浙大蘭德

ZHEDA LANDE SCITECH LIMITED*

浙江浙大網新蘭德科技股份有限公司

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

Stock Code: 8106

Annual Report 2012

* 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 established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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CORPORATE INFORMATION

DIRECTORS

Executive directors

Mr. Chen Ping *(Chairman)*
Mr. Chao Hong Bo
Mr. Xia Zhen Hai
Mr. Xie Fei
Mr. Wang Linhua
Mr. Wang Yong Gui

Independent non-executive directors

Mr. Zhang De Xin
Mr. Cai Xiao Fu
Mr. Mr. Gu Yu Lin

SUPERVISORS

Supervisors

Mr. Xie Jian Ping *(Chairman)*
Mr. Wang Li Jun
Ms. Liu Chun Fang

Independent supervisors

Mr. Feng Pei Xian
Ms. Wang Xiao Li

AUTHORISED REPRESENTATIVE

Mr. Chen Ping
Ms. Chan Ching Yi, Yvonne *FCCA*

COMPLIANCE OFFICER

Mr. Chao Hong Bo

COMPANY SECRETARY

Ms. Chan Ching Yi, Yvonne *FCCA*

AUDIT COMMITTEE

Mr. Gu Yu Lin *(Chairman)*
Mr. Zhang De Xin
Mr. Cai Xiao Fu

REMUNERATION COMMITTEE

Mr. Gu Yu Lin *(Chairman)*
Mr. Chen Ping
Mr. Cai Xiao Fu

NOMINATION COMMITTEE

Mr. Zhang De Xin *(Chairman)*
Mr. Chen Ping
Mr. Gu Yu Lin

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN CHINA

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The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai
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HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
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Wanchai
Hong Kong

AUDITOR

SHINEWING (HK) CPA Limited
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33 Hysan Avenue
Causeway Bay, Hong Kong

PRINCIPAL BANKER

Shanghai Pudong Development Bank
Hangzhou Branch
129 Yanan Road
Hangzhou City
Zhejiang Province
The People's Republic of China

STOCK CODE

8106

CHAIRMAN'S STATEMENT

I would like to present hereby on behalf of the board of directors (the "Board" or the "Directors") of Zheda Lande Scitech Limited (the "Company") the 2012 Annual Report of the Company and its subsidiaries (together the "Group").

FINANCIAL HIGHLIGHTS

I hereby announce that for the year ended 31 December 2012, the Group realised a turnover of approximately RMB57,421,000 with a net profit attributable to owners of the Company of approximately RMB8,327,000.

The Board does not recommend a payment for final dividends for the financial year ended 31 December 2012.

OPERATIONS REVIEW AND FUTURE PROSPECTS

In 2012, under the premise of cost reduction, the Company made its greater efforts to strictly control the costs and expenses, and actively explore the business model and expansion of new business areas, and follow-up support to strengthen the existing business development plan for each product line. At the present time, the Company is of smooth development in the search for new business opportunities, strengthen cooperation with partners, including operators. We expect a breakthrough in the new mobile Internet business.

Finally, on behalf of the Board and the management, I would like to thank all our business partners, customers and shareholders for their valuable support.

Chen Ping
Chairman

28 March 2013
Hangzhou, the PRC

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

1. Review of operating results for the year

For the year ended 31 December 2012, the consolidated turnover of the Group was approximately RMB57,421,000, representing a decrease of approximately RMB5,497,000, or approximately 8.74% as compared with that of 2011.

The net profit attributable to owners of the Company for the year ended 31 December 2012 was approximately RMB8,327,000, comparing to the net loss attributable to owners of the Company for the year ended 31 December 2011 of approximately RMB3,582,000.

During the year, the Company's business promotion continued to strengthen, however, business income has not been improved so much. The whole profitability of the Group's business is currently inadequate.

2. Product and business development

During the year, the Company continuously strengthens the cooperation with operators and actively promotes the applications and introduction of company products to various markets. The Company has the existing businesses of 114 Bai Shi Tong Alliance business, SMS business cards, missed call alert and PCA, which are operated and implemented constantly with stable development. The Company continues to implement the strategy of setting up city-life portal, create community portal for city and develop community e-commerce, so as to achieve a breakthrough of discount business. Currently, e-commerce team is formed and completed the constructions of two community.

The Company has leveraged on the digital campus opportunity, to greatly develop the Jiaoyubao business, and integrating education resources for provision of comprehensive campus services for customers, through stepping up cooperation between the Company and Zhejiang Telecom ECP. The Company has made good progress in the deployment of applications for the taxation sector in the ECP industry.

3. Investment and cooperation

During the year, the Company maintained a satisfactory relationship with the major operators and technical institutions.

During the year, the company continues to implement the development strategy of the mobile Internet, the Company has disposed the equity interest in Zhejiang Lande Zongheng Internet Technology Company Limited, in order to further strengthen the Company's core business layout and support the development of its core business.

4. Employees information

As at 31 December 2012, the total number of employees of the Group was approximately 312 (2011: 265).

During the year, the staff costs of the Group amounted to approximately RMB11,148,000 (2011: RMB9,447,000)

The Group formulated its human resources management strategies under the guidance of the Group's development strategy, aiming at targets established under its long-term planning. As an important part of the Group's development strategy, the human resources management strategy played an important supporting and propelling role in realizing the overall development strategy of the Group. The Group builds its human resources management structure from an overall strategic perspective, having the incentive mechanism combined with other links of human resources management and promoting one another.

The Group opened up as many entrances as possible and established multiple recruitment channels to set up a talent-attracting mechanism. It also emphasized better use of human resources, and cultivating an agreeable mechanism for application and cultivation of talent.

The Group has set up an annual target salary system featuring performance assessment combined with remuneration management. The annual target salary is determined and paid out in accordance with the assessment results, whereby a comprehensive assessment is made on an employee after reasonable evaluation on his/her performance, capability and attitude. With these two things closely linked to each other, we have been able to effectively encourage our staff and guarantee the accomplishment of the Group's targets.

The Group attached great concern on the personal development of our staff and provided them with many types of training to improve themselves in terms of quality and skills. Through assessment on the responsibilities and capabilities of our staff, hiring professional consultancy companies to design staff training system, we tailored training courses for each individual, so as to make them better fit in their posts and help them grow in every aspect of their professional career. Only when the employees receive satisfactory improvement, can our Company have a bright future.

The Group currently has not issued any options nor does it have any bonus scheme.

REVIEW OF FINANCIAL POSITIONS

- The Group maintained creditable financial conditions. For the year ended 31 December 2012, the Group was mainly financed by proceeds generated from daily operations.

- As at 31 December 2012, the Group's cash and bank deposits balances amounted to approximately RMB14,774,000 (2011: RMB25,005,000).

- As at 31 December 2012, the Group had no borrowings (2011: Nil).

- As at 31 December 2012, the Group had a total asset value of approximately RMB106,078,000 (2011: RMB97,887,000).

- As at 31 December 2012, the Group had current liabilities of approximately RMB16,794,000 (2011: RMB17,624,000).

- As at 31 December 2012, the Group had owner's equity of approximately RMB84,017,000 (2011: RMB75,690,000).

- As at 31 December 2012, the Group had non-controlling interests of approximately RMB5,267,000 (2011: RMB4,573,000).

- As at 31 December 2012, the Group had a gearing ratio (i.e. the ratio of liabilities to total assets) of approximately 15.83% (2011: 18.00%).

- As at 31 December 2012, the Group had a net current ratio (i.e. the ratio of current liabilities to current assets) of approximately 16.83% (2011: 19.85%).

- As all of the Group's account payables of purchases and account receivables of sales are in Renminbi, there is no foreign exchange risk.

- As at 31 December 2012, the Group had no bank deposits pledged to secure the bills payable of the Group (2011: Nil).

FUTURE PROSPECTS

1. Orders in hand/Status in sales contract

The existing business of the Group and its subsidiaries, includes Bai Shi Tong Alliance, SMS business cards, missed call alert, 114 business information and PCA. All business contracts are valid and the operations are conducted steadily with various operators. In addition, the Group and the business partners constantly promote the corporate community portal and community portal e-commerce discount business to various markets and develop customers. Jiaoyubao and ECP industry applications Qishuitong are also becoming income sources of the Company.

For mobile Internet application business, the customer-end software for communication terminals introduced by the Company has attracted more stable customer base, which will become important resources and channels for the next round of business expansion of the Company.

2. Prospects of new business and new products

While planning for mobile Internet application business, the Company has also continued to accumulate talent and source resources; and find the applications direction of the industry. Through the development of the Company's existing product line, the Company has accumulated a considerate customer base. Together with providing services to the customers while enhancing the functionality and experience of the use of the products, these customers eventually will play a propelling role of bringing revenue to the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive directors

Mr. Chen Ping, aged 48, is the chairman and the chief executive officer of the Company. He is an advisor to students seeking their master degree and an associate professor at Zhejiang University. Mr. Chen graduated from the Department of Computer Science at Zhejiang University with a bachelor degree and a master degree in computer applications in July 1987 and December 1989, respectively. Since graduation from Zhejiang University, Mr. Chen has been involved in the R&D of computer networking and communication platforms, particularly in wireless data communication platforms and was awarded the Zhejiang Province Science and Technology Advancement Second Prize and Third Prize in 1993. Mr. Chen had previously conducted classroom lectures in the Department of Computer Science and Technology at Zhejiang University for 7 years up to 1997. Mr. Chen published two computers networking academic textbooks and a number of academic research papers in the People's Republic of China (the "PRC" or "China"). Mr. Chen joined the Company in May 1997.

