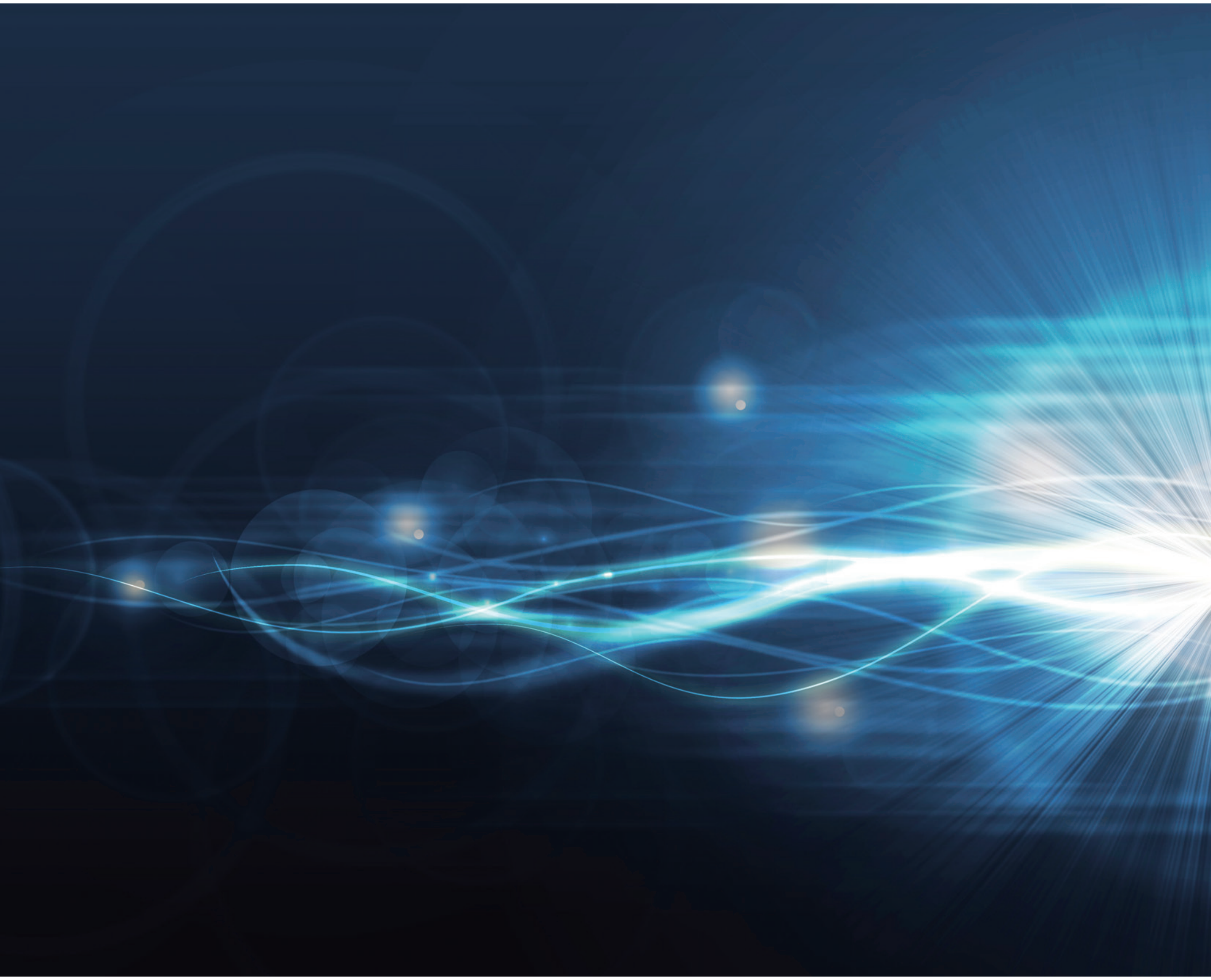
ZHEDA LANDE SCITECH LIMITED*

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 2013



* for identification purpose only

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

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

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This report, for which the directors of Zheda Lande Scitech Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to Zheda Lande Scitech Limited*. The directors of Zheda Lande Scitech Limited*, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or this report misleading.*

* *For identification purposes only*

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chen Ping *(Chairman and chief executive officer)*
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 REPRESENTATIVES

Mr. Chen Ping
Ms. Chan Ching Yi

COMPLIANCE OFFICER

Mr. Chao Hong Bo

COMPANY SECRETARY

Ms. Chan Ching Yi

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

4th Floor
108 Gu Cui Road
Hangzhou City
Zhejiang Province
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN CHINA

13/F, Block A
No. 1 Xi Yuan Eight Road
Xihu District
Hangzhou City
Zhejiang Province
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1116-1119
Sun Hung Kai Center
30 Harbour Road
Wanchai
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
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 2013 Annual Report of the Company and its subsidiaries (together the "Group").

FINANCIAL HIGHLIGHTS

I hereby announce that for the year ended 31 December 2013, the Group realised a turnover of approximately RMB 61,410,000 with a net loss attributable to owners of the Company of approximately RMB 758,000. The Board does not recommend a payment for final dividend for the financial year ended 31 December 2013.

OPERATIONS REVIEW AND FUTURE PROSPECTS

In 2013, under the premise of strengthening existing business, the Company strictly controlled its costs and expenses, actively explored the business models and expansion of new business areas, constantly improved customer experience of the existing products, and at the same time, reinforced the market expansion of the existing business as well as follow-up support, and made mid-long-term plans for the transformation of each product line. At the present time, the Company is looking for new business opportunities out of stable development. We strengthen cooperation with partners, including operators, and we expect a breakthrough in the field of new mobile Internet. At present, the Company has made adequate preparation. However, faced with a constantly changing technology information market in the People's Republic of China (the "PRC" or "China"), which contains huge information, as well as the increasingly fierce competition, the Group still has a long way to go. The Group is confident to achieve fundamental improvements in operation through the efforts of all staff.

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

Chen Ping
Chairman

28 March 2014
Hangzhou City, the PRC

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

1. Review of operating results for the year

For the year ended 31 December 2013, the consolidated turnover of the Group was approximately RMB61,410,000, representing an increase of approximately RMB3,989,000, or approximately 6.95% as compared with that of 2012.

The net loss attributable to owners of the Company for the year ended 31 December 2013 was approximately RMB758,000, comparing to a net profit attributable to owners of the Company for the year ended 31 December 2012 of approximately RMB8,327,000. The decline in results of the Group was mainly attributable to the higher other operating income recorded in the previous year.

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 strengthened the cooperation with operators and actively promoted its enterprise application products and the introduction of these products to various markets. The Company has the existing businesses of 114 Bai Shi Tong Alliance business, SMS business cards and precise marketing, which are operated and implemented constantly with stable development. The Company continues to implement the strategy of setting up citylife 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 has completed the constructions of two communities.

3. Investment and cooperation

During the year, the Company maintained a satisfactory relationship with the major operators and technical institutions and secured the business association with telecommunication operators in various locations. During the reporting period, the Company continued to implement the development strategy of the mobile Internet. The Company kept working on mobile games and mobile Internet e-commerce service in order to materialise successful transformation in future.

