



**SHANGHAI JIAODA WITHUB
INFORMATION INDUSTRIAL COMPANY LIMITED***

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

Stock Code: 8205



**ANNUAL
REPORT
2014**

**for identification purpose only*

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

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CORPORATE PROFILE

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

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

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

HIGHLIGHTS

For the year ended 31 December 2014,

- turnover of the Group amounted to approximately RMB111,946,000 (2013: approximately RMB125,477,000) which represented a decrease of 10.78%;
- loss attributable to owners of the Company was approximately RMB13,232,000 (2013: profit of approximately RMB862,000); and
- the Directors do not recommend the payment of a final dividend (2013: Nil).

** For identification purpose only*

Executive Directors

Mr. Liu Yuwen (*Chairman*)
Mr. Mo Zhenxi (*Vice Chairman*)
Mr. Wu Hanyuan (*Vice Chairman*)
Mr. Shang Ling (*Chief Executive*)
Mr. Zhu Kaiyong
Mr. Shen Zhimin

Independent Non-executive Directors

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

Supervisors

Mr. Yao Benqiang
Mr. Yu Jiming
Ms. Qin Yan
Mr. Gu Wei
Ms. Dong Beihua

Company Secretary

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

Audit Committee

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

Remuneration Committee

Mr. Yuan Shumin (*Chairman*)
Mr. Liu Yuwen
Dr. Cao Guo Qi
Dr. Chan Yan Chong

Nomination Committee

Mr. Liu Yuwen (*Chairman*)
Mr. Yuan Shumin
Dr. Cao Guo Qi

Compliance Officer

Mr. Liu Yuwen

Legal Address

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

Principal Place of Business in Hong Kong

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

Principal Place of Business in the PRC

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

Authorised Representatives

Mr. Liu Yuwen
Ms. Ho Wing Yan

Principal Bankers

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

Auditor

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

Hong Kong Share Registrar and Transfer Office

Union Registrars Limited
A18/F., Asia Orient Tower
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

Stock Code

8205

Company Website

www.withub.com.cn

Chairman's Statement

To All Shareholders,

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

Looking back to 2014, various uncertainties still exist in the global economy, and along with the changing market environment and increasing market competition, the Company inevitably recorded a deficit for the current year.

To cope with the future challenge and sustainable development, the Company will set up objectives and planning according to the three-year development plan in 2015, and actively transform and expand its operating direction. For business, the major direction is to develop software development and system integration business; for management, along with the on-going business development, the operating management of various aspects will be further enhanced and completed.

In the future, the Company will continue to strengthen the core competitiveness, exert greater efforts in highlighted businesses, enhance the corporate competitiveness, and effectively formulate assessment and revenue allocation system that is favourable for attracting and retaining high-calibre personnel. The Company will also continue to concentrate on the corporate culture establishment and build an environment for active development and innovative creation. It will remain positive in its perception to build up a harmonious enterprise.

Last but not least, I would like to express my gratitude to our customers and shareholders for their steadfast support and trust and also thank the directors, senior management and all the staff for their unremitting efforts and contribution.

By order of the Board

Liu Yuwen
Chairman

Shanghai, 18 March 2015

RESULTS

For the year ended 31 December 2014, the Group recorded a turnover of approximately RMB111,946,000 (2013: approximately RMB125,477,000), representing a decrease of RMB13,531,000 or 10.78% as compared to the last year. The Group recorded a loss of RMB13,235,000, while the profit for the year ended 31 December 2013 was RMB859,000.

BUSINESS REVIEW AND FUTURE PROSPECTS

For the entire financial year under review ended 31 December 2014, the total revenue of the Group has decrease from RMB125,477,000 to RMB111,946,000. The decrease of RMB13,531,000 in revenue represents 10.78% decrease of the Group's sales as compared with that in 2013. The Group recorded a profit before tax of RMB859,000 for the previous year and a loss before tax of RMB13,235,000 during the year.

Revenue are mainly generated from the sales and distribution of computer and electrical products and accessories which made up of 75.56% of the total sales (or RMB84,582,000), and this is followed by 21.59% of total sales (or RMB24,171,000) for business application solutions and application software development, 2.85% (or RMB3,193,000) for installation and maintenance of network and data security product. These business segments remain the core services and products for the Company in the past and also for the future.

The sales and distribution of computer and electrical products and accessories has decreased by RMB10,243,000 in revenue as compared with RMB94,825,000 last year, representing a decrease of 10.8%.

Revenue in business application solutions and application software development has decreased by RMB3,552,000 or 12.81% from RMB27,723,000 in the previous year.