Mr. Chao Hong Bo, aged 49, received a bachelor degree of engineering from Beijing university of Posts and Telecommunications in 1985 and a master degree of economics from Renmin University of China in 1987. After graduation, Mr. Chao worked as a research assistant in State Bureau of Commodity Prices of the PRC until 1993. During the period between 1993 and 1999, Mr. Chao was the vice editorial director of National Development and Reform Commission of the PRC (previously known as State Planning Commission of the PRC). From 1999 to 2001, he has been serving as the chief executive director of Guoheng Shengxing Media Science Group Company Limited, a substantial shareholder of the Company. Mr. Chao has been appointed as an executive Director with effect from 20 July 2007.

Mr. Xia Zhen Hai, aged 40, graduated with a PhD degree in engineering from Zhejiang University. He is also now the senior member of International Financial Management Association. From 2001 to 2005, Mr. Xia served at the Shanghai office of JS Cresvale Securities International Limited. From 2005 to 2007, he was the representative of Samsung Securities Co. Ltd., Shanghai office. Mr. Xia is now the legal representative and executive director of the Shanghai Longtail Investment Management Co., Ltd. Mr. Xia was appointed as an executive director in September 2007.

Mr. Xie Fei, aged 43, graduated from Zhejiang University of Finance & Economics with an associate degree in international accounting and a bachelor degree in accounting. He is a Certified Public Accountant and a Certified International Internal Auditor in the PRC. Mr. Xie served in the finance department of Zhejiang Machinery and Equipment Import and Export Co., Ltd. (浙江省機械設備進出口公司) between 1991 and 1999 and in the finance department of Hangzhou Alcatel Communication System Co., Ltd. (杭州阿爾卡特通訊系統有限公司) between 1999 and 2001. Since 2001, Mr. Xie has been serving at Insigma Technology Co. Ltd. (浙大網新科技股份有限公司), a substantial shareholder and a company listed on the Shanghai Stock Exchange. Mr. Xie is currently the manager of audit department of Insigma Technology Co. Ltd. (浙大網新科技股份有限公司).

Mr. Wang Linhua, aged 38, is the Company's financial controller and vice president, is responsible for the whole spectrum of corporate finance. Mr. Wang graduated from the Xian University of Finance and Economics in Accounting, and is a graduate of master in professional accounting in Zhongnan University of Economics and Law, and he has many years of experience in corporate finance management. Mr. Wang joined the Company in January 2008.

Mr. Wang Yong Gui, aged 38, is the secretary to the Board and vice president of the Company. He graduated from the Institute of Managerial Economics in the Industrial University of Shenyang, with a specialized bachelor's degree in International Finance. He has abundant experience in corporate governance of listed company and investment and financing. Mr. Wang joined the Company in July 2002.

Independent non-executive directors

Mr. Zhang De Xin, aged 82 graduated from the faculty of Electrical & Mechanical Engineering at Zhejiang University in July 1953 and at Tsing Hua University in June 1956, respectively. He attended Illinois Institute of Technology in the United States from June 1982 to May 1984 to conduct research in the fields of Electrical & Mechanical as well as Computer Engineering. Professor Zhang has served as a professor at Zhejiang University's faculties of Electrical & Mechanical Engineering, Wireless Engineering and Computer Science for 37 years since 1956. He has also been a committee member of Zhejiang Political Consultative Conference for two terms in 1988 and 1993. Moreover, Professor Zhang has been involved in numerous research projects and studies in computing networks. Professor Zhang is awarded winner of the Zhejiang Province Science and Technology Advancement in 1989, 1991 and 1993 for three times. Mr. Zhang joined the Company in October 2001.

Mr. Cai Xiao Fu, aged 73, is a senior engineer and the chairman of Zhejiang Province Software Industry Association, inspecting and monitoring the development of Zhejiang Province IT industry. Mr. Cai graduated from Tsing Hua University's faculty of Control Automation in July 1963. He attended the Polytechnic of Cranfield in the United Kingdom during October 1981 to January 1984 to research aeronautics and computer simulation devices. Mr. Cai joined the Company in October 2001.

Mr. Gu Yu Lin, aged 42, graduated from the Faculty of Finance and Accounting of Fudan University in June 1997. Mr. Gu is an assistant accountant. Mr. Gu is currently working in the general office of Zhejiang University. He has been the independent supervisor of the Company before and was appointed as an independent non-executive director since September 2004. Mr. Gu is the chairman of the audit committee of the Company.

SUPERVISORS

Supervisors

Mr. Xie Jian Ping, aged 49, graduated from Shanghai College of Railway Public Security (上海鐵路公安 專科學校) majoring in public order management. Between 1984 and 1998, he served as a public security officer in Hangzhou Public Security Bureau. In 1999. Mr. Xie joined the Company as an office manager. He was then promoted as the manager of the procurement department and is currently the manager of data communication product department of the Company.

Mr. Wang Li Jun, aged 39, graduated from Hangzhou Shipping Industrial College (杭州船舶工業學校) in 1991 majoring in computer science. Prior to joining the Group in June 2007, Mr. Wang served in a number of information technology and software companies and was responsible for corporate operations and technology development. In June 2007, Mr. Wang joined the Company as a product manager. He is currently the product director and assistant to general manager of 浙江蘭創通信有限公司, a 85% subsidiary of the Company.

Ms. Liu Chun Fang, aged 45, graduated from Central University of Finance and Economics (中央財經大學) in 1995 majoring in finance and accounting. Ms. Liu was an accountant in the Technology Service Company under the Administrative Bureau of Chinese Academy of Sciences. She is currently a deputy manager of the finance department of Guoheng Fashion Media Science Group Company Limited (國恆時尚傳媒科技集團股份有限公司), a shareholder holding approximately 9.57% of the issued share capital of the Company.

Independent supervisors

Mr. Feng Pei Xian, aged 75, graduated from Dong Kung College. He was the assistant chief engineer of the 52nd Research officer of Ministry of Information Industry of the Research Institute and Chief Editor of "External Computer Equipment". Mr. Feng is now the Chief Secretariat of the Zhexiang Computer User Association and senior reporter of the China Computer News in Zhexiang. Mr. Feng joined the Company in April 2001.

Ms. Wang Xiao Li, aged 44, graduated from Zhejiang Finance Institute in 1996 majoring in accounting. Ms. Wang obtained the certificate of intermediate accounting and has 14 years of experience in financial management. Ms. Wang is currently the head of finance in 浙江浩天信息科技有限公司.

SENIOR MANAGEMENT

Mr. Chen Ping, aged 48, is the chairman and the chief executive officer of the Company. He is an advisor to students seeking their master degree and an associate professor at Zhejiang University. Mr. Chen graduated from the Department of Computer Science at Zhejiang University with a bachelor degree and a master degree in computer applications in July 1987 and December 1989, respectively. Since graduation from Zhejiang University, Mr. Chen has been involved in the R&D of computer networking and communication platforms, particularly in wireless data communication platforms and was awarded the Zhejiang Province Science and Technology Advancement Second Prize and Third Prize in 1993. Mr. Chen had previously conducted classroom lectures in the Department of Computer Science and Technology at Zhejiang university for 7 years up to 1997. Mr. Chen published two computers networking academic textbooks and a number of academic research papers in China. Mr. Chen joined the Company in May 1997.

Mr. Luo An, aged 49, vice president of the Company, is an engineer and the general manager of Hangzhou Huaguang Computer Engineering Co., Ltd., a subsidiary of the Company. Mr. Luo is a graduate of master in Software Computing and Theoretical Science of Zhejiang University. Mr. Luo had worked at managements positions in 浙江天昌集團高科技開發公司 and 湖州軍普電腦公司, respectively. Mr. Luo has over 10 years of management experience in the field of information technology. Mr. Luo joined the Company in September 2009.

Mr. Wang Linhua, aged 38, is the Company's executive director, financial controller and vice president, is responsible for the whole spectrum of corporate finance. Mr. Wang graduated from the Xian University of Finance and Economics in Accounting, and is a graduate of master in professional accounting in Zhongnan University of Economics and Law, and he has many years of experience in corporate finance management. Mr. Wang joined the Company in January 2008.

Mr. Wang Yong Gui, aged 38, is the secretary to the Board and vice president of the Company. He graduated from the Institute of Managerial Economics in the Industrial University of Shenyang, with a specialized bachelor's degree in the International Finance. He has abundant experience in corporate governance of listed company and investment and financing. Mr. Wang joined the Company in July 2002.

Mr. Gao Zhan, aged 42, is the vice president of the Company and general manager of 浙江蘭創通信有限公司. Mr. Gao graduated from the Department of Electronic Engineering of Hanzhou Institute of Electronic with a bachelor's degree in radio technology. Mr. Gao has been in the areas of data service and telecommunication value-added service for many years and has extensive experiences in planning, operation, management and market operation of broadband data service and value-added business. Mr. Gao joined the Company in April 2005.

Ms. Chan Ching Yi, aged 38, is the Company Secretary of the Company. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. Chan holds a bachelor's degree in accountancy and has accumulated more than 14 years of financial and auditing experience. She is currently the company secretary of Kingdom Holdings Limited (stock code: 528) and Shifang Holding Limited (stock code: 1831), both companies listed on the Main Board of the Stock Exchange.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Group recognises the importance of achieving and monitoring the high standard of corporate governance consistent with the need and requirements of its business and the best interest of all of its shareholders.