In accordance with the Company's development and transformation plan in the mobile Internet industry and the operators' application services industry, on 14 November 2013, the Company entered into an equity transfer agreement with Shanghai Aifusheng Information Technology Co., Ltd.*（上海艾孚生信息科技有限公司）("Shanghai Aifusheng") for the acquisition of 75% equity interest of Hangzhou Saijing Technology Co., Ltd.*（杭州賽景科技有限公司）("Hangzhou Saijing") to broaden its source of revenue. The consideration for the proposed acquisition is the lower of RMB45,000,000 or 75% of the appraised value of Hangzhou Saijing to be set out in a valuation report (subject to adjustment) and will be funded by internal resources of the Group. The proposed acquisition has not been completed up to the date of the annual report and is subjected to approval in an extraordinary general meeting of the shareholders of the Company. Details of the proposed acquisition are set out in the Company's announcement dated 14 November 2013.

4. Employees information

As at 31 December 2013, the total number of employees of the Group was approximately 223 (2012: 312). During the year, the staff costs of the Group amounted to approximately RMB9,252,000 (2012: RMB11,148,000).

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 realising the overall development strategy of the Group. The Group built 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 emphasised better use of human resources, and cultivating an agreeable mechanism for application and cultivation of talent.

The Group had set up an annual target salary system featuring performance assessment combined with remuneration management. The annual target salary was determined and paid out in accordance with the assessment results, whereby a comprehensive assessment was made on an employee after reasonable evaluation on his/her performance, capability and attitude. With these two things closely linked to each other, we had 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 job responsibilities of our staff and hiring of 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 2013, the Group was mainly financed by proceeds generated from daily operations.

- As at 31 December 2013, the Group's bank balances and cash amounted to approximately RMB17,460,000 (2012: RMB14,774,000).

- As at 31 December 2013, the Group had no borrowings (2012: nil).

- As at 31 December 2013, the Group had a total asset value of approximately RMB109,508,000 (2012: RMB106,078,000).

- As at 31 December 2013, the Group had current liabilities of approximately RMB21,246,000 (2012: RMB16,794,000).

- As at 31 December 2013, the Group had owner's equity of approximately RMB83,259,000 (2012: RMB84,017,000).

- As at 31 December 2013, the Group had non-controlling interests of approximately RMB5,003,000 (2012: RMB5,267,000).

- As at 31 December 2013, the Group had a gearing ratio (i.e. the ratio of total liabilities to total assets) of approximately 19.40% (2012: 15.83%).

- As at 31 December 2013, the Group had a net current ratio (i.e. the ratio of current liabilities to current assets) of approximately 20.38% (2012: 16.83%).

- 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 2013, none of the Group's assets were pledged (2012: nil).

CONTINGENT LIABILITY

Hangzhou Huaguang Computer Engineering Co., Ltd.* (杭州華光計算機工程有限公司) ("Hangzhou Huaguang"), a wholly-owned subsidiary of the Company, was involved in an arbitration application (the "Arbitration Application") filed by Ningbo Zhongke Guotai Information Technology Co., Ltd.* (寧波中科國泰信息技術有限公司) ("Ningbo Zhongke") in relation to the dispute arising from the sales and purchase contract entered into between Hangzhou Huaguang and Ningbo Zhongke. According to the Arbitration Application, Ningbo Zhongke required, among others, that Hangzhou Huaguang to refund the equipment payment and interests amounted to approximately RMB5,899,000 and settle the arbitration fees. As at 31 December 2013, bank balance of approximately RMB1,378,000 was frozen by Hangzhou Arbitration Commission in relation to the Arbitration Application. Details of the Arbitration Application are set out in the announcement of the Company dated 29 November 2013. Up to the date of the annual report, the arbitration is still in progress.

CAPITAL STRUCTURE

There was no change in the Company's capital structure during the year ended 31 December 2013 (2012: nil).

On 22 January 2014, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent agreed to place, during the placing period, on a best effort basis, the placing shares comprising up to 150,000,000 new H shares at the placing price, on behalf of the Company to the placees who will be independent third parties. The placing has not yet been completed up to the date of the annual report and is subject to, among other things, approval in an extraordinary general meeting and class meetings of the shareholders of the Company. Details of the proposed new H shares placing are set out in the announcement and the circular of the Company dated 22 January 2014 and 6 March 2014, respectively.

EVENT AFTER THE REPORTING PERIOD

Save as the entering into of a placing agreement by the Company as described in the sub-section headed "Capital Structure" above, there was no significant event after the reporting period.

FUTURE PROSPECTS

1. Orders in hand/Status in sales contract

The existing business of the Group and its subsidiaries primarily focuses on fixed line telephone, mobile phones and providing value-added services to Internet users. Products include financial assistant, small payment, navigation service, SMS business cards, customer care and map-markings. Through a long-term and close cooperation with major telecommunication operators, the Company has gained experience in and is capable of providing telecommunication technology, service and operation. The Company will continue to serve a large group of telecommunication users with mobile Internet application.

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.

For mobile Internet application business, the client-end mobile software 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

The Company has aggressively developed mobile Internet business and mobile Internet e-commerce business and continuously achieved success and gained experience to develop enterprise application. Through the development of the Company's existing product lines, we has accumulated a considerate amount of customers and suppliers, and provided e-commerce services specifically designed for SMEs. Meanwhile, the Company always enriches mobile Internet functions and broadens user experience which makes corporate users finally to become the driving force for the Company's income.

On behalf of the Board
Chen Ping
Chairman

28 March 2014
Hangzhou City, the PRC

* *For identification purposes only*

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Chen Ping, aged 49, 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 PRC. Mr. Chen joined the Company in May 1997.

Mr. Chao Hong Bo, aged 50, 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). He then became an assistant to director in China Government Securities Depositary Trust & Clearing Co., Ltd. from 1999 to 2001. Since 2001, he has been serving as the chief executive director of Guoheng Fashion Media Technology Group Co., Ltd.*（國恒時尚傳媒科技集團股份有限公司）, a shareholder holding approximately 9.57% of the issued capital of the Company. Mr. Chao is the compliance officer of the Company. Mr. Chao was appointed as an executive Director in 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 Shanghai Longtail Investment Management Co., Ltd.*（上海長尾投資管理有限公司）, a shareholder holding approximately 9.57% of the issued capital of the Company. Mr. Xia was appointed as an executive Director in September 2007.

Mr. Xie Fei, aged 43, graduated from Zhejiang University of Finance and 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 of the Company and a company listed on the Shanghai Stock Exchange. Mr. Xie is the manager of audit department of Insigma Technology Co., Ltd.* (浙大網新科技股份有限公司). Mr. Xie was appointed as an executive Director in November 2011.

Mr. Wang Linhua, aged 38, is the Company's financial controller and vice president and 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 and was appointed as an executive Director in November 2011.

Mr. Wang Yong Gui, aged 39, 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 bachelor's degree in international finance. He has abundant experience in corporate governance of listed companies, investment and financing. Mr. Wang served in the securities department of Wafangdian Bearing Company Limited*（瓦房店軸承有限責任公司）. Mr. Wang joined the Company in July 2002 and was appointed as an executive Director in December 2012..

Independent Non-Executive Directors

Mr. Zhang De Xin, aged 83, graduated from the faculty of Electrical and 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 and served as senior research associate in the departments of Electrical and Mechanical as well as Computer Engineering. Professor Zhang has served as a professor at Zhejiang University's faculties of Electrical and 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. Professor Zhang is the Chairman of the nomination committee of the Company. Professor Zhang was appointed as an independent non-executive Director in October 2001.

Mr. Cai Xiao Fu, aged 74, 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 was appointed as an independent non-executive Director in October 2001.

Mr. Gu Yu Lin, aged 43, 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. Mr. Gu is the chairmans of the audit committee and the remuneration committee of the Company. He has been the independent supervisor (the "Supervisor") of the Company before and was appointed as an independent non-executive Director in September 2004.