Sales from installation and maintenance of network and data security has increased by RMB264,000 from the previous year of RMB2,929,000, representing an increase of 9.01%.

The gross profit has decreased from RMB15,703,000 to RMB7,677,000. This represents a decrease of RMB8,026,000 or 51.11%. The gross profit margin has decreased from the previous financial year of 12.51% to the current year of 6.86%.

Other revenue has increased by RMB311,000 or 8.22% to RMB4,096,000 for the current year from the previous year of RMB3,785,000.

The share of profits of associates amounted to RMB1,700,000 for the current year as compared to the profit of RMB973,000 for the previous year, representing a surge of RMB727,000.

Distribution cost has decreased by RMB727,000 or 12.84% from RMB5,661,000 for the previous year to RMB4,934,000 during the year.

During the past year of 2014, the decrease in segment revenue caused the Company recorded a loss for the year. The Company will continue to strengthen the core competitiveness, exert greater efforts in highlighted businesses, enhance the corporate competitiveness, and effectively formulate assessment and revenue allocation system that is favourable for attracting and retaining high-calibre personnel.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2014, shareholders' funds of the Group amounted to approximately RMB68,405,000 (2013: RMB81,641,000). Current assets amounted to approximately RMB87,014,000 (2013: RMB101,021,000), of which approximately RMB49,582,000 (2013: RMB63,063,000) were bank balances and cash. The Group had non-current liabilities amounted to approximately nil (2013: RMB1,620,000) and its current liabilities amounted to approximately RMB32,381,000 (2013: RMB32,482,000), which mainly comprised of other payables and accrued expenses. The Group did not have any long-term debts.

WORKING CAPITAL RATIO AND GEARING RATIO

As at 31 December 2014, the Group had a net cash position and its working capital ratio (current assets to current liabilities) was 2.69 (2013: 3.11); and gearing ratio (liabilities to total assets) was approximately 32.13% (2013: 29.47%).

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

The Group had no capital commitments and significant investments for the year ended 31 December 2014.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies for the year ended 31 December 2014.

SEGMENT INFORMATION

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

EMPLOYEE INFORMATION

As at 31 December 2014, the Group had 117 full time employees (2013: 116), comprising 14 in management, finance and administration (2013: 12), 34 in research and development (2013: 35), 45 in application development and engineering (2013: 47), and 22 in sales and marketing (2013: 20). Also, the Group had 2 school staff (2013: 2).

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

Remuneration of employees including Directors' emoluments and all staff related costs for the year ended 31 December 2014 was approximately RMB12,215,000 (2013: RMB9,773,000).

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

CHARGES ON GROUP ASSETS

As at 31 December 2014, the Group did not have any charges on its assets (2013: Nil).

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

FOREIGN EXCHANGE EXPOSURE

During the year ended 31 December 2014, the Group's monetary assets and transactions are mainly denominated in RMB, HKD and USD. Though the exchange rates between RMB, HKD and USD are not pegged, there are relatively low level of fluctuation in exchange rates among RMB, HKD and USD. The Management noted that the recent appreciation in the exchange rate of RMB to HKD and USD and is of the opinion that it does not currently have a material adverse impact on the Group's financial position. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any significant contingent liabilities (2013: Nil).

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS

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

Executive Directors

Mr. Liu Yuwen (“Mr. Liu”), aged 52, Ph.D., is a professorate senior engineer. He has engaged in technical management of Baosteel Corporation (寶鋼股份公司) since 1996 and served as the branch manager of Baosteel Pipe (寶鋼鋼管), deputy division manager of Baosteel Pipe (寶鋼鋼管), as well as chairman of 魯寶鋼管公司, 煙寶鋼管公司 and 寶通鋼鐵公司. He has acted as the chief executive of Shanghai Jiao Da Industrial Investment Management (Group) Co., Ltd (上海交大產業投資管理(集團)有限公司) and a director of Shanghai Jiao Tong University Science Park Company Limited (上海交大大學科技園有限公司) since December 2013.

Mr. Mo Zhenxi (“Mr. Mo”), aged 61, joined the Company since April 1998 and is an executive Director and the Vice Chairman of the Company and responsible for the supervision of the Company’s operation and financial activities. Since 1979, he had held several positions including deputy-secretary in 上海汽車配件修配廠支部 (Shanghai Motor Parts Maintenance and Distribution Department), a prosecutor (紀檢員) in Shanghai Disciplinary Correction Section (上海市紀委正科), a department head in a technology and investment company in Shanghai and an officer of the Office of General Manager in a technology and investment company in Shanghai.