The Group is fully committed to doing so. Throughout the year ended 31 December 2012, the Company has adopted and complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules, except for the deviation from CG Code Provision A.2.1 as explained below. The Board will continue to review regularly and take appropriate actions to comply with the CG Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Mr. Chen Ping is both the Chairman and Chief Executive Officer of the Company who is responsible for managing the Board and the Group business. The Board considers that, with the present Board structure and scope of business of the Group, there is no imminent need to separate the roles into two individuals as Mr. Chen is perfectly capable of distinguishing the priority of these roles in which he has been acting. However, the Board will continue to review the effectiveness of the Group corporate governance structure to assess whether the separation of the positions of Chairman and Chief Executive Officer is necessary.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 December 2012. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors throughout the year ended 31 December 2012.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises six executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Chen Ping *(Chairman, Chief Executive Officer)*
Mr. Chao Hong Bo
Mr. Xia Zhen Hai
Mr. Jin Lian Fu *(resigned on 21 December 2012)*
Mr. Xie Fei
Mr. Wang Linhua
Mr. Wang Yong Gui *(appointed on 21 December 2012)*

Independent Non-executive Directors

Mr. Zhang De Xin
Mr. Cai Xiao Fu
Mr. Gu Yu Lin

The Board's primary responsibilities are to formulate the Company's long-term corporate strategy, oversee the management of the Group, evaluate the performance of the Group and enhance long-term shareholder value.

The biographical details of the Directors are set out on pages 8 and 9 of this annual report.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. All executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company.

During the year, the Board complied at all times with the requirement of the GEM Listing Rules relating to the appointment of at least 3 independent non-executive directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

The list of Directors and their role and function are published on the websites of the Stock Exchange.

As part of an ongoing process of directors' training, the Directors are updated with latest developments regarding the GEM Listing Rules and other applicable regulatory requirements from time to time to ensure compliance of the same by all Directors. All Directors are encouraged to attend external forum or training courses on relevant topics which may count towards continuous professional development training. Pursuant to the CG Code, which has come into effect from 1 April 2012, Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. For the period from 1 April 2012 to 31 December 2012, all Directors have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

Each Director ensures that he can give sufficient time, commitments and attention to the affairs of the Company for the year.

The Board is provided with monthly financial summaries which contain year-to-date key figures of the Group. The monthly financial summaries give a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail.

The Company has arranged for appropriate liability insurance to indemnify its Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed regularly.

The following table shows the attendance of individual Directors at the meetings of the Board and other Board committees held during the year:

Director	Note	Board	Audit Committee	Meeting attended Remuneration Committee	Nomination Committee
Executive Directors					
Mr. Chen Ping		5/5		1/1	1/1
Mr. Chao Hong Bo		3/5			
Mr. Xia Zhen Hai		3/5			
Mr. Jin Lian Fu	1	4/4			
Mr. Xie Fei		5/5			
Mr. Wang Linhua		5/5			
Mr. Wang Yong Gui	2	1/1			
Independent Non-executive Directors					
Mr. Zhang De Xin			4/4		1/1
Mr. Cai Xiao Fu			4/4	1/1	
Mr. Gu Yu Lin			4/4	1/1	1/1

1. resigned on 21 December 2012
2. appointed on 21 December 2012

In addition, the Company has maintained a procedure for the Directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

Moreover, the company secretary prepares minutes and keeps records of matters discussed and decisions resolved at all Board meetings. The company secretary also keeps the minutes, which are open for inspection at any reasonable time on reasonable notice by any Director.

APPOINTMENT, RE-ELECTION AND REMOVAL

Appointment and re-election of Directors need to be approved by shareholders' meetings. The term of each Director is three years, and can be re-elected in succession. According to the stipulations of articles of association, the Company cannot terminate the office of a director without course. The resignation and termination of a Director should need reasonable explanation. The articles of association stipulates that the terms of all Directors are three years and can continue to hold office when re-elected. Any Director to be appointed for replacing in vacancy must be thereafter elected in the Company's following shareholders' meeting. The Company does not require the rotation of Directors in three years. Instead, Directors are elected by shareholders' meeting, and can be reappointed.

BOARD COMMITTEES

To maintain a high level of corporate governance standard, the Board has set up some committees as follows:

- **Audit Committee**

  The Company has an Audit Committee with written terms of reference in compliance with the requirements as set out in the GEM Listing Rules. The Committee is currently composed of three independent non-executive Directors, namely, Mr. Gu Yu Lin, Mr. Cai Xiao Fu and Mr. Zhang De Xin; and is chaired by Mr. Gu Yu Lin.

  The primary duties of the Committee are to review the Company's annual report, consolidated financial statements and audited annual results, half-yearly report and quarterly reports and to advise and comment thereon to the Board. The Committee is also responsible for reviewing and supervising the financial reporting process and internal control of the Group. In the course of doing so, the Committee has met the Company's management several times and the external auditor once during the year ended 31 December 2012. The Committee has reviewed the audited financial results of the Group for the year ended 31 December 2012.

- **Remuneration Committee**

  The Company has a Remuneration Committee with the terms of reference in alignment with the provisions as set out in the CG Code. During the year, the Committee comprises two independent non-executive Directors, namely, Mr. Gu Yu Lin, Mr. Cai Xiao Fu, and one executive Director, Mr. Chen Ping, the Chairman of the Company; and is chaired by Mr. Gu Yu Lin.

  The main responsibilities of the Committee are to review and endorse the remuneration policies of the Directors and senior management and to make recommendations to the Board for the remuneration of the Directors. The Committee ensures that no Director is involved in deciding his own remuneration.

- **Nomination Committee**

  The Company established a Nomination Committee on 30 March 2012 and adopted the terms of reference in alignment with the provisions as set out in the CG Code. The Committee comprises Mr. Chen Ping, the Chairman of the Company and executive Director and two independent non-executive Directors, namely, Mr. Zhang De Xin, Mr. Gu Yu Lin, and is chaired by Mr. Zhang De Xin.

  The responsibilities of the Committee include reviewing the structure, size and composition of the Board; identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on selection of individual nominated for directorships; making recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive; and determining the policy for nomination of Directors.

CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function is carried out by the Board pursuant to a set of terms of reference adopted by the Board in compliance with Code Provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

COMPANY SECRETARY

Ms. Chan Ching Yi has been the Company Secretary of the Company. Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered and Certified Accountants. She reports to the Board and assists the Board in functioning effectively and efficiently. During the year, Ms. Chan undertook not less than 15 hours of professional training to update her skill and knowledge.

AUDITOR'S REMUNERATION

During the year, the Group incurred approximately RMB474,000 for remunerations in respect of audit services provided by the Company's auditors.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is the independent auditor's responsibility to form an independent opinion, based on their audit, on those consolidated financial statements and to report their opinion to the Company's shareholders. The responsibilities of the independent auditor are set out in the independent auditor's report on pages 22 to 23 of the annual report.

INTERNAL CONTROLS

During report period, the Board held one meeting to appraise the validity of control inside the Company in an all-round way, supervisors and part of the senior executives seated in the meeting. The meeting confirmed that the procedures of internal control inside the Company are legally compliant and effective. The Board's annual review for the year ended 31 December 2012 as aforementioned has satisfactorily covered the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget.

INVESTOR RELATIONS

The Company disclosed all necessary information to the shareholders in compliance with GEM Listing Rules. The Company also replied and enquires from shareholders timely. The Directors host the annual general meeting each year to meet the shareholders and answer to their enquiries.

SHAREHOLDERS' RIGHTS

I. Convene an extraordinary general meeting

Two or more shareholders holding at the date of deposit of the requisition an aggregate of ten (10) per cent or more of the Company's issued shares of the Company carrying the right of voting of the Company (the "Eligible Shareholders") shall at all times have the right, by written requisition to the Company, to convene an extraordinary general meeting.

II. Send enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at Room 1116 – 1119, Sun Hung Kai Center, 30 Harbour Road, Wanchai, Hong Kong by post for the attention of the Company Secretary of the Company. In addition, the Company's website provides fax number and telephone number by which enquiries may be put to the Board.

III. Make proposals at general meetings

Eligible Shareholders who wishes to convene an extraordinary general meeting must deposit a written requisition signed by the Eligible Shareholders concerned to the principal place of business of the Company in Hong Kong as set out in the paragraph above, for the attention of the Company Secretary of the Company.

The Requisition must state clearly the name of the Eligible Shareholders concerned, their shareholding, the reason to convene an extraordinary general meeting, the agenda proposed to be included as well as the details of the business proposed to be transacted in the extraordinary general meeting.

On behalf of the Board
Chen Ping
Chairman

28 March 2013
Hangzhou, the PRC

REPORT OF THE DIRECTORS

The Board is pleased to present its annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the provision of telecommunication solutions, trading of hardware and computer software, provision of telecommunication value-added services and investment holding. The businesses of the Company's subsidiaries are set out in note 32 to the consolidated financial statements.

An analysis of the Group's turnover and loss for year on business segment activities basis has been set out in note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2012 and its state of affairs as at that date are set out in the consolidated financial statements on pages 24 to 65 of the annual report.

The Board does not recommend the payment of a final dividend and other appropriations for the year.

PROFIT AVAILABLE FOR DISTRIBUTION

At 31 December 2012, the Group did not have profit available for distribution to owners of the Company (2011: Nil).

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

BORROWINGS AND INTERESTS CAPITALISATION

The Group did not neither have bank loans nor capitalise any interest during the year (2011: Nil).

SHARE CAPITAL

Details of the Company's share capital are set out in note 25 to the consolidated financial statements.

RESERVES

Details of the reserves of the Group are set out in the consolidated statement of changes in equity on page 26 of the annual report.

RETIREMENT PLAN

Details of the retirement benefit schemes of the Group are set out in note 30 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group in aggregate accounted for approximately 39% of the Group's turnover and the largest customer of the Group accounted for approximately 18% of the Group's turnover for the year.

The five largest suppliers of the Group in aggregate accounted for approximately 48% of the Group's direct purchases and the largest supplier of the Group accounted for approximately 26% of the Group's direct purchases for the year.