SUPERVISORS

Supervisors

Mr. Xie Jian Ping, aged 51, 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. Xie was appointed as a Supervisor in September 2010.

Mr. Wang Li Jun, aged 41, 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. Mr. Wang was appointed as a Supervisor in September 2010.

Ms. Liu Chun Fang, aged 47, graduated from Central University of Finance and Economics 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 Technology Group Co., Ltd.* (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. Ms. Liu was appointed as a Supervisor in September 2010.

Independent Supervisors

Mr. Feng Pei Xian, aged 76, graduated from Shangtong Industrial Institute. He was the assistant chief engineer of the 52nd Research Institute of Ministry of Information Industry of the PRC 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 Zhejiang. Mr. Feng was appointed as an independent Supervisor in April 2001.

Ms. Wang Xiao Li, aged 46, graduated from Zhejiang Finance Institute in 1996 majoring in accounting. Ms. Wang obtained the certificate of intermediate accounting and has 15 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. Ms. Wang was appointed as an independent Supervisor in September 2010.

SENIOR MANAGEMENT

Mr. Chen Ping, aged 49, 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 50, vice president of the Company, is an engineer and the general manager of Hangzhou Huaguang Computer Engineering Co., Ltd.*（杭州華光計算機工程有限公司）, a wholly-owned 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 management 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 an executive Director, financial controller and vice president of the Company and 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 39, is an executive Director, 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 bachelor's degree in the international finance. He has abundant experience in corporate governance of listed companies, 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, a 85% subsidiary of the Company. 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 39, is the company secretary of the Company. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Ms. Chan holds a bachelor's degree in accountancy and has accumulated more than 17 years of financial and auditing experience. She is currently the company secretary of Shifang Holding Limited (stock code: 1831), a company listed on the Main Board of the Stock Exchange. Ms. Chan joined the Company in September 2002.

* *For identification purposes only*

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Group recognises the importance of achieving and monitoring the high standard of corporate governance in realising the need and requirements of its business and the best interest of all of the Company's shareholders.

The Group is fully committed to doing so. Throughout the year ended 31 December 2013, 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 Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 2013. Having made specific enquiry with all Directors, the Company confirmed that all Directors had complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors throughout the year ended 31 December 2013.

BOARD OF DIRECTORS

During the year and up to the date of this report, the Board comprised six executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Chen Ping *(Chairman and chief executive officer)*
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. Gu Yu Lin

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

The Board's primary responsibilities are to formulate the Group's long-term corporate strategy, oversee the management of the Group, evaluate the performance of the Group and enhance long-term shareholder value. The management of the Group is responsible for executing the strategies adopted by the Board and managing the day-to-day activities of the Group.

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.

The list of Directors and their role and function are published on the GEM website.

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.

During the year, the Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All future Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Each Director has ensured that he could give sufficient time, commitments and attention to the affairs of the Company for the year.

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

Pursuant to the CG Code, the 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 is made with thorough and necessary information. The Company provides introduction and information to newly appointed Directors on their legal and other responsibilities as directors and their functions. 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 and internal forum or training courses on relevant topics which may count towards continuous professional development training. The Company has devised a training record in order to assist the Directors to record the training they have undertaken. During the year, 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.

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

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

	Meeting attended				
Director	Board	Audit committee	Remuneration committee	Nomination committee	Shareholders
Executive Directors					
Mr. Chen Ping	5/5		1/1	1/1	2/2
Mr. Chao Hong Bo	4/5				2/2
Mr. Xia Zhen Hai	3/5				0/2
Mr. Xie Fei	4/5				1/2
Mr. Wang Linhua	5/5				2/2
Mr. Wang Yong Gui	5/5				1/2
Independent Non-Executive Directors					
Mr. Zhang De Xin	5/5	4/4		1/1	2/2
Mr. Cai Xiao Fu	4/5	4/4	1/1		2/2
Mr. Gu Yu Lin	3/5	4/4	1/1	1/1	1/2

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 Board minutes, which are open for inspection at any reasonable time on reasonable notice by any Director.

Appointment and re-election of Directors need to be approved by meetings of the shareholders of the Company. The term of each Director is three years, and can be re-elected in succession. According to the stipulations of its 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 of the Company 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 following meeting of the shareholders of the Company. The Company does not require the rotation of Directors in three years. Instead, Directors are re-elected by meeting of the shareholders of the Company upon the expiry of their three years terms, and can be re-appointed.

BOARD COMMITTEES

To maintain a high level of corporate governance standard, the Board has set up three 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 CG Code. 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 2013. The Committee has reviewed, among other things, the audited financial results and annual report of the Group for the year ended 31 December 2013.

- **Remuneration committee**

  The Company has a remuneration committee with written terms of reference in alignment with the provisions as set out in the CG Code. 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. During the year, the committee discussed with the chief executive officer of the Company on its proposals relating to the remuneration of the Directors and senior management and has ensured that no Director is involved in deciding his own remuneration.

- **Nomination committee**

  The Company has a nomination committee with written 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 executives; and determining the policy for nomination of Directors. During the year, the committee has considered the past performance, qualification and general market conditions in selecting and recommending prospective candidates for directorship.

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 the CG Code, which includes (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. During the year, the Board has reviewed the corporate governance policy of the Company, the duties of the Board and its committees and 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 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 RMB569,000 for remunerations in respect of audit services provided by the Company's auditor.

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 and 23 of the annual report.

INTERNAL CONTROLS

During the reporting year, the Board held one meeting to appraise the validity of control inside the Company in an all-round way, with 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 2013 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 its shareholders in compliance with the GEM Listing Rules. The Company also replied to enquires from its shareholders timely. The Directors host the annual general meeting each year to meet the shareholders of the Company and answer to their enquiries.

SHAREHOLDERS' RIGHTS

I. Convene an extraordinary general meeting

Two or more shareholders of the Company holding at the date of deposit of the requisition an aggregate of ten (10) per cent or more of the 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 of the shareholders of the Company.

II. Send enquiries to the Board

Shareholders of the Company 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 of the shareholders of the Company 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 2014
Hangzhou City, 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 2013.

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 before tax for the 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 2013 and its state of affairs as at that date are set out in the consolidated financial statements on pages 24 to 69 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 2013, the Group did not have profit available for distribution to owners of the Company (2012: nil).

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

BORROWINGS AND INTERESTS CAPITALISATION

The Group did not neither have bank loans nor capitalise any interest during the year (2012: nil).

SHARE CAPITAL

Details of the Company's share capital are set out in note 23 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 29 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group in aggregate accounted for approximately 45% 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 56% of the Group's direct purchases and the largest supplier of the Group accounted for approximately 37% 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 2013.

FINANCIAL SUMMARY

A summary of the Group's results for each of the five years ended 31 December 2013 and the Group's assets and liabilities as at 31 December 2009, 2010, 2011, 2012 and 2013 is set out on page 70 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 and chief executive officer)*
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. 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

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

An extraordinary general meeting of the shareholders of the Company was held on 17 September 2013 for re-elections and re-appointment of Directors and the Supervisors. Nine Directors and five Supervisors were re-appointed. Each re-appointed Director and Supervisor has entered into a three year service agreement with the Company until 20 September 2016.

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 shareholders 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

The Group has adopted an emolument policy as set out in the sub-section headed "Review of Operations" under the section headed "Management Discussion and Analysis" on pages 5 to 7 of the annual report. The Directors', Supervisors' and senior management's emoluments are determined by the Board with reference to their duties, responsibilities, performance and recommendations by the remuneration committee of the Company.