Mr. Wu Hanyuan (“Mr. Wu”), aged 64, joined the Company since July 2011 and is an executive Director and the Vice Chairman of the Company. He is the deputy secretary of the Party Committee, secretary of the Discipline Commission, union president and chief supervisor of Shanghai Xin Xuhui (Group) Limited. From 1984 to 1987, he learned in an amateur university majoring in Chinese Language and Literature and graduated with a college degree. From 1969 to 1973, Mr. Wu was the corporal and platoon sergeant of the 18th Company, 2nd Battalion, 67th Regiment of the Heilongjiang Production and Construction Corps, and was the vice instructor of the 20th Company, 2nd Battalion, 67th Regiment of the Heilongjiang Production and Construction Corps from 1973 to 1978. From 1979 to 1984, Mr. Wu was the trade union officer of Fenglin Industrial Company Limited (楓林工業公司) in Xuhui District. From 1984 to 1993, Mr. Wu held the secretary of the Party Committee, section chief, deputy secretary of Party Committee and secretary of the Discipline Commission in Collective Enterprise Administration in Xuhui District successively; From 1993 to 2001, Mr. Wu held the deputy general manager, general manager and branch secretary in Shanghai Shilong Industrial Zone Joint Development Co., Ltd. From 2001 to August 2011, Mr. Wu held positions as secretary of the Party Committee, secretary of the Discipline Commission, union president in Shanghai Xin Xuhui (Group) Limited successively, and was rewarded for several papers and works published previously.

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

Mr. Shang Ling (“Mr. Shang”), aged 44, MA, is an engineer. He is appointed as the chief executive of the Company on 18 June 2014. He has long-term engagement in corporate production and operational management after he graduated from his master degree in 2001. He served as a manager of 上海申聯資訊技術公司, an assistant officer of Shanghai Withub Hi-Tech Business Incubator (上海慧谷高科技創業中心), the general manager of Shanghai Withub Business Investment and Management Company Limited (上海慧谷創業投資管理有限公司), the general manager of Shanghai Jiaoda Withub Technology Street Company Limited (上海交大慧谷科技街有限公司) and the deputy general manager of Shanghai Xin Nanyang Company Limited (上海新南洋股份公司).

Mr. Zhu Kaiyong (Mr. Zhu), aged 42, obtained a master degree of business administration and is an economist. He has served as the deputy manager of investment department, a representative of securities affairs, the deputy director of office of board secretary, the deputy manager of administration department and administrative manager for 上海新南洋公司 as well as the board secretary of Shanghai Xin Nanyang Company Limited (上海新南洋股份公司). He currently serves as a supervisor of Shanghai Jiao Tong University Science Park Company Limited (上海交大大學科技園有限公司) and board secretary of Shanghai Jiao Da Industrial Investment Management (Group) Co., Ltd.

Mr. Shen Zhimin (“Mr. Shen”), aged 49, graduated with a Bachelor degree. He worked for Shanghai Baoshan District Finance Bureau from 1989 to 1992, and he has served as the head of accounting department for Shanghai Xuhui District Finance Bureau since 1992. Mr. Shen has acted as the director of Shanghai Huxin Investment Operation Company Limited since 2012.

Independent Non-executive Directors

Mr. Yuan Shumin (“Mr. Yuan”), aged 64, was appointed as an independent non-executive Director by the Company in June 2007. He was graduated from School of Accounting of Shanghai University of Finance and Economics in January 1983 with a bachelor degree in Economics, and taught there after graduation. In January 1985, he attended the part-time Postgraduate program in School of Accounting of Shanghai University of Finance and Economics, and graduated in June 1988 with a master degree in Economics. Mr. Yuan became associate professor in 1992, and promoted as professor in 1977. Since 1993, he has been supervisor of teaching department, assistant supervisor and assistant dean of School of Accounting, standing assistant dean and dean of School of Adult Education (成教學院) of Shanghai University of Finance and Economics. He studied in a part-time doctorate program of Management at School of Management of Fudan University from January 1995, and graduated from Fudan University in January 1998 with a doctorate degree in Science. In July 2001, he was appointed as tutor of accounting doctorate program in Shanghai University of Finance and Economics. He has served in School of Accounting in Shanghai Finance University since September 2005, and is currently serving as the president of School of Accounting. Mr. Yuan has written various thesis, studies, teaching material, and served as Chairman of Computerized Accountancy Association for Youth (中青年會計電算化分會) of PRC Accounting Association (中國會計學會).

