to the performance of individuals and market rate.

(v) The related party transaction in item (ii) (c) constitutes a continuing connected transaction as defined in Chapter 20 of the GEM Listing Rules.

33. MAJOR NON-CASH TRANSACTION

As at 31 December 2010, an indirect shareholder, Shanghai Jiao Tong University, agreed to waive partial rental payable by the Company of RMB926,000 and reimbursed leasehold improvement cost of RMB650,000 to the Company. The amounts waived and reimbursed were set off with amount due to an indirect shareholder.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Plant and equipment		359	1,284
Investments in associates		8,596	8,776
Intangible assets		3,748	2,250
Other receivable		-	3,580
Available-for-sale investments		2,416	2,416
Pledged bank deposits		450	-
Investments in subsidiaries		-	1,000
		15,569	19,306
Current assets			
Inventories		4,571	3,181
Amounts due from customers for contract works		6,202	5,599
Trade receivables		16,066	14,820
Deposits, prepayments and other receivables		13,309	6,010
Amounts due from subsidiaries	a	65	65
Amounts due from associates	a	191	1,155
Amount due from a shareholder	a	700	-
Pledged bank deposits		64	-
Bank balances and cash		52,400	51,292
		93,568	82,122
Current liabilities			
Trade payables		7,705	7,702
Other payables and accrued expenses		25,071	18,033
Amount due to a shareholder	a	365	365
Amount due to a related party	a	542	10
		33,683	26,110
Net current assets		59,885	56,012
		75,454	75,318

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

	Note	2011 RMB'000	2010 RMB'000
Capital and reserves			
Share capital		**48,000**	48,000
Reserves	b	**25,654**	24,818
Total equity		**73,654**	72,818
Non-current liability			
Deferred income		**1,800**	2,500
		75,454	75,318

Note:

(a) Balances with the subsidiaries / associates / shareholders / a related party

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

(b) Reserves

	Share premium RMB'000	Capital reserve (Note (i)) RMB'000	Statutory reserves (Note (ii)) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2010	61,068	16,000	223	(36,762)	40,529
Loss and total comprehensive expense for the year	-	-	-	(15,711)	(15,711)
At 31 December 2010 and 1 January 2011	61,068	16,000	223	(52,473)	24,818
Profit and total comprehensive income for the year	-	-	-	836	836
At 31 December 2011	61,068	16,000	223	(51,637)	25,654

(i) 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.

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

(b) Reserves (Continued)

(i) Capital reserve (Continued)

The capital reserve is non-distributable.

(ii) Statutory surplus reserve

The transfers to statutory surplus reserve are based on the net profit under the financial statements prepared using the 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. Under 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. In the event of 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.

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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 2011	2010	Principal activities
Shanghai Withub Zhirui Hi-Tech Co., Limited* 上海慧谷智睿高新科技有限公司	The PRC	Contributed capital	RMB5,000,000	**82%**	82%	Inactive
Shanghai Withub Information and Professional Training School (the "School")** 上海慧谷信息人才專修學院	The PRC	Contributed capital	RMB1,000,000	**100% (note (i))**	100% (note (i))	Inactive
Jiaoda Withub (Hong Kong) Limited*** 交大慧谷(香港)有限公司	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

Note:

(i) 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.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Turnover	**98,089**	85,622	84,608	87,642	100,686
Profit (loss) before tax	**1,280**	(16,126)	2,707	334	(801)
Income tax expense	**-**	–	–	–	–
Profit (loss) for the year	**1,280**	(16,126)	2,707	334	(801)
Attributable to:					
– Owners of the Company	**1,283**	(16,123)	2,707	334	(801)
– Non-controlling interest	**(3)**	(3)	–	–	–
Dividends	**-**	–	–	–	–
Earnings (loss) per share (in RMB) – Basic and diluted	**0.0027**	(0.0336)	0.0056	0.0007	(0.0017)

ASSETS AND LIABILITIES

	Year ended 31 December				
	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Non-current assets	**16,998**	19,568	34,013	32,754	32,909
Current assets	**102,360**	92,016	100,916	86,353	94,665
Total assets	**119,358**	111,584	134,929	119,107	127,574
Current liabilities	**34,096**	27,155	36,235	24,096	33,158
Non-current liability	**1,800**	2,500	891	–	–
Total liabilities	**35,896**	29,655	37,126	24,096	33,158
Total net assets	**83,462**	81,929	97,803	95,011	94,416
Share capital	**48,000**	48,000	48,000	48,000	48,000
Reserves	**35,468**	33,932	49,803	47,011	46,416
	83,468	81,932	97,803	95,011	94,416
Non-controlling interest	**(6)**	(3)	–	–	–
	83,462	81,929	97,803	95,011	94,416