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 2013, none of the Directors, Supervisors or the Company's 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	Capacity and nature of interest	Number of shares held	Percentage of beneficial interests in the Company's share capital
Director and chief executive officer			
Chen Ping	Beneficial owner	36,392,320 Domestic Shares	10.21%
	Interest of a controlled corporation	33,961,432 Domestic Shares (Note)	9.53%

Note: These 33,961,432 Domestic Shares are registered under the name of Hangzhou Gongjia Information Technology Co., Ltd.*（杭州共佳信息技術有限公司）("Hangzhou Gongjia"), a limited liability company established in the PRC. Hangzhou Gongjia is wholly-owned by Shanghai Aifusheng, a limited liability company established in the PRC and is owned by Mr. Chen Ping, an executive Director and the chief executive officer of the Company, and an associate of Mr. Chen Ping as to 90% and 10%, respectively. For the purposes of the SFO, Mr. Chen Ping is deemed to be interested in the 33,961,432 Domestic Shares held by Hangzhou Gongjia. Mr. Chen Ping is a director of each of Hangzhou Gongia and Shanghai Aifusheng.

These 33,961,432 Domestic Shares were acquired by Hangzhou Gongjia from three individual holders of Domestic Shares during the year ended 31 December 2013.

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 or Supervisor 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 2013, none of the Directors, Supervisors or the Company's chief executives was granted options to subscribe for shares of the Company. As at 31 December 2013, none of the Directors, Supervisors or the Company's 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 the Company's chief executives, as at 31 December 2013, 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

Name	Capacity and nature of interest	Number of shares held	Percentage of beneficial interests in the Company's share capital
Insigma Technology Co., Ltd.* (浙大網新科技股份有限公司)	Beneficial owner	81,802,637 Domestic Shares	22.94%
Shanghai Longtail Investment Management Co., Ltd.* (上海長尾投資管理有限公司)	Beneficial owner	34,117,808 Domestic Shares	9.57%
Guoheng Fashion Media Technology Group Co., Ltd.* (國恒時尚傳媒科技集團股份有限公司)	Beneficial owner	34,117,800 Domestic Shares	9.57%
Hangzhou Gongia	Beneficial owner	33,961,432 Domestic Shares	9.53%
Shanghai Aifusheng	Interest of a controlled corporation	33,961,432 Domestic Shares (Note)	9.53%
Fong For	Beneficial owner	21,735,000 H Shares	6.10%

Note: These 33,961,432 Domestic Shares are registered under the name of Hangzhou Gongjia. Hangzhou Gongjia is a wholly-owned subsidiary of Shanghai Aifusheng which is in turn owned by Mr. Chen Ping, an executive Director and the chief executive officer of the Company, and an associate of Mr. Chen Ping as to 90% and 10%, respectively. Mr. Chen Ping is a director of each of Hangzhou Gongia and Shanghai Aifusheng.

These 33,961,432 Domestic Shares were acquired by Hangzhou Gongjia from three individual holders of Domestic Shares during the year ended 31 December 2013.

RELATED AND CONNECTED PARTY TRANSACTIONS

Except for the proposed acquisition of 75% equity interest of Hangzhou Saijing, details of which has been set out in the sub-section headed "Review of Operations" under the section headed "Management Discussion and Analysis" on pages 5 to 7 of the annual report, and otherwise disclosed in note 28 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 during the year ended 31 December 2013 (2012: nil).

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 2013.

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 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 2013 and the annual report of the Group for the year 2012. The audit committee also reviewed the annual report of the Group for the year 2013.

AUDITOR

During the year, SHINEWING (HK) CPA Limited was re-appointed as auditor of the Company. The consolidated financial statements of the Group for each of the three years ended 31 December 2013 was audited by SHINEWING (HK) CPA Limited.

On behalf of the Board
Chen Ping
Chairman

28 March 2014
Hangzhou City, the PRC

* *For identification purposes only*

REPORT OF THE SUPERVISORY COMMITTEE

The supervisory committee is pleased to present the annual report for the year of 2013.

SUPERVISORY COMMITTEE OPERATION REVIEW

In the year, the Supervisors convoked five meetings to review, among other things, 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 auditor 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 2014
Hangzhou City, the PRC

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

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

TO THE MEMBERS OF 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 69, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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 about 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 2013, and of the Group's loss 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 2014

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Turnover	7	**61,410**	57,421
Cost of sales		**(30,155)**	(27,418)
Gross profit		**31,255**	30,003
Other operating income		**1,266**	14,044
Distribution and selling expenses		**(10,334)**	(8,907)
General and administrative expenses		**(22,904)**	(26,535)
Share of result of an associate	14	**–**	1,433
Loss on disposal of an associate		**–**	(700)
(Loss) profit before tax		**(717)**	9,338
Income tax	10	**(305)**	(317)
(Loss) profit for the year and total comprehensive (expense) income for the year	11	**(1,022)**	9,021
(Loss) profit for the year and total comprehensive (expense) income attributable to:			
Owners of the Company		**(758)**	8,327
Non-controlling interests		**(264)**	694
		(1,022)	9,021
(Loss) earnings per share		**RMB**	RMB
Basic and diluted	13	**(0.21) cents**	2.34 cents

Consolidated Statment of Financial Position

As at 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Non-current assets			
Plant and equipment	15	**4,319**	5,284
Intangible assets	16	**–**	38
Goodwill	17	**956**	956
		5,275	6,278
Current assets			
Inventories	18	**1,572**	1,062
Trade receivables	19	**9,170**	6,594
Prepayments and other receivables	20	**76,031**	77,370
Bank balances and cash	21	**17,460**	14,774
		104,233	99,800
Current liabilities			
Trade and other payables	22	**18,907**	14,386
Receipt in advance from customers		**502**	495
Income tax payables		**1,837**	1,913
		21,246	16,794
Net current assets		**82,987**	83,006
Net assets		**88,262**	89,284
Capital and reserves			
Paid-in capital	23	**35,655**	35,655
Reserves	24	**47,604**	48,362
Equity attributable to owners of the Company		**83,259**	84,017
Non-controlling interests		**5,003**	5,267
Total equity		**88,262**	89,284

The consolidated financial statements on pages 24 to 69 were approved and authorised for issue by the Board of Directors on 28 March 2014 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 2013

	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 2012	35,655	76,570	10,567	(47,102)	75,690	4,573	80,263
Profit and 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
Loss and total comprehensive expense for the year	–	–	–	(758)	(758)	(264)	(1,022)
At 31 December 2013	35,655	76,570	10,567	(39,533)	83,259	5,003	88,262

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	(717)	9,338
Adjustments for:		
Amortisation of intangible assets	38	50
Write back of impairment loss on trade receivables	(612)	(1,129)
Write back of impairment loss on other receivables	(184)	(11,910)
Depreciation of plant and equipment	1,384	1,339
Impairment loss on trade receivables	665	814
Impairment loss on other receivables	1,125	180
Interest income	(33)	(174)
Loss on disposal of plant and equipment	12	57
Loss on disposal of an associate	–	700
Share of result of an associate	–	(1,433)
Operating cash flows before movements in working capital	1,678	(2,168)
Increase in inventories	(510)	(305)
(Increase) decrease in trade receivables	(2,629)	1,513
Increase in prepayments and other receivables	(29,027)	(11,036)
Decrease in amount due from an associate	–	314
Increase (decrease) in trade and other payables	938	(374)
Increase in receipt in advance from customers	7	364
Cash generated used in operations	(29,543)	(11,692)
The People's Republic of China income tax paid	(381)	(135)
NET CASH GENERATED USED IN OPERATING ACTIVITIES	(29,924)	(11,827)
INVESTING ACTIVITIES		
Repayment from (advance to) related parties (included in other receivables)	29,425	(10)
Proceeds from disposal of plant and equipment	41	32
Interest received	33	174
Purchase of plant and equipment	(472)	(1,428)
Proceeds from disposal of an associate	–	3,500
Repayment from related parties (included in other receivables)	–	330
NET CASH FROM INVESTING ACTIVITIES	29,027	2,598
FINANCING ACTIVITY		
Advance from (repayment to) related parties (included in other payables)	3,583	(1,002)
CASH FROM (USED IN) FINANCING ACTIVITY	3,583	(1,002)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,686	(10,231)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	14,774	25,005
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	17,460	14,774

Notes to the Consolidated Financial Statements

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 Interpretation Committee ("IFRIC") of the IASB.