Dr. Cao Guo Qi (“Dr. Cao”), aged 52, was appointed as an independent non executive Director by the Company on 7 July 2009. He holds a doctorate degree in Economics. He served as the associate professor and deputy department head of Shanghai University of Finance and Economics the EMBA professor of Hunan University, an intern economist of the International Monetary Authority, Economic and Finance Committee of the European Community (now known as “European Union”), a project coordinator of the International Bank and the vice president of the board of directors and chief executive of Sui Chong Holdings Limited (瑞昌控股有限公司), a listed company in Hong Kong. He participated in the preparation of the Yangshan Deep-water Port Project, and he was appointed as Director and General Manager of Shanghai Lingang New City Investment and Development Company Limited (上海臨港新城投資開發集團有限公司), and Director of East Sea Bridge Construction Company Limited (東海大橋工程建設有限公司). He is currently the executive director and General Manager of both East Team (China) Limited and Jianhui Investment Company Limited. Dr. Cao has served as the key management and leader of major units and departments from local and abroad for a long period of time. He is specialized in project finance and management, financial management, fund operation and management, merging and acquisition, assets and capital operation, human resources management and project consultation. He also possesses extensive experience in starting a business, and is relatively sensitive towards macroeconomic development and market expansion. Currently, Dr. Cao is the independent non-executive director of Dongwu Cement International Limited (stock code: 695), a company listed on the main board of the Stock Exchange, an executive director of Oriental City Group Holdings Limited (stock code: 8325), a company listed on GEM and an independent director of Inner Mongolia Jinyu Group Stock Company (內蒙古金宇集團股份有限公司)(stock code: 600201), a company listed on the Shanghai Stock Exchange.

Biographical Details of Directors, Supervisors and Senior Management

Dr. Chan Yan Chong (“Dr. Chan”), aged 64, was appointed as an independent non executive Director on 7 July 2009. He graduated from Nanyang University in Singapore with a degree in Mathematics. Then he obtained a Master degree in Operational Research at Lancaster University and Doctorate in Management Studies at Manchester University. Currently, Dr. Chan serves as the associate professor at the City University of Hong Kong, the group leader of Centa-City Index (now known as CCI) research group and the economic advisor of Ganzhou City Government in Jiangxi Province. He served as an advisor to the Central Policy Unit of Hong Kong and a council member of Sham Shui Po District Council of Hong Kong. In 2001, Dr. Chan was awarded the Best Commercial Application Research Prize of the City University of Hong Kong. He has published 20 professional books and more than 3,000 articles, and is also a feature column writer for many newspapers and magazines.

SUPERVISORS

Mr. Yao Benqiang (“Mr. Yao”), aged 62, is the chairman of the Supervisory Committee of the Company and responsible for the supervision of the Company’s financial activities. Mr. Yao has over 25 years of experience in financial accounting and auditing. Mr. Yao joined Shanghai Xin Xuhui in 1995 and became the financial controller in 1998. He was awarded 上海市財務總監業務培訓班證書 (the Certificate of Continuing Education of Shanghai Chief Financial Officer) and is the 徐匯區內部審計協會副理事長 (Vice chief counsel of Xuhui District Internal Audit Committee), 區會計學會理事 (council member of District Accountancy Committee) and 市成本研究會會員 (member of the City Costing Research Committee). Mr. Yao was appointed as a supervisor by the Company in December 2001.

Mr. Yu Jiming (“Mr. Yu”), aged 56, is a supervisor of the Company and responsible for the supervision of the Company’s operation and financial activities. Mr. Yu graduated with Bachelor degree in University of Science and Technology Beijing and is a Senior Accountant and a registered accountant. Mr. Yu held various positions in 上海浦東鋼鐵公司 including Administrator, Supervisor and Section Chief of Cost Section of Finance Department (財務處成本科管理員、組長及科長), Deputy Head of Finance Department, Head of Foreign Economic and Trade Department (對外經濟貿易處) and Deputy Chief Accountant. He was also the General Manager of 三網國際貿易公司. Since 1999, Mr. Yu has acted as the Deputy Chief Accountant and Manager of Finance Division of Shanghai Science & Technology Investment Corporation, the chairman of Supervisory Committee of 上海眾恒信息產業有限公司, Head of Supervisors (監事長) of 上海燃料動力汽車有限公司 and a director of 上海中新技術創業投資有限公司, supervisor of 上海申騰資訊技術有限公司 and supervisor of 廣東冠昊生物科技股份有限公司. Mr. Yu was appointed as a supervisor by the Company in July 2005.

Ms. Qin Yan (“Ms. Qin”), aged 41, is the representative of the employees and is a supervisor of the Company. Ms. Qin is the manager of the integration department of the Company responsible for network integration design and wiring design. She graduated with Bachelor degree in 上海理工大學 (University of Shanghai for Science & Technology) specialized in complex machinery and subsequently obtained a master degree specialised in measurement techniques and instruments. Ms. Qin was appointed as a supervisor by the Company in September 2000.