None of the Directors, their respective associates, or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in any of the five largest customers and five largest suppliers of the Group for the year ended 31 December 2012.

FINANCIAL SUMMARY

A summary of the Group's results for each of the five years ended 31 December 2012 and the Group's assets and liabilities as at 31 December 2008, 2009, 2010, 2011 and 2012 is set out on page 66 of the annual report.

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. Chen Ping *(Chairman)*
Mr. Chao Hong Bo
Mr. Xia Zhen Hai
Mr. Jin Lian Fu (resigned on 21 December 2012)
Mr. Xie Fei
Mr. Wang Linhua
Mr. Wang Yong Gui (appointed on 21 December 2012)

Independent non-executive Directors
Mr. Zhang De Xin
Mr. Cai Xiao Fu
Mr. Gu Yu Lin

Supervisors
Mr. Xie Jian Ping *(Chairman)*
Mr. Wang Li Jun
Ms. Liu Chun Fang

Independent supervisors
Mr. Feng Pei Xian
Ms. Wang Xiao Li

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS
An Extraordinary General Meeting was held on 21 September 2010 for re-elections and appointment of Directors and supervisors. nine Directors and five supervisors were appointed. Each appointed Director and supervisor has entered into a three year service agreement with the Company. Ms. Dong Danqing and Ms. Gong Hui resigned as an executive director on 11 November 2011 and Mr. Wang Linhua and Mr. Xie Fei were appointed as an executive director on 11 November 2011. Mr. Jin Lian Fu resigned on 21 December 2012 and Mr. Wang Yong Gui was appointed as an executive director on 21 December 2012.

All appointments are subject to termination in certain circumstances as stipulated in the relevant service agreement. In the event that the appointment of the Director or supervisor is terminated in the annual general meeting of the Company without any reason, the relevant Director or supervisor may claim for compensation from the Company.

Saved as disclosed above, none of the Directors or supervisors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT
Biographical details of the Directors, supervisors and senior management are set out on pages 8 to 10 of the annual report.

DIRECTORS' AND SUPERVISORS' REMUNERATION AND HIGHEST PAID EMPLOYEES
Details of the Directors' and supervisors' remuneration and that of the highest paid employees are set out in notes 8 and 9 to the consolidated financial statements, respectively.

DIRECTORS' SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

Save as disclosed below, as at 31 December 2012, none of the Directors, supervisors or chief executives had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future ordinance (the "SFC")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers relating to securities transactions by Directors to be notified to the Company and the Stock Exchange:

Long position in shares

Name	Type of interests	Capacity	Number of Domestic Shares held	Percentage of beneficial interests in the Company's share capital
Director & Chief Executive Officer				
Chen Ping	Personal	Beneficial owner	36,392,320	10.21%

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contracts of significance to which the 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.

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

Save as disclosed herein, during the year ended 31 December 2012, none of the Directors, supervisors or chief executives was granted options to subscribe for shares of the Company. As at 31 December 2012, none of the Directors, supervisors or chief executives or any of their spouses and children under 18 years of age had any interest in, or had been granted any interest in, or had been granted, or exercised, had any rights to subscribe for shares (or warrants or debentures, if applicable) or to acquire shares of the Company.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing rules, had any interest in a business which competes or may compete with the business of the Group.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, so far as was known to any Directors, supervisors or chief executives, as at 31 December 2012, no persons or companies (other than the interests as disclosed above in respect of the Directors) who had equity interests or short positions in the shares or underlying share of the Company which would fall to be disclosed under Division 2 and 3 or Part XV of the SFO; or who were deemed to be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; or who were substantial shareholders as recorded in the register maintained under section 336 of the SFO:

Long position in shares

Shareholder	Capacity	Number of shares held	Percentage of beneficial interests in the Company's share capital
Insigma Technology Co. Ltd	Beneficial owner	81,802,637 Domestic Shares	22.94%
Shanghai Longtail Investment Management Co., Ltd.	Beneficial owner	34,117,808 Domestic Shares	9.57%
Guoheng Fashion Media Technology Group Co. Ltd	Beneficial owner	34,117,800 Domestic Shares	9.57%
Fong For	Beneficial owner	21,735,000 H Shares	6.10%
Wu Zhong Hao	Beneficial owner	16,490,280 Domestic Shares	4.63%
Liu Qiao Ping	Beneficial owner	10,235,340 Domestic Shares	2.87%
Shi Chun Hua	Beneficial owner	7,235,812 Domestic Shares	2.03%

RELATED AND CONNECTED PARTY TRANSACTIONS

Except otherwise disclosed in note 29 to the consolidated financial statements, the Group had no transactions which need to be disclosed as connected transaction in accordance with the requirements of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company's conditional share option scheme conditionally approved by a resolution of the shareholders of the Company dated 20 April 2002 (the "Share Option Scheme") has been expired on 20 April 2012. No options had been granted by the Company under the Share Option Scheme since its adoption.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

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 2012.

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights in the Company's Articles of Association.

AUDIT COMMITTEE

The Company established an audit committee in November, 2001 with written terms of reference in compliance with the requirements as set out in Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review the Group's annual report and accounts, half-year report and quarterly reports and provide advice and comments thereon to the Board and to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises three independent non-executive directors, Mr. Gu Yu Lin, Mr. Zhang De Xin and Mr. Cai Xiao Fu whereas Mr. Gu Yu Lin is the chairman. During the year, the audit committee reviewed the first quarterly report, half-year report, the third quarterly report of the Group for the year 2012 and the annual report of the Group for the year 2011. The audit committee also reviewed the annual report of the Group for the year 2012.

AUDITOR

During the year, SHINEWING (HK) CPA Limited was reappointed as auditor of the Company. The consolidated financial statements of the Group for each of the three years ended 31 December 2012 was audited by SHINEWING (HK) CPA Limited.

On behalf of the Board
Chen Ping
Chairman

28 March 2013
Hangzhou, the PRC

REPORT OF THE SUPERVISORY COMMITTEE

The Supervisor Committee is pleased to present the annual report for the year of 2012.

SUPERVISORY COMMITTEE OPERATION REVIEW

In the year, the supervisors of the Company convoked five meetings to review the quarterly results and the audited annual financial statements and attended every board meeting held.

During the year, the Supervisory Committee has examined the legitimacy and validity, pursuant to the investiture of the shareholders' meeting and articles of association, upon convocation and voting procedures of meetings of the Board. We inspected whether the resolutions passed by Board correspond with the PRC laws and the stipulations of articles of association or not, and adduced feasible proposals. The Supervisory Committee considered that the convocation and the voting procedures of the Board meetings correspond with the PRC laws and articles of association. The shareholders' meeting's resolution can be executed effectively. The Supervisory Committee can obtain the respect and its suggestions were accepted.

FINANCIAL POSITION OF COMPANY

In the year, the Supervisory Committee has supervised and inspected the operating results of the Company. It is considered that the report issued by the auditors presents truly, precisely and fairly the operating results of the Group. The consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards and the PRC accounting regulations, and has compiled with PRC statutory regulations correlated with accounting matters.

INTEGRITY OF AVOCATION OF DIRECTORS AND SENIOR MANAGEMENT

In the year, the Supervisory Committee executed its obligations and supervised on the integrity of avocation of the Board and senior management, in order to raise the Board's and senior management's onus to perform their duties with good faith and due diligence, and avoid the operational risk incurable to the Group because of personal fault.

During the year, the Supervisory Committee inspected and found that the Board and the managers did not violate China laws, regulations, and articles of association when executing their duties, and there was no occurrence of impairment to shareholders' benefit either.

By order of the Supervisory Committee
Mr. Xie Jian Ping
Chairman of the Supervisory Committee

28 March 2013
Hangzhou, the PRC

INDEPENDENT AUDITOR'S REPORT

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

TO THE MEMBERS OF ZHEDA LANDE SCITECH LIMITED
浙江浙大網新蘭德科技股份有限公司
(established as a joint stock limited company in the People's Republic of China)

We have audited the consolidated financial statements of Zheda Lande Scitech Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 65, which comprise the consolidated statement of financial position as at 31 December 2012, and 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 information.

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 International Financial Reporting Standards issued by the International Accounting Standards Board 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 the 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.

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 2012, and of the Group's profit and cash flows for the year then ended in accordance with International 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
Chan Wing Kit
Practising Certificate Number: P03224

Hong Kong
28 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Turnover	7	**57,421**	62,918
Cost of sales		**(27,418)**	(39,767)
Gross profit		**30,003**	23,151
Other operating income		**14,044**	7,638
Distribution and selling expenses		**(8,907)**	(7,244)
General and administrative expenses		**(26,535)**	(27,919)
Share of result of an associate	17	**1,433**	426
Loss on disposal of an associate	17	**(700)**	–
Profit (loss) before tax		**9,338**	(3,948)
Income tax	10	**(317)**	(27)
Profit (loss) for the year and total comprehensive income (expense) for the year	11	**9,021**	(3,975)
Profit (loss) for the year and total comprehensive income (expense) attributable to:			
Owners of the Company		**8,327**	(3,582)
Non-controlling interests		**694**	(393)
		9,021	(3,975)
		RMB	RMB
Earnings (loss) per share			
Basic and diluted	13	**2.34 cents**	(1.00) cents