Amendments to IFRSs	Annual Improvements to IFRSs 2009 – 2011 Cycle
Amendments to International Accounting Standard ("IAS") 1	Presentation of Items of Other Comprehensive Income
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosures of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets (early adopted)
IFRIC – Interpretation ("Int") 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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 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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IFRS 7 for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation* and recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The amendments to IFRS 7 have been applied retrospectively. As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

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

In the current year, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12, IAS 27 (revised 2011) and IAS 28 (revised 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (revised 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-Int 12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when (a) it has power over an investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

As a result of the initial application of IFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of IFRS 10 does not result in any change in control conclusion.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IAS 12 has resulted in more extensive disclosures in the consolidated financial statements.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures (Cont'd)

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements for 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 for share-based payment transactions that are within the scope of IFRS 12 *Share-based Payment*, leasing transactions within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date.

IFRS 13 has been applied prospectively as of the beginning of the annual period and the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted. The Group has early adopted these amendments in these financial statements. The amendments have had no material financial impact on the Group.

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 2010 – 2012 Cycle[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2011 – 2013 Cycle[2]
IFRS 9	Financial Instruments[4]
IFRS 14	Regulatory Deferred Accounts[3]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[4]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans – Employee Contributions[2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
IFRIC – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Effective for annual periods beginning on or after 1 July 2016.
4 IFRS 9, as amended in December 2013, amended the mandatory effective date of IFRS 9. The mandatory effective date is not specified in IFRS 9 but will be determined when the outstanding phases are finalised. However, application of IFRS 9 is permitted.

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

New and revised IFRSs issued but not yet effective (Cont'd)

The directors of the Company anticipate that, except as described below, the application of the new and revised IFRSs will have no material impact on the results and the financial position of the Group.

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to IFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

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

New and revised IFRSs issued but not yet effective (Cont'd)

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of IAS 40; and
(b) the transaction meets the definition of a business combination under IFRS 3.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to IFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9 are described as follows:

- 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. 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

New and revised IFRSs issued but not yet effective (Cont'd)

IFRS 9 Financial Instruments (Cont'd)

- IFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, IFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under IAS 39, it is necessary to exhibit eligibility and compliance with the requirements in IAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for IAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

The effective date of IFRS 9 is not yet determined. However, earlier application is permitted.

The directors of the Company anticipate that the adoption of IFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

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

New and revised IFRSs issued but not yet effective (Cont'd)

Amendments to IAS 19 Defined Benefit Plans – Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

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 IAS 32 are effective for annual periods beginning on or after 1 January 2014 with early application permitted and require retrospective application.

The directors of the Company do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to IAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

IFRIC – Int 21 Levies

IFRIC – Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of IFRIC – Int 21 will have no effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

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 that 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 goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (Cont'd)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

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

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 assets or liabilities 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; 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.

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 IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combination (Cont'd)

When 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.

When a business combinations achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's 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 when 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, 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 a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. 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 in the consolidated statement of financial position 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 less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in associates

An associate is an entity over which the Group has significant influence. 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. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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.

On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised as income in the determination of the Group's share of the associate profit or loss in the period in which the investment is acquired.

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 recognsied in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

(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 has 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 with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment loss. Amortisation for intangible assets with finite useful lives is recognised 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.

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;

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Intangible assets (Cont'd)

Research and development expenditure (Cont'd)

- 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 that are acquired separately.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost of inventories are determined on a 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. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances 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 debt instrustment 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 debt instrument, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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 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.

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 asset's original effective interest rate.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When 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 investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments

Debt 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 an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

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.

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 'loss before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

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 are recognised in profit or loss, except when they relate 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.

Impairment 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. When 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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 amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. 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 futures and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material 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, a material impairment loss may arise. As at 31 December 2013, the carrying amount of goodwill is approximately RMB956,000 (2012: RMB956,000). Details of the recoverable amount calculation are disclosed in note 17 and no impairment loss had been provided for the year ended 31 December 2013 (2012: 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 2013, the carrying amounts of trade receivables and other receivables are approximately RMB9,170,000 (net of impairment loss of approximately RMB5,749,000) and RMB68,733,000 (net of impairment loss of approximately RMB9,334,000) respectively (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 RMB71,814,000 (net of impairment loss of approximately RMB8,393,000), respectively.

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 on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated 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 INSTRUMENTS

a. Categories of financial instruments

	2013 **RMB'000**	2012 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**99,761**	97,035
Financial liabilities		
At amortised cost	**18,907**	14,386

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, 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 2013 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 and other receivables 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.

6. FINANCIAL INSTRUMENTS (Cont'd)

b. Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

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 2013 and 2012. The Group has concentration of credit risk as 17% (2012: 0%) of the total trade receivables was due from the Group's largest customer.

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 is mainly balances with banks which are all short-term in nature. There were no interest-bearing financial liabilities as at 31 December 2013 and 2012. 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.

c. Fair values of financial assets and financial liabilities

The fair value of 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.

The directors of the Company consider that the fair values of the other financial liabilities approximate their carrying amounts as the impact of discounting is not significant.

No analysis of fair value measurements is presented as the Group does not have financial instruments that are measured subsequent to initial recognition at fair value in the consolidated financial statements.

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	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment turnover	**100**	960	**33,221**	25,447	**28,089**	31,014	**61,410**	57,421
Segment results	**19**	(30)	**1,330**	(1,263)	**5,548**	4,581	**6,897**	3,288
Share of result of an associate							**–**	1,433
Unallocated revenue							**1,266**	14,044
Loss on disposal of an associate							**–**	(700)
Unallocated expenses							**(8,880)**	(8,727)
(Loss) profit before tax							**(717)**	9,338

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, certain 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	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
As at 31 December								
Segment assets	**63**	91	**8,700**	5,692	**9,936**	9,610	**18,699**	15,393
Unallocated assets							**90,809**	90,685
Total assets							**109,508**	106,078
Segment liabilities	**–**	–	**3,893**	2,374	**265**	971	**4,158**	3,345
Unallocated liabilities							**17,088**	13,449
Total liabilities							**21,246**	16,794

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

- all assets are allocated to reportable segments other than bank balances and cash, 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	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	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	**-**	–	**2**	–	**470**	1,428	**-**	–	**472**	1,428
Depreciation	**20**	–	**540**	203	**824**	1,136	**-**	–	**1,384**	1,339
Write back of impairment loss on trade receivables	**-**	–	**(507)**	(929)	**(105)**	(200)	**-**	–	**(612)**	(1,129)
Impairment loss on trade receivables	**-**	50	**657**	565	**8**	199	**-**	–	**665**	814
Loss on disposal of plant and equipment	**-**	–	**-**	14	**12**	43	**-**	–	**12**	57

For the year ended 31 December

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Unallocated		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	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 assets	**38**	50	**-**	–	**-**	–	**-**	–	**38**	50
Interest income	**-**	–	**(5)**	(6)	**(28)**	(168)	**-**	–	**(33)**	(174)
Income tax expense	**-**	–	**-**	–	**305**	317	**-**	–	**305**	317
Impairment loss on other receivables	**-**	–	**-**	–	**-**	–	**1,125**	180	**1,125**	180
Share of result of an associate	**-**	(1,433)	**-**	–	**-**	–	**-**	–	**-**	(1,433)
Loss on disposal of an associate	**-**	700	**-**	–	**-**	–	**-**	–	**-**	700
Write back of impairment loss on other receivables	**-**	–	**-**	–	**-**	–	**(184)**	(11,910)	**(184)**	(11,910)

Non-current assets excluded goodwill.