Ms. Dong Beihua (“Ms. Dong”), aged 51, graduated with a Bachelor degree. She worked for Shanghai Xuhui District Taxation Bureau from 1983 to 1985, and she has served as the head of inspection department for Shanghai Xuhui District Finance Bureau since 1986. Ms. Dong has acted as the general manager of Shanghai Huxin Investment Operation Company Limited since 2012.

Mr. Gu Wei (“Mr. Gu”), aged 44, graduated from Adult Education Institute of Shanghai Jiao Tong University and also from Research Institute of Information Security Engineering of Shanghai Jiao Tong University. He is currently a professional engineer and serves as the deputy general manager of integration business. He graduated from Shanghai Panyu Secondary School in 1988 and Shanghai College of Metallurgy Industry in 1992. He has served as a technician for Shanghai Tenth Steel Mills since 1992 and as the deputy general manager of Shanghai Jiaoda Withub Information Industrial Company Limited since 1998.

SENIOR MANAGEMENT

Ms. Cao Zhen (“Ms. Cao”), aged 46, graduated from Shanghai Jiao Tong University. Ms. Cao is the vice president of the Company, in charge of the Company’s system integration business department and solution business department. Ms. Cao had worked in various positions including 上海交大科外系語言所 (Shanghai Jiaoda Ke Wai System Language Centre) as an engineer, 上海天明科技有限公司 as a manager, 上海瀚英實業發展有限公司 (Shanghai Han Ying Industrial Development Company Limited) as a manager, the general manager of Network Integration Centre (網絡集成中心) of the Company and being a chief project officer of the Company. Ms. Cao was appointed by the Company in May 2005 and was re-appointed by the Company in July 2014, for a term of three years.

Mr. Zhang Yuanyuan (“Mr. Zhang”), aged 42, graduated from Shanghai Jiao Tong University with an MBA. Mr. Zhang is the vice president of the Company, in charge of the Company’s software business department and product business department. Mr. Zhang had worked in various positions including Royton Technologies Co. Ltd. as a chief investment officer, 上海三九藥店有限責任公司 (Shanghai San Jiu Yao Dian Company Limited) as a managing director, 江蘇三九醫藥零售有限公司 (Jiangsu San Jiu Yi Yao Retail Company Limited) as a president, 杭州三九醫藥零售有限公司 (Hangzhou San Jiu Yi Yao Retail Company Limited) as a director, 上海三九醫藥有限公司 as a director, 上海價美醫藥零售連鎖有限公司 (Shanghai Jia Mei Yi Yao Retail Chain Company Limited) as a director. Mr. Zhang Yuanyuan was appointed by the Company in May 2005 and was re-appointed by the Company in July 2014, for a term of three years.

Report of the Directors

The Board of Directors is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

Principal Activities

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

Major Customers and Suppliers

During the year under review, the Group's sales to the five largest customers accounted for 19.56% of the Group's turnover for the year, of which the largest customer accounted for 6.48% of the Group's turnover for the year.

Purchases from major suppliers accounted for the following percentages:

The largest supplier:	47.78%
Total percentage of the five largest suppliers:	72.76%

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

Results

The Group's results and financial position for the year ended 31 December 2014 are set out in the annual report on pages 28 to 91.

Dividends

The directors do not recommend the payment of any dividends in respect of the year ended 31 December 2014.

Financial Summary

A summary of the results and assets and liabilities of the Group for each of the five years ended 31 December 2014 is set out on page 92 of the annual report.

Plant and Equipment

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

Share Capital

Details of movements in the share capital of the Company during the year ended 31 December 2014 are set out in note 24 to the notes to the consolidated financial statements.

Share Option Scheme

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

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

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

The Share Option Scheme of the Company has become invalid on 6 July 2012.

Reserves

Details of movements in the reserves of the Group and of the Company during the year are set out on page 30 and in note 32 to the notes to the consolidated financial statements.

RETIREMENT BENEFITS

Details of the retirement benefit scheme of the Group are set out in note 27 to the notes to the consolidated financial statements.

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. Liu Yuwen (*Chairman*)
Mr. Mo Zhenxi (*Vice Chairman*)
Mr. Wu Hanyuan (*Vice Chairman*)
Mr. Shang Ling (*Chief Executive*)
Mr. Zhu Kaiyong
Mr. Shen Zhimin

Independent Non-executive Directors

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

Supervisors

Mr. Yao Benqiang
Mr. Yu Jiming
Ms. Qin Yan
Mr. Gu Wei
Ms. Dong Beihua

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

The Company did not enter into any service contract with its executive Directors and independent non-executive Directors and each of the executive Directors, independent non-executive Directors and Supervisors.