Consolidated Statment of Financial Position

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Plant and equipment	14	**5,284**	5,284
Intangible assets	15	**38**	88
Goodwill	16	**956**	956
Interest in an associate	17	**–**	2,767
		6,278	9,095
Current assets			
Inventories	18	**1,062**	757
Trade receivables	20	**6,594**	7,792
Prepayments and other receivables	21	**77,370**	54,924
Amount due from an associate	22	**–**	314
Bank balances and cash	23	**14,774**	25,005
		99,800	88,792
Current liabilities			
Trade and other payables	24	**14,386**	15,762
Receipt in advance from customers		**495**	131
Income tax payables		**1,913**	1,731
		16,794	17,624
Net current assets		**83,006**	71,168
Net assets		**89,284**	80,263
Capital and reserves			
Paid-in capital	25	**35,655**	35,655
Reserves	26	**48,362**	40,035
Equity attributable to owners of the Company		**84,017**	75,690
Non-controlling interests		**5,267**	4,573
Total equity		**89,284**	80,263

The consolidated financial statements on pages 24 to 65 were approved and authorised for issue by the Board of Directors on 28 March 2013 and are signed on its behalf by:

Chen Ping
Director

Wang Linhua
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company						
	Paid-in capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	35,655	76,570	10,567	(43,520)	79,272	4,966	84,238
Total comprehensive expense for the year	–	–	–	(3,582)	(3,582)	(393)	(3,975)
At 31 December 2011	35,655	76,570	10,567	(47,102)	75,690	4,573	80,263
Total comprehensive income for the year	–	–	–	8,327	8.327	694	9,021
At 31 December 2012	35,655	76,570	10,567	(38,775)	84,017	5,267	89,284

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before taxation	9,338	(3,948)
Adjustments for:		
Amortisation of intangible assets	50	300
Write back of impairment loss on trade receivables	(1,129)	(15)
Write back of impairment loss on other receivables	(11,910)	(6,677)
Depreciation of plant and equipment	1,339	1,406
Impairment loss on intangible assets	–	1,800
Impairment loss on trade receivables	814	1,209
Impairment loss on other receivables	180	–
Interest income	(174)	(292)
Loss on disposal of plant and equipment	57	1
Loss on disposal of an associate	700	–
Share of result of an associate	(1,433)	(426)
Operating cash flows before movements in working capital	(2,168)	(6,642)
(Increase) decrease in inventories	(305)	3,033
Decrease in amounts due from customers for contract work	–	50
Decrease in trade receivables	1,513	5,750
(Increase) decrease in prepayments and other receivables	(11,036)	7,296
Decrease in amount due from an associate	314	–
Decrease in trade and other payables	(374)	(7,598)
Increase (decrease) in receipt in advance from customers	364	(3,690)
Cash used in operations	(11,692)	(1,801)
The People's Republic of China income tax paid	(135)	(60)
NET CASH USED IN OPERATING ACTIVITIES	(11,827)	(1,861)
INVESTING ACTIVITIES		
Proceeds from disposal of an associate	3,500	–
Proceeds from disposal of plant and equipment	32	–
Repayment from related parties (included in other receivables)	330	366
Interest received	174	292
Decrease in pledged bank deposits	–	2,200
Advance to related parties (included in other receivables)	(10)	–
Purchase of plant and equipment	(1,428)	(1,690)
NET CASH FROM INVESTING ACTIVITIES	2,598	1,168
FINANCING ACTIVITIES		
Repayment to related parties (included in other payables)	(1,002)	(1,301)
NET CASH USED IN FINANCING ACTIVITIES	(1,002)	(1,301)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,231)	(1,994)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	25,005	26,999
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	14,774	25,005

1. GENERAL

Zheda Lande Scitech Limited (the "Company") was established in the People's Republic of China (the "PRC") as a joint stock company with limited liability and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is principally engaged in the provision of telecommunication solutions, trading of hardware and computer software, provision of telecommunication value-added services, and investment holding. The principal activities of its subsidiaries are set out in note 32.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries (collectively referred to as the "Group").

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

Amendments to IFRS 1	Severe Hyperinflation and Removal of Fixed Date for First-time Adopters
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Asset
Amendment to IFRS 7	Financial Instruments: Disclosures – Transfer of Financial Asset
Amendment to IAS 1	As part of the Annual Improvements to IFRSs 2009-2011 Cycle issued in 2012

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

New and revised IFRSs issued but not yet effective

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

Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle, except for amendment IAS1[2]
Amendments to IFRS 1	First-time Adoption of IFRSs – Government Loans[2]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[4]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transaction Guidance[2]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entites[3]
IFRS 9	Financial Instruments[4]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosures of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 19 (as revised in 2011)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associate and Joint Ventures[2]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[3]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2014.
[4] Effective for annual periods beginning on or after 1 January 2015.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

Annual Improvements to IFRSs 2009 – 2011 Cycle issued in June 2012

- The Annual Improvements to IFRSs 2009 – 2011 Cycle included a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs included the amendments to HKAS 16 Property, Plant and Equipment and the amendments to IAS 32 Financial Instruments: Presentation.

- The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

- The amendments to IAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. The directors anticipate that the amendments to IAS 32 will have no material effect on the Group's consolidated financial statements.

- The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

- The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

- The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim period within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2013, with retrospective application required.

- The directors of the Company are in the process of assessing the impact from the application of these amendments on the disclosure, results and the financial positions of the Group and the Company.

Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The amendments to IFRS 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.

The directors anticipate that the application of the amendments to IFRS 7 will affect the group's disclosure regarding transfers of financial assets in the future.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9 are described as follows:

– IFRS 9 requires all recognised financial assets that are within the scope of IAS 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 reporting periods. In addition, under IFRS 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 IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the 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 IFRS 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 IAS 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.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2015 and that the application of the new standard will have no significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

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

Key requirements of these fives standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investees, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the invests to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joints arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structure entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these five IFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, 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 application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of IFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's investment in associates may become the Group's subsidiaries based on the new definition of control and the related guidance in IFRS 10). However, 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.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to IFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

– obtain funds from one or more investors for the purpose of providing them with professional investment management services;

– commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

– measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to IFRS 10, IFRS 12 and IAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. 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 extend of the impact.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to IAS 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 IAS 1 require items of other comprehensive income to be 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 do not change the option to present items of other comprehensive income either before tax or net of tax.

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

Other than disclosed above, the directors of the Company anticipate that application of the other new and revised standards and amendments will have no material impact on the results and the financial position of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or 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 on consolidation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of subsidiaries 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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted (please describe how the adjustment to non-controlling interests is determined) and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combination (Cont'd)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. 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 disposal or retirement of an item of plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are 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.

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 IAS 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 IAS 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 recognsied forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

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

(i) Income from provision of telecommunication solutions

Income from provision of telecommunication solutions is recognised by reference to the stage of completion of the contract. The stage of completion is determined by making reference to testing criteria as certified by the customers.

(ii) Income from trading of hardware and computer software

Revenue is recognised when the goods are delivered and the title 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.

(iii) Income from provision of telecommunication value-added services

Income from provision of telecommunication value-added services is recognised, net of discounts, when an arrangement exists, service is rendered, fixed or determined and collectability is probable.

(iv) Interest income

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

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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Intangible assets (Cont'd)

Research and development expenditure

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 followings 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 assets 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 assets is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Construction contracts

Where the outcome of a construction contract 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, measured based on 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 a construction contract 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 recognsied as an expense immediately.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is calculated using first-in-first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the 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. 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 and other receivables, amount due from an associate and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment of financial assets below).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

For all 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 into bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, 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 assets original effective interest rate.

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

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

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Financial liabilities

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest rate method.

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 liability 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.

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 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

Payment to PRC local government defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as expenses when employees have rendered service entitling them to the contributions.

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 deferred tax 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.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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.

For the purpose of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in IAS 12 (i.e. based on the expected manner as how the properties will be recovered.)

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

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. When 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.

In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

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 associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affect 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 an adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, an impairment loss may arise. As at 31 December 2012, the carrying amount of goodwill is approximately RMB956,000 (2011:RMB956,000). Details of the recoverable amount calculation are disclosed in note 16 and no impairment loss had been provided for the year ended 31 December 2012 (2011: Nil).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2012, the carrying amounts of trade receivables and other receivables are approximately RMB6,594,000 (net of impairment loss of approximately RMB5,696,000) and RMB71,967,000 (net of impairment loss of approximately RMB8,240,000) respectively (2011: the carrying amounts of trade receivables and other receivables are approximately RMB7,792,000 (net of impairment loss of approximately RMB6,011,000) and RMB50,190,000 (net of impairment loss of approximately RMB20,123,000), respectively.

Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate 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, no impairment loss had been provided for the year ended 31 December 2012 (2011: RMB1,800,000). As at 31 December 2012, the carrying amount of intangible assets is approximately RMB38,000 (2011: RMB 88,000).

5. 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 year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising paid in capital and reserves.

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

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a. Categories of financial instruments

	2012 **RMB'000**	2011 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**97,188**	84,746
Financial liabilities		
At amortised cost	**14,386**	15,762

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, amount due from an associate, bank balances and cash and trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (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.

(i) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2012 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 100% of trade and other receivables as at 31 December 2012 and 2011. The Group has no significant concentration of credit risk by any single debtor, with exposure spreading over a number of counterparties and customers.

Bank balances are placed in various authorised institutions and directors of the Company consider the credit risk for such is minimal.

(ii) Currency risk

The Group's principal businesses are conducted and recorded in RMB. Since the impact of foreign exchange exposure is minimal, no hedging against foreign currency exposure has been carried out by the directors of the Group.

(iii) Interest rate risk

The Group's exposure to interest rate risk is through the impact of rate changes on interest-bearing financial assets and liabilities. Interest bearing financial assets are mainly balances with banks which are all short-term in nature. There were no interest-bearing financial liabilities as at 31 December 2012 and 2011. The management monitors the movement in market interest rates and reviews such impact on the Group on a continuous basis to ensure that any future variations in interest rate will not have a significant adverse impact on the results of the Group.

Since the Company's exposure to interest rate risk is minimal, no sensitivity analysis has been prepared.