(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:

	2013 RMB'000	2012 RMB'000
Customer A[1]	**11,155**	10,617

1 Revenue from provision of telecommunication value-added services

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS

The details of emoluments of each of nine (2012: ten) directors and five (2012: five) directors, chief executive and supervisors for the years ended 31 December 2013 and 2012 are set out below:

For the year ended 31 December 2013

	Fees RMB'000	**Salaries and other benefits RMB'000**	**Contributions to retirement benefits scheme RMB'000**	**Total RMB'000**
Executive directors:				
Mr. Chen Ping	–	94	–	94
Mr. Chao Hong Bo	–	10	–	10
Mr. Xia Zhen Hai	–	–	–	–
Mr. Xie Fei	–	–	–	–
Mr.Wang Linhua	–	157	35	192
Mr. Wang Yong Gui	–	120	12	132
Independent non-executive directors:				
Mr. Cai Xiao Fu	10	–	–	10
Mr. Zhang De Xin	10	–	–	10
Mr. Gu Yu Lin	–	–	–	–
Supervisors				
Mr. Xie Jian Ping	–	–	–	
Mr. Wang Li Jun	–	93	10	103
Ms. Liu Chun Fang	–	–	–	–
Ms. Wang Xiao Li	–	–	–	–
Mr. Feng Pei Xian	–	3	–	3
Total	20	477	57	554

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (Cont'd)

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 Linhua	–	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

None of the directors or supervisors waived or agreed to waive any emoluments paid by the Group for the two years ended 31 December 2013 and 2012.

Note 1: Resigned on 21 December 2012
Note 2: Appointed on 21 December 2012

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 2013 and 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 (2012: two) of the Company, whose emoluments have been included in note 8 above. The emoluments of the remaining three (2012: three) individuals were as follows:

	2013 RMB'000	2012 RMB'000
Salaries and other benefits	**512**	463
Contributions to retirement benefits scheme	**28**	27
	540	490

The emoluments of each of these individuals for both years were less than HK$1,000,000 or equivalent to approximately RMB791,000 (2012: RMB 812,000).

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 2013 and 2012.

10. INCOME TAX

	2013 RMB'000	2012 RMB'000
The tax charge comprises:		
PRC Enterprise Income Tax ("EIT")		
– current year	**430**	371
– over-provision in prior years	**(125)**	(54)
	305	317

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 2013 and 2012.

The Company was subject to EIT at a rate of 15% (2012:15%) as it was 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 2013 and 2012.

10. INCOME TAX (Cont'd)

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

	2013 **RMB'000**	2012 RMB'000
(Loss) profit before taxation	**(717)**	9,338
Tax at the domestic income tax rate of 15% (2012: 15%)	**(108)**	1,401
Tax effect of share of results of associates	**–**	(36)
Tax effect of expenses not deductible for tax purpose	**542**	248
Tax effect of income not taxable for tax purpose	**(401)**	(3,401)
Tax effect of tax losses not recognised	**1,279**	1,599
Utilisation of previously unrecognised tax losses	**(488)**	(61)
Effect of different tax rates of subsidiaries	**(394)**	621
Over-provision in prior years	**(125)**	(54)
Tax charge for the year	**305**	317

11. (LOSS) PROFIT FOR THE YEAR

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

	2013 **RMB'000**	2012 RMB'000
Salaries and other benefits (including directors', chief executive's and supervisors' emoluments)	**8,087**	9,620
Contributions to retirement benefits scheme	**1,165**	1,528
Total staff costs	**9,252**	11,148
Amortisation of intangible assets (included in general and administrative expenses)	**38**	50
Auditors' remuneration	**569**	474
Depreciation of plant and equipment	**1,384**	1,339
Impairment loss on trade receivables	**665**	814
Impairment loss on other receivables	**1,125**	180
Loss on disposal of plant and equipment (included in general and administrative expenses)	**12**	57
Operating lease rental for office premises	**2,141**	2,232
Research and development costs recognised as expenses	**1,417**	2,569
Bank interest income	**(33)**	(174)
Government grants (Note 1)	**(418)**	(812)
Write back of impairment loss on trade receivables (included in other operating income)	**(612)**	(1,129)
Write back of impairment loss on other receivables (included in other operating income)	**(184)**	(11,910)
Loss on disposal of an associate	**–**	700
Cost of inventories recognised as an expense	**23,195**	21,653

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 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).

13. (LOSS) EARNINGS PER SHARE

The calculations of the basic (loss) earnings per share are based on loss for the year attributable to owners of the Company of approximately RMB758,000 (2012: profit of RMB8,327,000) and on the weighted average number of 356,546,000 (2012: 356,546,000) shares in issue during the year ended 31 December 2013.

Diluted (loss) earnings per share was the same as basic (loss) earnings per share for the two years ended 31 December 2013 and 2012 as there were no diluting events existed during both years.

14. INTEREST IN AN ASSOCIATE

On 1 December 2012, the Group disposed of its 20% of issued capital of an unlisted associate to an independent third party at consideration of RMB3,500,000 and loss on disposal of approximately RMB700,000 was recognised in consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012.

As at 31 December 2013 and 2012, 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		Principal activity
			2013	2012	
Zhejiang Lande Congheng Network Service Company Limited ("Congheng")	Incorporated	PRC	–	–	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:

	2013 RMB'000	2012 RMB'000
Total assets	**–**	–
Total liabilities	**–**	–
Net assets	**–**	–
Group's share of net assets of an associate	**–**	–
Revenue*	**–**	38,020
Profit for the year*	**–**	7,166
Other comprehensive income for the year*	**–**	–
Group's share of result of an associate for the year	**–**	1,433

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

15. 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 2012	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
Additions	18	–	454	472
Disposals	–	(457)	(1,616)	(2,073)
At 31 December 2013	**3,816**	**1,332**	**9,691**	**14,839**
ACCUMULATED DEPRECIATION				
At 1 January 2012	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
Provided for the year	152	277	955	1,384
Eliminated on disposals	–	(440)	(1,580)	(2,020)
At 31 December 2013	**3,784**	**236**	**6,500**	**10,520**
CARRYING VALUES				
At 31 December 2013	**32**	**1,096**	**3,191**	**4,319**
At 31 December 2012	166	1,390	3,728	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

16. INTANGIBLE ASSETS

	Patents RMB'000	Computer software RMB'000	Self-developed software RMB'000	Total RMB'000
COST				
At 31 December 2011, 31 December 2012 and 31 December 2013	250	11,774	11,360	23,384
AMORTISATION AND IMPAIRMENT				
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
Provided for the year	38	–	–	38
At 31 December 2013	**250**	**11,774**	**11,360**	**23,384**
CARRYING VALUES				
At 31 December 2013	**–**	**–**	**–**	**–**
At 31 December 2012	38	–	–	38

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

17. GOODWILL

	RMB'000
COST	
At 1 January 2012, 31 December 2012 and 31 December 2013	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 2013 and 2012, the management of the Group determined that there was no impairment of any of its CGU containing goodwill.