Directors', Supervisors' and Senior Executives' Emoluments

Details of the Directors', Supervisors' and senior executives' emoluments and the highest paid individuals are set out in note 10 to the consolidated financial statements.

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

As at 31 December 2014, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

Directors', Supervisors' and Chief Executives' Rights to Acquire Shares or Debentures

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

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

A. Substantial shareholders

As at 31 December 2014, the following shareholders (other than the Directors and the Supervisors (as if the requirements applicable to the Directors under the SFO had applied to the Supervisors) of the Company) had an interest or a short position in the Shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO and were directly or indirectly interested in 10 percent or more of the Shares:

Name of shareholders	Capacity and nature	Number and class of shares	Approximate percentage of interest
		<i>(Note 1)</i>	
Shanghai Jiao Tong University	Interest of a Controlled corporation <i>(Note 2)</i>	114,000,000 domestic shares (L)	23.75%
Shanghai Jiaoda Industrial Investment Management (Group) Limited	Interest of a Controlled corporation <i>(Note 2)</i>	114,000,000 domestic shares (L)	23.75%
Shanghai Jiaoda Science and Technology Park Limited	Beneficial owner	114,000,000 domestic shares (L)	23.75%
Shanghai Xin Xuhui (Group) Limited	Beneficial owner	60,000,000 domestic shares (L)	12.50%
Xuhui District Industrial Association	Interest of a Controlled corporation <i>(Note 3)</i>	60,000,000 domestic shares (L)	12.50%
Shanghai Huixin Investment Operation Company Limited	Beneficial owner	57,000,000 domestic shares (L)	11.88%
Shanghai Technology Venture Capital Management Company	Beneficial owner	57,000,000 domestic shares (L)	11.88%

Notes:

- The letter "L" represents the entity's interest in the shares of the Company.
- These 114,000,000 domestic shares are registered and owned by Shanghai Jiaoda Science and Technology Park Limited ("Jiaoda S&T Park"). The major shareholder of Jiaoda S&T Park is Shanghai Jiaoda Industrial Investment Management (Group) Limited ("Jiaoda Industrial") which owns 55.42% of registered capital in Jiaoda S&T Park. Shareholders of Jiaoda Industrial are Shanghai Jiao Tong University (96.735%) and Shanghai Jiaoda Enterprise Management Centre (3.265%), an entity wholly-owned by Shanghai Jiao Tong University. Both Jiaoda Industrial and Shanghai Jiao Tong University are deemed to be interested in the aggregate of 114,000,000 domestic shares held by Jiaoda S&T Park under the SFO.
- These 60,000,000 domestic shares are registered and owned by Shanghai Xin Xuhui (Group) Limited, the registered capital of which will be owned as to approximately 74.58% by Xuhui District Industrial Association after the completion of certain capital reorganisation as referred to in the Prospectus. Xuhui District Industrial Association is deemed to be interested in the 60,000,000 domestic shares held by Shanghai Xin Xuhui (Group) Limited under the SFO.

B. Other persons who are required to disclose their interests pursuant to Division 2 and 3 of Part XV of the SFO

As at 31 December 2014, save for the persons/entities disclosed in sub-section A above, the following persons/entities had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Capacity and nature	Number and class of shares <i>(Note)</i>	Approximate percentage of interest
Chen Jianbo	Beneficial owner	24,300,000 domestic shares (L)	5.06%

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

Save as disclosed above, as at 31 December 2014, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Board Practices and Procedures

Throughout the year ended 31 December 2014, the Company was in compliance with the Board Practices and Procedures as set out in Rule 5.34 of the GEM Listing Rules.

Directors' Interests in Contracts

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

Closure of Register of Members

The register of members of the Company will be closed from 19 May 2015 to 18 June 2015 (both days inclusive), during which no transfer of shares will be effected. The holders of shares whose name appears on the register of members of the Company on 18 June 2015 will be entitled to attend and vote at the AGM. In order to qualify for attendance at the above meeting, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H share registrar, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not later than 4:00 p.m. on 18 May 2015.

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 2014.

Competing Interests

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

Public Float

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

Audit Committee

The Company established an audit committee on 7 July 2002 with written terms of reference. The audit committee comprises the three independent non-executive Directors, Mr. Yuan Shumin, Dr. Cao Guo Qi and Dr. Chan Yan Chong.

The Company's consolidated financial statements for the year ended 31 December 2014 have been reviewed by the audit committee, who recommended such statements to the Board. The financial reporting process and internal control of the Company have also been reviewed by the audit committee, who were of the opinion that no further improvement was required for the time being. During the year, the audit committee has held four formal meetings.