(iv) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when fall due in the foreseeable future. The Group's contractual maturity for all its financial liabilities are based on the agreed repayment terms and the undiscounted cash flows of financial liabilities based on the earliest date or while the Group can be required to pay. They are all within one year or on demand.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

c. Fair values of financial assets and financial liabilities

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their short-term maturities.

7. TURNOVER AND SEGMENT INFORMATION

Turnover comprises income from provision of telecommunication solutions, trading of hardware and computer software and provision of telecommunication value-added services, net of business tax and discounts during the year.

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

1. Provision of telecommunication solutions
2. Trading of hardware and computer software
3. Provision of telecommunication value-added services

No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segment of the Group. The following is analysis of the Group's revenue and results by reportable segment.

(a) Segment revenues and results

For the year ended 31 December

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment turnover	**960**	–	**25,447**	39,453	**31,014**	23,465	**57,421**	62,918
Segment results	**(30)**	–	**(1,263)**	(5,810)	**4,581**	3,972	**3,288**	(1,838)
Unallocated revenue							**15,477**	8,049
Unallocated expenses							**(9,427)**	(10,159)
Profit (loss) before taxation							**9,338**	(3,948)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administration costs, write back of/impairment loss on other receivables, directors' salaries, bank interest income, share of result of an associate, government grants and loss on disposal of an associate. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

7. TURNOVER AND SEGMENT INFORMATION (Cont'd)

(b) Segment assets and liabilities

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

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
As at 31 December								
Segment assets	**91**	–	**5,692**	13,994	**9,610**	9,243	**15,393**	23,237
Unallocated assets							**90,685**	74,650
Total assets							**106,078**	97,887
Segment liabilities	**–**	–	**2,374**	10,095	**971**	1,740	**3,345**	11,835
Unallocated liabilities							**13,449**	5,789
Total liabilities							**16,794**	17,624

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

- all assets are allocated to reportable segments other than pledged bank deposits, bank balances and cash, interest in an associate, amount due from an associate, balances with related parties and other receivables which are unable to allocate into reportable segments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to reportable segments other than current tax liabilities and balances with related parties. Liabilities for which reportable segments are jointly liable are allocated on the basis of the revenues earned by individual reportable segments.

7. TURNOVER AND SEGMENT INFORMATION (Cont'd)

(c) Other segment information:

For the year ended 31 December

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Unallocated		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Amounts included in the measure of segment profit or loss or segment assets:										
Addition to non-current assets	**–**	–	**–**	739	**1,428**	951	**–**	–	**1,428**	1,690
Depreciation	**–**	–	**203**	612	**1,136**	794	**–**	–	**1,339**	1,406
Write back of impairment loss on trade receivables	**–**	–	**(929)**	(15)	**(200)**	–	**–**	–	**(1,129)**	(15)
Impairment loss on trade receivables	**50**	–	**565**	1,009	**199**	200	**–**	–	**814**	1,209
Impairment loss on intangible assets	**–**	–	**–**	1,800	**–**	–	**–**	–	**–**	1,800
Loss on disposal of plant and equipment	**–**	–	**14**	1	**43**	–	**–**	–	**57**	1

For the year ended 31 December

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Unallocated		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:										
Amortisation of intangible asset	**50**	300	**–**	–	**–**	–	**–**	–	**50**	300
Interest in an associate	**–**	2,767	**–**	–	**–**	–	**–**	–	**–**	2,767
Interest income	**–**	–	**(6)**	(49)	**(168)**	(243)	**–**	–	**(174)**	(292)
Taxation	**–**	–	**–**	(6)	**317**	33	**–**	–	**317**	27
Impairment loss on other receivables	**–**	–	**–**	–	**–**	–	**180**	–	**180**	–
Share of result of an associate	**(1,433)**	(426)	**–**	–	**–**	–	**–**	–	**(1,433)**	(426)
Loss on disposal of an associate	**700**	–	**–**	–	**–**	–	**–**	–	**700**	–
Write back of impairment loss on other receivables	**–**	–	**–**	–	**–**	–	**(11,910)**	(6,677)	**(11,910)**	(6,677)

Non-current assets excluded goodwill and interest in an associate.

(d) Geographical information

Both revenue and non-current assets of the Group's operating segments are derived from or located in the PRC. Accordingly, no geographical information is presented.

7. TURNOVER AND SEGMENT INFORMATION (Cont'd)

(e) Information about major customer

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2012 RMB'000	2011 RMB'000
Customer A[1]	**10,617**	N/A*
Customer B[1]	**N/A***	8,951

[1] Revenue from provision of telecommunication value-added services

*Note: The corresponding revenue did not contribute over 10% of the total sales of the Group.

8. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The details of emoluments of each of ten (2011: eleven) directors and five (2011: five) supervisors for the years ended 31 December 2012 and 2011 are set out below:

For the year ended 31 December 2012

	Fees RMB'000	**Salaries and other benefits RMB'000**	**Contributions to retirement benefits scheme RMB'000**	**Total RMB'000**
Executive directors:				
Mr. Chen Ping	–	113	–	113
Mr. Chao Hong Bo	–	22	–	22
Mr. Xia Zhen Hai	–	22	–	22
Mr. Xie Fei	–	22	–	22
Mr. Jin Lian Fu (Note 1)	–	19	–	19
Mr. Wang Linghua	–	11	–	11
Mr. Wang Yong Gui (Note 2)	–	–	–	–
Independent non-executive directors:				
Mr. Cai Xiao Fu	22	–	–	22
Mr. Zhang De Xin	22	–	–	22
Mr. Gu Yu Lin	11	–	–	11
Supervisors				
Mr. Xie Jian Ping	–	–	–	–
Mr. Wang Li Jun	–	–	–	–
Ms. Liu Chun Fang	–	–	–	–
Ms. Wang Xiao Li	–	–	–	–
Mr. Feng Pei Xian	–	3	–	3
Total	55	212	–	267

8. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Cont'd)

For the year ended 31 December 2011

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive directors:				
Mr. Jin Lian Fu	–	148	–	148
Mr. Chen Ping	–	112	–	112
Mr. Chao Hong Bo	–	21	–	21
Mr. Xia Zhen Hai	–	21	–	21
Ms. Geng Hui (Note 3)	–	10	–	10
Ms. Dong Danqing (Note 3)	–	10	–	10
Mr. Wang Linghua (Note 4)	–	5	–	5
Mr. Xie Fei (Note 4)	–	5	–	5
Independent non-executive directors:				
Mr. Cai Xiao Fu	21	–	–	21
Mr. Zhang De Xin	21	–	–	21
Mr. Gu Yu Lin	21	–	–	21
Supervisors				
Mr. Xie Jian Ping	–	3	–	3
Mr. Wang Li Jun	–	3	–	3
Ms. Liu Chun Fang	–	3	–	3
Ms. Wang Xiao Li	–	3	–	3
Mr. Feng Pei Xian	–	3	–	3
Total	63	347	–	410

None of the directors or supervisors waived or agreed to waive any emoluments paid by the Group for the two years ended 31 December 2012.

Note 1: Resigned on 21 December 2012
Note 2: Appointed on 21 December 2012
Note 3: Resigned on 11 November 2011
Note 4: Appointed on 11 November 2011

Mr. Chen Ping is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

No emoluments were paid or payable to any directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office for the two years ended 31 December 2012.

9. EMPLOYEES' EMOLUMENTS

Details of the emoluments of the five highest paid individuals (including directors, supervisors and employees) were as follows:

During the year, the five highest paid individuals include two directors (2011: two) of the Company, whose emoluments have been included in Note 8 above. The emoluments of the remaining three (2011: three) individuals were as follows:

	2012 RMB'000	2011 RMB'000
Salaries and other benefits	463	734
Contributions to retirement benefits scheme	27	32
	490	766

The emoluments of each of these individuals for both years were less than HK$1,000,000 or equivalent to approximately RMB 812,000 (2011: RMB 811,000).

No emoluments were paid or payable to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the two years ended 31 December 2012.

10. INCOME TAX

	2012 RMB'000	2011 RMB'000
The tax charge comprises:		
PRC Enterprise Income Tax ("EIT")		
– current year	371	208
– overprovision in prior years	(54)	(181)
	317	27

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC enterprises is 25% for the two years ended 31 December 2012 and 31 December 2011.

The Company was subject to EIT at a rate of 15% (2011:15%) as they were classified as Advanced and New Technology Enterprise.

No provision for Hong Kong Profits Tax has been made for the subsidiary established in Hong Kong as the subsidiary did not have any assessable profits subject to Hong Kong Profits Tax during the two years ended 31 December 2012.

10. INCOME TAX (Cont'd)

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

	2012 RMB'000	2011 RMB'000
Profit (loss) before taxation	**9,338**	(3,948)
Tax at the domestic income tax rate of 15% (2011: 15%)	**1,401**	(592)
Tax effect of share of results of associates	**(36)**	(64)
Tax effect of expenses not deductible for tax purpose	**248**	957
Tax effect of income not taxable for tax purpose	**(3,401)**	(1,673)
Tax effect of tax losses not recognised	**1,599**	2,197
Utilisation of previously unrecognised tax losses	**(61)**	–
Effect of difference tax rates of subsidiaries	**621**	(617)
Overprovision in prior years	**(54)**	(181)
Tax charge for the year	**317**	27

11. PROFIT (LOSS) FOR THE YEAR

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

	2012 RMB'000	2011 RMB'000
Salaries and other benefits (including directors' and supervisors' emoluments)	**9,620**	7,953
Contributions to retirement benefits scheme	**1,528**	1,494
Total staff costs	**11,148**	9,447
Amortisation of intangible assets (included in general and administrative expenses)	**50**	300
Auditors' remuneration	**474**	608
Depreciation of plant and equipment	**1,339**	1,406
Impairment loss on trade and other receivables	**994**	1,209
Impairment loss on intangible assets (included in general and administrative expenses)	**–**	1,800
Loss on disposal of plant and equipment (included in general and administrative expenses)	**57**	1
Operating lease rental for office premises	**2,232**	2,262
Research and development costs recognised as expenses	**2,569**	5,194
Bank interest income	**(174)**	(292)
Government grants (Note 1)	**(812)**	(654)
Write back of impairment loss on trade and other receivables (included in other operating income)	**(13,039)**	(6,692)
Loss on disposal of an associate	**700**	–
Cost of inventories recognised as an expense	**21,653**	37,526

Note:

1. Government grants represented the amount received in the current year towards certain research and development activities. There are no unfulfilled conditions or contingencies relating to those grants.

12. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2012, nor has any dividend been proposed since the end of the reporting period (2011: Nil).

13. EARNINGS (LOSS) PER SHARE

The calculations of the basic earnings (loss) per share are based on profit for the year attributable to owners of the Company of approximately RMB8,327,000 (2011: loss of RMB3,582,000) and on the weighted average number of 356,546,000 (2011: 356,546,000) shares in issue during the year ended 31 December 2012.

Diluted earnings (loss) per share was the same as basic earnings (loss) per share for the two years ended 31 December 2012 and 31 December 2011 as there were no diluting events existed during both years.

14. PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office furniture, fixtures and other equipment RMB'000	Total RMB'000
COST				
At 1 January 2011	3,798	1,830	10,468	16,096
Additions	–	521	1,169	1,690
Disposals	–	–	(32)	(32)
At 31 December 2011	3,798	2,351	11,605	17,754
Additions	–	487	941	1,428
Disposals	–	(1,049)	(1,693)	(2,742)
At 31 December 2012	**3,798**	**1,789**	**10,853**	**16,440**
ACCUMULATED DEPRECIATION				
At 1 January 2011	3,335	862	6,898	11,095
Provided for the year	149	250	1,007	1,406
Eliminated on disposals	–	–	(31)	(31)
At 31 December 2011	3,484	1,112	7,874	12,470
Provided for the year	148	294	897	1,339
Eliminated on disposals	–	(1,007)	(1,646)	(2,653)
At 31 December 2012	**3,632**	**399**	**7,125**	**11,156**
CARRYING VALUES				
At 31 December 2012	**166**	**1,390**	**3,728**	**5,284**
At 31 December 2011	314	1,239	3,731	5,284

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

Leasehold improvements	3-6 years
Motor vehicles	5 years
Office furniture, fixtures and other equipment	5 years

15. INTANGIBLE ASSETS

	Patents RMB'000	Computer software RMB'000	Self-developed software RMB'000	Total RMB'000
COST				
At 31 December 2010, 31 December 2011 and 31 December 2012	250	11,774	11,360	23,384
AMORTISATION AND IMPAIRMENT				
At 31 December 2010	113	9,723	11,360	21,196
Provided for the year	49	251	–	300
Impairment loss	–	1,800	–	1,800
At 31 December 2011	162	11,774	11,360	23,296
Provided for the year	50	–	–	50
At 31 December 2012	**212**	**11,774**	**11,360**	**23,346**
CARRYING VALUES				
At 31 December 2012	**38**	**–**	**–**	**38**
At 31 December 2011	88	–	–	88

The above intangible assets have finite useful lives. Such intangible assets are amortised on straight-line basis over their estimated useful lives as follows:

Patents	5 to 10 years
Computer software	3 to 10 years
Self-developed software	3 years

15. INTANGIBLE ASSETS (Cont'd)

During the year ended 31 December 2011, the directors of the Company conducted a review on the computer software and determined the computer software were impaired, due to termination of the project. Accordingly, impairment loss of RMB1,800,000 have been recognised in the profit or loss for that year. Particular of the impairment testing are disclosed in note 4.

16. GOODWILL

	RMB'000
COST	
At 1 January 2011, 31 December 2011 and 31 December 2012	956

For the purpose of impairment testing, goodwill arising from the acquisition of subsidiaries has been allocated to cash generating unit (the "CGU") in the provision of telecommunication value-added services segment. During the years ended 31 December 2012 and 31 December 2011, the management of the Group determined that there was no impairment of any of its CGU containing goodwill.

The basis of the recoverable amount of the CGUs and the major underlying assumptions are summarised below:

The recoverable amount of CGUs has been determined on the basis of value in use calculations, which uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 13.88% (2011: 13.88%). Cash flow projections during the budget period are based on the budgeted sales, expected gross margins and the general price inflation which affects general expenses during the budget period. Budgeted sales have been estimated for the first three years with annual growth rates ranging from 5% (2011: 4.8% to 5%). The forecasted sales beyond the third year is constant with zero growth rate (2011: zero). The growth rates and expected cash inflow/outflows which include budgeted sales and gross margin and general expenses have been determined based on industry growth forecasts, past performance of respective subsidiary and the telecommunication value-added services segment of the Group and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the goodwill to exceed its recoverable amount.

17. INTEREST IN AN ASSOCIATE

	2012 RMB'000	2011 RMB'000
Unlisted investments, at cost	–	1,882
Share of post-acquisition results and other comprehensive income, net of dividends received	–	885
	–	2,767

On 1 December 2012, the Group disposed of its 20% of issued capital of Congheng to an independent third party at consideration of RMB3,500,000 and loss on disposal of approximately RMB700,000 was recorded.

As at 31 December 2012 and 2011, the Group had interest in the following associate:

Name of entity	Form of business structure	Place of incorporation and operation	Proportion of nominal value of issued capital held by the Group 2012	2011	Principal activity
Zhejiang Lande Congheng Network Service Company Limited ("Congheng")	Incorporated	PRC	–	20%	Provision of telecommunication solutions and other related services, and trading of hardware and computer software

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

	2012 RMB'000	2011 RMB'000
Total assets	–	19,890
Total liabilities	–	(6,056)
Net assets	–	13,834
Group's share of net assets of an associate	–	2,767
Revenue*	**38,020**	36,667
Profit for the year*	**7,166**	2,129
Other comprehensive income for the year*	–	–
Group's share of result of an associate for the year	**1,433**	426

* Figures in 2012 included in revenue, profit for the year and other comprehensive income of Congheng are up to date of disposal.

18. INVENTORIES

	2012 RMB'000	2011 RMB'000
Computer software and hardware	**1,062**	757

19. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2012 RMB'000	2011 RMB'000
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	**–**	200
Less: progress billings	**–**	(200)
	–	–
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**–**	–

At 31 December 2012, there were no retentions held by customers for contract work (2011: Nil).

20. TRADE RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables	**12,290**	13,803
Less: Impairment losses	**(5,696)**	(6,011)
	6,594	7,792

There were no specific credit period granted to customers except for an average credit period of 60 – 90 days to its trade customers under trading of hardware and computer software segment. Ageing analysis of the trade receivables net of impairment losses as at the end of reporting period, presented based on the due date is as follows:

	2012 RMB'000	2011 RMB'000
Current	**6,160**	6,882
Less than 3 months	**63**	70
More than 3 months but less than 1 year	**341**	840
More than 1 year but less than 2 years	**30**	–
More than 2 years	**–**	–
	6,594	7,792

The Group did not hold any collateral over these trade receivables balances. Based on past experience, management considers the unimpaired balances are fully recoverable as relevant customers have a good track record and are of a good credit standing.

20. TRADE RECEIVABLES (Cont'd)

The ageing analysis of trade receivables which are past due but not impaired:

	2012 RMB'000	2011 RMB'000
Less than 3 months	63	70
More than 3 months but less than 1 year	341	840
More than 1 year but less than 2 years	30	–
More than 2 years	–	–
	434	910

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB434,000 (2011: RMB910,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, 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.

Movements in the impairment losses of trade receivables are as follows:

	2012 RMB'000	2011 RMB'000
Balance at beginning of the year	6,011	4,817
Impairment losses recognised during the year	814	1,209
Amounts recovered during the year	(1,129)	(15)
Balance at end of the year	5,696	6,011

Before accepting any new customer, the Group will apply an internal credit assessment policy to assess the potential customer's credit quality and define credit limits by customer. Included in the impairment losses are individually impaired trade receivables with an aggregate balance of approximately RMB5,696,000 (2011: RMB6,011,000) which were long outstanding. The Group did not hold any collateral over these balances.

21. PREPAYMENTS AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Prepayment to suppliers	**1,703**	3,289
Advance to employees	**3,853**	1,445
Other receivables	**80,207**	70,313
	85,763	75,047
Less: Impairment losses	**(8,393)**	(20,123)
	77,370	54,924

Movement in the impairment losses of other receivables:

	2012 RMB'000	2011 RMB'000
Balance at beginning of the year	**20,123**	26,800
Impairment losses recognised during the year	**180**	–
Amounts recovered during the year	**(11,910)**	(6,677)
Balance at the end of the year	**8,393**	20,123

As at 31 December 2012, included in other receivables amounting to approximately RMB55,950,000 (2011: RMB20,692,000) were balances due from related parties (note 29 (a)).

The amounts of advance to employees and other receivables are unsecured, interest-free and repayable on demand.

Included in the impairment losses are individually impaired other receivables with an aggregate balance of approximately RMB8,393,000 (2011: RMB20,123,000) which were long outstanding. Management considers the unimpaired balances are fully recoverable as the recoverable amounts of the relevant debtors as at years ended 31 December 2012 and 2011 are not less than the carrying amounts of such balances. The Group did not hold any collateral over these balances.

22. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is unsecured, interest-free and repayable on demand.