17. GOODWILL (Cont'd)

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% (2012: 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 two years with annual growth rates ranging from 5% (2012: 5%). The forecasted sales beyond the second year are constant with zero growth rate (2012: 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.

18. INVENTORIES

	2013 RMB'000	2012 RMB'000
Computer software and hardware	**1,572**	1,062

19. TRADE RECEIVABLES

	2013 RMB'000	2012 RMB'000
Trade receivables	**14,919**	12,290
Less: Impairment losses	**(5,749)**	(5,696)
	9,170	6,594

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:

	2013 RMB'000	2012 RMB'000
Current	**8,331**	6,160
Less than 3 months	**467**	63
More than 3 months but less than 1 year	**343**	341
More than 1 year but less than 2 years	**29**	30
	9,170	6,594

The Group does 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.

19. TRADE RECEIVABLES (Cont'd)

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

	2013 RMB'000	2012 RMB'000
Less than 3 months	**467**	63
More than 3 months but less than 1 year	**343**	341
More than 1 year but less than 2 years	**29**	30
	839	434

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB839,000 (2012: RMB434,000) 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:

	2013 RMB'000	2012 RMB'000
Balance at beginning of the year	**5,696**	6,011
Impairment losses recognised during the year	**665**	814
Amounts recovered during the year	**(612)**	(1,129)
Balance at end of the year	**5,749**	5,696

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 RMB5,749,000 (2012: RMB5,696,000) which were long outstanding.

20. PREPAYMENTS AND OTHER RECEIVABLES

	2013 RMB'000	2012 RMB'000
Other receivables	**78,067**	80,207
Less: Impairment losses	**(9,334)**	(8,393)
	68,733	71,814
Prepayment to suppliers	**2,900**	1,703
Advance to employees	**4,398**	3,853
	76,031	77,370

20. PREPAYMENTS AND OTHER RECEIVABLES (Cont'd)

Movement in the impairment losses of other receivables:

	2013 RMB'000	2012 RMB'000
Balance at beginning of the year	**8,393**	20,123
Impairment losses recognised during the year	**1,125**	180
Amounts recovered during the year	**(184)**	(11,910)
Balance at the end of the year	**9,334**	8,393

As at 31 December 2013, included in other receivables amounting to approximately RMB26,525,000 (2012: RMB55,950,000) were balances due from related parties (note 28 (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 RMB9,334,000 (2012: RMB8,393,000) which were long outstanding. Management considers the unimpaired balances are fully recoverable as the recoverable amounts of the relevant debtors as at years end 31 December 2013 and 2012 are not less than the carrying amounts of such balances. The Group did not hold any collateral over these balances.

21. BANK BALANCES AND CASH

Bank balances carried interest at average market rate of 0.35% per annum (2012: 0.35%).

As at 31 December 2013, bank balance of approximately RMB1,378,000 (2012: nil) was frozen by the Hangzhou Arbitration Commission. Details are set out in note 26.

22. TRADE AND OTHER PAYABLES

	2013 RMB'000	2012 RMB'000
Trade payables	**2,115**	1,725
Other payables and accruals	**16,792**	12,661
	18,907	14,386

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

	2013 RMB'000	2012 RMB'000
Less than one year	**1,907**	1,572
Over one year but less than two years	**55**	31
Over two years but less than three years	**31**	–
More than three years	**122**	122
	2,115	1,725

22. TRADE AND OTHER PAYABLES (Cont'd)

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 2013, included in trade and other payables amounting to approximately RMB9,382,000 (2012: RMB5,799,000) are balances due to related parties (note 28 (a)).

23. PAID-IN CAPITAL

	Number of shares		Amount	
	2013	2012	**2013**	2012
	'000	'000	**RMB'000**	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

24. 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.

25. UNPROVIDED DEFERRED TAX

At 31 December 2013, the Group had unused tax losses amounted to approximately RMB45,150,000 (2012: RMB41,988,000) 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.

26. CONTINGENT LIABILITY

On 22 November 2013, 杭州華光計算機工程有限公司 ("Hangzhou Huaguang"), a wholly-owned subsidiary of the Company, received a hearing notice from Hangzhou Arbitration Commission (the "Commission") for the case in relation to the dispute arising from the sales and purchase contract entered into between 寧波中科國泰信息技術有限公司 ("Ningbo Zhongke") and Hangzhou Huaguang (the "Contract"), which the Commission confirmed its acceptance to administer on 17 October 2013 and held a hearing on 23 December 2013. Since 16 October 2013 and as at 31 December 2013, bank balance of Hangzhou Huaguang amounted to RMB1,378,000 was frozen by the Commission. As at 31 December 2013 and up to the date of these consolidated financial statements, the arbitration is still in progress.

According to the arbitration application filed by Ningbo Zhongke on 22 June 2013 (the "Arbitration Application"), Ningbo Zhongke alleged that Hangzhou Huaguang failed to perform the obligations under the Contract and demanded for refund of approximately RMB5,899,000 which was recognised as turnover during the year ended 31 December 2012.

In respect to the Arbitration Application, Hangzhou Huaguang has filed a counter-arbitration application to the Commission on 5 November 2013 in order to demand Ningbo Zhongke to make payments for the outstanding amount and overdue interests amounted to approximately RMB685,000. Such balance has been included in trade receivables and was fully impaired as at 31 December 2013.

The Company decided to defend against and obtained legal advice in respect of the claim. As the claim is ongoing, the directors of the Company believe the possibility of a legal and financial liability regarding to the claim is remote and no reliable estimate can be made of the amount of the obligation at this stage. No provision was recognised on the consolidated financial position or results of operations of the Group at the end of the reporting period.

27. 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:

	2013 **RMB'000**	2012 RMB'000
Within one year	**992**	1,853
In the second to fifth year inclusive	**1,773**	2,321
Over five years	**443**	813
	3,208	4,987

28. 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 20 and 22 respectively are set out below:

Name of related party	Maximum amount owed to the Group during the year RMB'000	**2013 RMB'000**	2012 RMB'000
Insigma Technology Co. Ltd.[1]	N/A	**(6,242)**	(5,799)
浙江元幸信息科技有限公司[2]	11,414	**6,414**	11,414
浙江元幸信息科技有限公司[2]	N/A	**(500)**	–
杭州弈翰科技有限公司[3]	21,074	**13,800**	21,074
浙江浩天信息科技有限公司[4]	9,000	**4,200**	9,000
浙江农科粮油股份有限公司[5]	9,000	**–**	9,000
杭州賽爾網絡通信技術有限公司[4]	3,000	**1,354**	3,000
Mr. Wang Li Jun[6]	1,950	**(2,640)**	1,950
Mr. Xie Jian Ping[7]	200	**200**	200
Mr. Wang Yong Gui[8]	50	**25**	50
Minority shareholders of subsidiaries	532	**532**	262

1. It is a substantial shareholder of the Company. During the year ended 31 December 2013, the Group paid rental expenses of approximately RMB493,000 (2012: RMB432,000) to this related company for leasing of the office premises.
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 (2013: nil) for the telecommunication solution service provided from the associate.