Change of Auditors

According to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" 《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》 published by the Stock Exchange, PRC incorporated issuers listed in Hong Kong are allowed to prepare their financial statements in accordance with the PRC Accounting Standards and PRC audit firms approved by the Ministry of Finance ("MOF") and the China Securities Regulatory Commission ("CSRC") are allowed to audit these financial statements in accordance with the PRC Accounting Standards.

The Company is aware that ShineWing Certified Public Accountants ("ShineWing CPA") is a PRC audit firm approved by the MOF and the CSRC to provide auditing services in accordance with the PRC Accounting Standards to PRC incorporated issuers.

The Board proposes not to re-appoint SHINEWING (HK) CPA Limited ("SHINEWING HK") as the international auditor of the Company at the AGM. ShineWing CPA will be appointed as the auditor auditing the Company's financial statements for the year ending 31 December 2015 (the "Proposed Change of Auditor") in accordance with the PRC Accounting Standards and undertaking the role of auditor in compliance with the Listing Rules. The Proposed Change of Auditor will be subject to the approval by the shareholders of the Company at the AGM.

SHINEWING HK has confirmed that there were no matters regarding the Proposed Change of Auditor that need to be brought to the attention of the Shareholders. The Board and the audit committee of the Company confirmed that there were no disagreement between the Company and SHINEWING HK regarding such Proposed Change of Auditor.

On behalf of the Board

Liu Yuwen
Chairman

Shanghai, the PRC, 18 March 2015

Report of the Supervisory Committee

To All Shareholders,

Shanghai Jiaoda Withub Information Industrial Company Limited has complied with the Company Law of the PRC during the year ended 31 December 2014, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company, exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principles of honesty and trustworthiness and worked cautiously and diligently.

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

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

We are satisfied with the various tasks achieved as well as the cost-effectiveness gained in 2014 and are confident about the prospects and future development of the Group.

On behalf of the Supervisory Committee

Yao Benqiang

Chairman of the Supervisory Committee

Shanghai, the PRC, 18 March 2015

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY THE DIRECTORS

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

BOARD OF DIRECTORS

The Board comprises nine Directors, of whom six are executive Directors and three are independent non-executive Directors. Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the pages 8 to 10 of the annual report. The participation of independent non-executive Directors in the Board brings independent judgement on issues relating to the Group’s strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

The Company did not enter into any service contract with its executive Directors and independent non-executive Directors. However, according to article 96 of the Articles of Association of the Company, the terms of the Directors shall be three years. Upon the expiry of the term, the Directors shall be eligible for re-election at the shareholders’ general meeting of the Company. Therefore, the terms of Mr. Liu Yuwen, Mr. Shang Ling, Mr. Zhu Kaiyong and Mr. Shen Zhimin, all executive Directors appointed on 18 June 2014, commenced from 7 July 2014 to 6 July 2017. The terms of Mr. Mo Zhenxi and Mr. Wu Hanyuan, both executive Directors, commenced from 7 July 2014 to 6 July 2017. The terms of Mr. Yuan Shumin, Dr. Cao Guo Qi, and Dr. Chan Yan Chong, all independent non-executive Director, commenced from 22 June 2013 to 21 June 2016, from 7 July 2012 to 6 July 2015, and from 7 July 2012 to 6 July 2015 respectively.

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

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

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

Report of Corporate Governance

The Board held eight board meetings during the year ended 31 December 2014. Details of the attendance of the Board are as follows:

Board Meetings	Number of Attendance
Executive Directors	
Mr. Liu Yuwen (<i>Chairman</i>)	3/3
Mr. Mo Zhenxi (<i>Vice Chairman</i>)	8/8
Mr. Wu Hanyuan (<i>Vice Chairman</i>)	8/8
Mr. Shang Ling (<i>Chief Executive</i>)	3/3
Mr. Zhu Kaiyong	3/3
Mr. Shen Zhimin	3/3
Independent Non-executive Directors	
Mr. Yuan Shumin	8/8
Dr. Cao Guo Qi	2/8
Dr. Chan Yan Chong	8/8

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

During the year ended 31 December 2014, the Company held one annual general meeting on 18 June 2014, being 2013 annual general meeting of the Company (the "2013 AGM").