23. BANK BALANCES AND CASH

Bank balances carried interest at average market rate of 0.35% per annum (2011: 0.35%).

24. TRADE AND OTHER PAYABLES

	2012 RMB'000	2011 RMB'000
Trade and bills payables	**1,725**	2,042
Other payables and accruals	**12,661**	13,720
	14,386	15,762

Ageing analysis of the trade payables presented based on the invoice date is as follows:

	2012 RMB'000	2011 RMB'000
Less than one year	**1,572**	1,920
Over one year but less than two years	**31**	–
Over two years but less than three years	**–**	–
More than three years	**122**	122
	1,725	2,042

There was no specific credit period for payment granted by suppliers. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

As at 31 December 2012, included in trade and other payables amounting to approximately RMB5,799,000 (2011: RMB6,801,000) are balances due to related parties (note 29 (a)).

25. PAID-IN CAPITAL

	Number of shares		Amount	
	2012 '000	2011 '000	2012 RMB'000	2011 RMB'000
Registered, issued and fully paid:				
Domestic shares with par value of RMB0.1 each				
At 1 January and at 31 December	**244,421**	244,421	**24,442**	24,442
Overseas public shares ("H" shares) with par value of RMB0.1 each				
At 1 January and at 31 December	**112,125**	112,125	**11,213**	11,213
Total	**356,546**	356,546	**35,655**	35,655

26. RESERVES

(a) Basis of appropriations to reserves

The transfer to statutory surplus reserve is based on the net profit under the financial statements prepared in accordance with the PRC accounting standards.

(b) Statutory surplus reserve

In accordance with the Company Law in the PRC and the Articles of Association of the Company and its subsidiaries, the Company and its subsidiaries are required to appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory surplus reserve.

When the balance of the statutory surplus reserve reaches 50% of the paid-in capital/share capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses, if any, or to increase capital after properly approved. However, except for offset prior years' losses, such statutory surplus reserve must be maintained at a minimum of 25% of paid-in capital/share capital after such usage.

27. UNPROVIDED DEFERRED TAX

At 31 December 2012, the Group had unused tax losses amounted to approximately RMB41,988,000 (2011: RMB35,834,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses can be carried forward for five years from the respective years in which the loss arose.

28. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group leases its office premises under operating lease arrangements, with leases negotiated for terms ranging from one to nine years and rentals are under fixed rate throughout the lease period.

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

	2012 **RMB'000**	2011 RMB'000
Within one year	**1,853**	1,751
In the second to fifth year inclusive	**2,321**	3,619
Over five years	**813**	1,256
	4,987	6,626

29. RELATED AND CONNECTED PARTY TRANSACTIONS

(a) Balances with related parties

Amounts due from (to) related parties included in prepayments and other receivables, trade and other payables as detailed in notes 21 and 24 respectively are set out below:

Name of related party	Maximum amount owed to the Group during the year RMB'000	**2012 RMB'000**	2011 RMB'000
Insigma Technology Co. Ltd.[1]	N/A	**(5,799)**	(6,801)
浙江元幸信息科技有限公司[2]	24,164	**11,414**	11,100
杭州弈翰科技有限公司[3]	21,074	**21,074**	8,736
浙江浩天信息科技有限公司[4]	9,000	**9,000**	–
浙江農科糧油股份有限公司[5]	9,000	**9,000**	–
杭州賽爾網絡通信技術有限公司[4]	8,000	**3,000**	
Mr. Wang Li Jun[6]	1,950	**1,950**	–
Mr. Xie Jian Ping[7]	200	**200**	200
Mr. Wang Yong Gui[8]	75	**50**	74
Minority shareholders of subsidiaries	582	**262**	582

1 It is a substantial shareholder of the Company.
2 Mr. Xie Jian Ping is the common supervisor.
3 Mr. Luo Xiao, the accounting manager of the Company, is the supervisor of the company.
4 Mr. Chen Ping is the common director.
5 Mr. Wang Linhua is the common director.
6 Mr. Wang Li Jun is the supervisor of the Company.
7 Mr. Xie Jian Ping is the supervisor of the Company.
8 Mr. Wang Yong Gui is the director of the Company.

The above balances are unsecured, interest-free and repayable on demand.

(b) During the year ended 31 December 2012, the Group paid a total amount of approximately RMB990,000 (2011: Nil) for the telecommunication solution service provided by the associate.

(c) Compensation of key management personnel

The remuneration of directors, supervisors and other members of key management during the year was as follows:

	2012 RMB'000	2011 RMB'000
Short-term benefits	**942**	1,038
Post-employment benefits	**43**	32
	985	1,070

The remuneration of directors, supervisors and key management was determined by the remuneration committee having regard to the performance of individual and market trends.

30. RETIREMENT BENEFIT SCHEMES

The employees of the Group are required to participate in a central pension scheme operated by the local municipal governments. The companies in the Group are required to contribute a specified percentage of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

The total cost charged to consolidated statement of comprehensive income of approximately RMB1,528,000 (2011: RMB1,494,000) represents contributions payable to this scheme by the Group in respect of the current accounting period.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2012 RMB'000**	2011 RMB'000
Non-current assets			
Plant and equipment		**1,810**	2,278
Intangible assets		**38**	88
Interests in subsidiaries	(a)	**19,880**	19,880
Interest in an associate		**–**	1,000
		21,728	23,246
Current assets			
Trade receivables		**91**	541
Prepayments and other receivables		**61,133**	49,277
Amounts due from subsidiaries	(a)	**4,500**	3,187
Amount due from an associate	(b)	**–**	314
Bank balances and cash		**3,120**	4,268
		68,844	57,587
Current liabilities			
Trade and other payables		**8,649**	9,468
Current tax liabilities		**20**	20
		8,669	9,488
Net current assets		**60,175**	48,099
NET ASSETS		**81,903**	71,345
Capital and reserves			
Paid-in capital		**35,655**	35,655
Reserves	(c)	**46,248**	35,690
TOTAL EQUITY		**81,903**	71,345

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Cont'd)

Notes:

(a) Interests in subsidiaries

	Note	2012 RMB'000	2011 RMB'000
Unlisted investments, at cost		**19,880**	19,880
Amounts due from subsidiaries-current	(i)	**4,500**	3,187
		24,380	23,067
Analysed for reporting purposes as:			
Non-current asset		**19,880**	19,880
Current asset		**4,500**	3,187
		24,380	23,067

(i) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(b) Amount due from an associate

Amount due from an associate is unsecured, interest-free and repayable on demand.

(c) Reserves

	Attributable to owners of the Company			
	Share premium RMB'000	Statutory surplus reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2011	76,570	7,934	(46,575)	37,929
Total comprehensive expense for the year	–	–	(2,239)	(2,239)
At 31 December 2011	76,570	7,934	(48,814)	35,690
Total comprehensive income for the year	–	–	10,558	10,558
At 31 December 2012	76,570	7,934	(38,256)	46,248

32. SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2012 and 2011 are as follows:

Name	Place of establishment/ operations	Issued share capital/Paid up issued registered share capital	Proportion of ownership interest held by Company		Principal activities
			Directly	Indirectly	
Hangzhou Trust Communication Service Company Limited 杭州群思特通信服務有限公司	PRC	Registered capital of RMB1,000,000	55%	–	Provision of telecommunication related services
浙江蘭創通信有限公司	PRC	Registered capital of RMB10,000,000	85%	–	Provision of telecommunication related services
杭州英納特信息科技有限公司	PRC	Registered capital of RMB2,000,000	75%	–	Provision of internet image packaging
杭州華光計算機工程有限公司	PRC	Registered capital of RMB10,000,000	100%	–	Trading of hardware and computer software
杭州華光軟件有限公司	PRC	Registered capital of RMB500,000	–	70%	Trading of hardware and computer software
浙大蘭德科訊有限公司	Hong Kong	Share capital of HKD800,000	100%	–	Inactive

All subsidiaries are limited liability companies.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

Financial Summary

CONSOLIDATED RESULTS

	Year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**57,421**	62,918	141,427	106,066	121,547
Cost of sales	**(27,418)**	(39,767)	(111,499)	(64,511)	(76,489)
Gross profit	**30,003**	23,151	29,928	41,555	45,058
Other operating income	**14,044**	7,638	17,215	2,445	15,513
Distribution and selling expenses	**(8,907)**	(7,244)	(6,139)	(11,361)	(9,926)
General and administrative expenses	**(26,535)**	(27,919)	(42,368)	(37,226)	(56,655)
Share of results of associates	**1,433**	426	492	(33)	(379)
Loss on disposal of an associate	**(700)**	–	–	–	–
Profit(loss) before tax	**9,338**	(3,948)	(872)	(4,620)	(6,389)
Income tax	**(317)**	(27)	(232)	(783)	(515)
Profit (loss) for the year and total comprehensive income (expense) for the year	**9,021**	(3,975)	1,104	(5,403)	(6,904)
Attributable to:					
– Owners of the Company	**8,327**	(3,582)	(874)	(6,085)	(7,356)
– Non-controlling interests	**694**	(393)	(230)	682	452
	9,021	(3,975)	(1,104)	(5,403)	(6,904)
Profit (loss) per share					
– Basic and diluted (RMB'cents)	**2.34**	(1.00)	(0.25)	(1.71)	(2.16)

CONSOLIDATED ASSETS AND LIABILITIES

	At 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**106,078**	97,887	114,484	109,524	131,341
Total liabilities	**(16,794)**	(17,624)	(30,246)	(23,555)	(32,355)
Non-controlling interests	**(5,267)**	(4,573)	(4,966)	(5,823)	(12,755)
Shareholders' equity	**84,017**	75,690	79,272	80,146	86,231