28. RELATED AND CONNECTED PARTY TRANSACTIONS (Cont'd)

(c) Pursuant to the acquisition agreement dated 14 November 2013, the Group has entered into with Shanghai Trasin Information Technology Co., Ltd., a company established in the PRC and a wholly-owned subsidiary of Shanghai Aifusheng Information Technology Co., Ltd., which is in turn owned as to 90% by Mr. Chen Ping, a shareholder/director of the Company, to acquire the 75% equity interest of Hangzhou Saijing Technology Co., Ltd (the "Proposed Acquisition") at an aggregate consideration of RMB45,000,000. 75% of consideration will be settled within five business days upon completion of the acquisition and the remaining will be subject to a profit guarantee. The Proposed Acquisition is subjected to approval in an extraordinary general meeting. Up to 31 December 2013, extraordinary general meeting is not held and the Proposed Acquisition has not been approved yet. The details are set out in the announcements of the Company dated 14 November 2013, 30 December 2013, 21 January 2014 and 28 February 2014.

(d) Compensation of key management personnel

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

	2013	2012
	RMB'000	RMB'000
Short-term benefits	**1,100**	942
Post-employment benefits	**86**	43
	1,186	985

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

29. 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 profit or loss comprehensive income as they become payable in accordance with the rules of the central pension scheme.

The total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB1,165,000 (2012: RMB1,528,000) represents contributions payable to this scheme by the Group in respect of the current accounting period.

30. EVENTS AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, the Company entered into a placing agreement with a placing agent on 22 January 2014. Pursuant to which the placing agent agreed to place, during the placing period, on a best effort basis, the placing shares comprising up to 150,000,000 new H shares at the placing price, on behalf of the Company to the placees who will be independent third parties. The placing has not yet been completed up to the date of report. The details are set out in the announcement and circular of the Company dated 22 January 2014 and 6 March 2014, respectively.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	2013 RMB'000	2012 RMB'000
Non-current assets			
Plant and equipment		**1,387**	1,810
Intangible assets		**–**	38
Interests in subsidiaries	(a)	**19,880**	19,880
		21,267	21,728
Current assets			
Trade receivables		**1,514**	91
Prepayments and other receivables		**63,402**	61,133
Amounts due from subsidiaries	(a)	**4,403**	4,500
Bank balances and cash		**347**	3,120
		69,666	68,844
Current liabilities			
Trade and other payables		**8,932**	8,649
Amounts due to subsidiaries	(a)	**3,889**	–
Current tax liabilities		**20**	20
		12,841	8,669
Net current assets		**56,825**	60,175
NET ASSETS		**78,092**	81,903
Capital and reserves			
Paid-in capital		**35,655**	35,655
Reserves	(b)	**42,437**	46,248
TOTAL EQUITY		**78,092**	81,903

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

Notes:

(a) Interests in subsidiaries

	NOTE	2013 RMB'000	2012 RMB'000
Unlisted investments, at cost		**19,880**	19,880
Amounts due from subsidiaries-current	(i)	**4,403**	4,500
Amounts due to subsidiaries-current	(i)	**(3,889)**	–
		20,394	24,380
Analysed for reporting purposes as:			
Non-current asset		**19,880**	19,880
Current asset		**4,403**	4,500
Current liability		**(3,889)**	–
		20,394	24,380

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

(b) 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 2012	76,570	7,934	(48,814)	35,690
Profit and total comprehensive income for the year	–	–	10,558	10,558
At 31 December 2012	76,570	7,934	(38,256)	46,248
Loss and total comprehensive expense for the year	–	–	(3,811)	(3,811)
At 31 December 2013	76,570	7,934	(42,067)	42,437

32. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2013 and 2012 are as follows:

Name	Place of establishment/ operations	Issued share capital/Paid up issued registered share capital	Proportion of ownership interest held by Company Directly	Proportion of ownership interest held by Company Indirectly	Principal activities
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

All subsidiaries are limited liability companies.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group to give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

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

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in the PRC. The principal activities of these subsidiaries are summaried as follows:

Principal activities	Principal place of business	Number of subsidiaries 2013	Number of subsidiaries 2012
Provision of internet image packaging	The PRC	**1**	1
Inactive	The PRC	**1**	1
		2	2

32. PARTICULARS OF SUBSIDIARIES (Cont'd)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2013	2012	Profit allocated to non-controlling interests 2013 RMB'000	2012 RMB'000	Accumulated non-controlling interest 2013 RMB'000	2012 RMB'000
浙江蘭創通信有限公司	The PRC	**15%**	15%	**449**	399	**4,391**	3,942
Individually immaterial subsidiaries with non-controlling interests						**612**	1,452
						5,003	5,394

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

浙江蘭創通信有限公司	2013 RMB'000	2012 RMB'000
Non-current assets	**2,508**	2,851
Current assets	**30,185**	24,636
Current liabilities	**(3,413)**	(1,201)
Equity attributable to owners of the Company	**24,889**	22,344
Non-controlling interests	**4,391**	3,942
Revenue	**27,711**	28,760
Other income	**544**	806
Expenses	**(25,261)**	(26,907)
Profit for the year	**2,994**	2,659
Profit attributable to owners of the Company	**2,545**	2,260
Profit attributable to non-controlling interests	**449**	399
Profit for the year	**2,994**	2,659

32. PARTICULARS OF SUBSIDIARIES (Cont'd)

浙江蘭創通信有限公司	2013 RMB'000	2012 RMB'000
Other comprehensive income attributable to owners of the company	–	–
Other comprehensive income attributable to non-controlling interests	–	–
Other comprehensive income for the year	–	–
Total comprehensive income attributable to owners of the company	2,545	2,260
Total comprehensive income attributable to non-controlling interests	449	399
Other comprehensive income for the year	2,994	2,659
Dividends paid to non-controlling interests	–	–
Net cash inflow (outflow) from operating activities	6,506	(5,936)
Net cash outflow from investing activities	(3,427)	(1,308)
Net cash inflow (outflow) from financing activities	–	–
Net cash inflow (outflow)	3,079	(7,244)

Financial Summary

CONSOLIDATED RESULTS

	Year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**61,410**	57,421	62,918	141,427	106,066
Cost of sales	**(30,155)**	(27,418)	(39,767)	(111,499)	(64,511)
Gross profit	**31,255**	30,003	23,151	29,928	41,555
Other operating income	**1,266**	14,044	7,638	17,215	2,445
Distribution and selling expenses	**(10,334)**	(8,907)	(7,244)	(6,139)	(11,361)
General and administrative expenses	**(22,904)**	(26,535)	(27,919)	(42,368)	(37,226)
Share of results of associates	**–**	1,433	426	492	(33)
Loss on disposal of an associate	**–**	(700)	–	–	–
(Loss) profit before tax	**(717)**	9,338	(3,948)	(872)	(4,620)
Income tax	**(305)**	(317)	(27)	(232)	(783)
(Loss) profit for the year and total comprehensive (expense) income for the year	**(1,022)**	9,021	(3,975)	(1,104)	(5,403)
Attributable to:					
– Owners of the Company	**(758)**	8,327	(3,582)	(874)	(6,085)
– Non-controlling interests	**(264)**	694	(393)	(230)	682
	(1,022)	9,021	(3,975)	(1,104)	(5,403)
(Loss) earnings per share					
– Basic and diluted (RMB cents)	**(0.21)**	2.34	(1.00)	(0.25)	(1.71)

CONSOLIDATED ASSETS AND LIABILITIES

	At 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**109,508**	106,078	97,887	114,484	109,524
Total liabilities	**(21,246)**	(16,794)	(17,624)	(30,246)	(23,555)
Non-controlling interests	**(5,003)**	(5,267)	(4,573)	(4,966)	(5,823)
Shareholders' equity	**83,259**	84,017	75,690	79,272	80,146