2013 AGM	Number of Attendance
Executive Directors	
Mr. Liu Yuwen (<i>Chairman</i>)	0/0
Mr. Mo Zhenxi (<i>Vice Chairman</i>)	1/1
Mr. Wu Hanyuan (<i>Vice Chairman</i>)	1/1
Mr. Shang Ling (<i>Chief Executive</i>)	0/0
Mr. Zhu Kaiyong	0/0
Mr. Shen Zhimin	0/0
Independent Non-executive Directors	
Mr. Yuan Shumin	1/1
Dr. Cao Guo Qi	0/1
Dr. Chan Yan Chong	1/1

DIRECTORS' TRAINING

According to the code provision A.6.5 of the CG Code, all directors shall participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company shall be responsible for arranging and funding training, and place appropriate emphasis on the roles, functions and duties of the Directors.

During the year and up to the date of this report, the Company had arranged to provide all Directors with the “Guidelines for Directors” and the “Guide for Independent Non-executive Directors” both issued by the Hong Kong Institute of Directors. Each of the Directors had noted and studied the above mentioned guidelines and the Company had received from each of the Directors the confirmations on taking continuous professional training.

CHAIRMAN AND THE CHIEF EXECUTIVE

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

In compliance with the Rules 5.05(1) and 5.05A of the Listing Rules, there are three independent non-executive Directors representing one-third of the Board. Among the three independent non-executive Directors, one of them has appropriate professional qualifications in accounting or relevant financial management expertise as required by the Rule 5.05(2) of the Listing Rules. The independent non-executive Directors bring independent judgment on issues of strategy, performance and risk. The Company has received from each of the independent non-executive Directors written confirmations of their independence pursuant to the Rule 5.09 of the Listing Rules. Based upon the said confirmations, the Board considers that all the independent non-executive Directors are independents.

AUDIT COMMITTEE

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

The Audit Committee comprises three independent non-executive Directors, Mr. Yuan Shumin (Chairman), Dr. Cao Guo Qi and Dr. Chan Yan Chong.

The Audit Committee held four meetings during the year. Number of attendance of the Audit Committee meetings during the year ended 31 December 2014 are as follows:

Meetings of Audit Committee	Number of Attendance
Mr. Yuan Shumin (<i>Chairman</i>)	4/4
Dr. Cao Guo Qi	2/4
Dr. Chan Yan Chong	4/4

The Group’s unaudited quarterly and interim results and audited annual results during the year ended 31 December 2014 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 7 July 2005 with written terms of reference and comprising four independent non-executive Directors, namely Mr. Yuan Shumin (Chairman), Mr. Liu Yuwen, Dr. Cao Guo Qi and Dr. Chan Yan Chong.

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

The Remuneration Committee consults the Chairman and Chief Executive about its proposals related to the remuneration of the Directors and senior management of the Company. The Remuneration Committee held three meetings during the year. Number of attendance of the Remuneration Committee meeting during the year ended 31 December 2014 are as follow:

Meetings of Remuneration Committee	Number of Attendance
Mr. Yuan Shumin (<i>Chairman</i>)	3/3
Mr. Liu Yuwen	1/1
Dr. Cao Guo Qi	2/3
Dr. Chan Yan Chong	3/3

NOMINATION COMMITTEE

On 20 March 2012, the Company established the Nomination Committee (the "Nomination Committee") with clear written terms of reference as to its authority and duties. The Nomination Committee consists of three Directors and is chaired by Mr. Liu Yuwen, the Chairman of Board. The Nomination Committee comprises three members, namely, Mr. Liu Yuwen, Mr. Yuan Shumin and Dr. Cao Guo Qi, the majority of them are the independent non-executive Directors.

The Nomination Committee is responsible for electing and recommending candidates for directorship, based on assessment of their professional qualifications and experience and also for assessing the independence of each independent non-executive Director.

The Nomination Committee held two meetings during the year. Number of attendance of the Nomination Committee meeting during the year ended 31 December 2014 are as follow:

Meetings of Nomination Committee	Number of Attendance
Mr. Liu Yuwen (<i>Chairman</i>)	0/0
Mr. Yuan Shuman	2/2
Dr. Cao Guo Qi	2/2

Board Diversity Policy

The Nomination Committee adopted the board diversity policy on 8 August 2013.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Corporate Governance Functions

The terms of reference on corporate governance functions was adopted by the Board on 20 March 2012. The Board is responsible for performing the corporate governance functions to develop and review the Company's policies and practices on corporate governance and make recommendations; to review and monitor the training and continuous professional development of Directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's compliance with the "Corporate Governance Code and Corporate Governance Report" as set out in Appendix 15 of the GEM Listing Rules and disclosure in the Corporate Governance Report contained in the annual report of the Company.

AUDITOR'S REMUNERATION

An amount of HK\$470,000 was charged to the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014 for the auditing services provided by SHINEWING (HK) CPA Limited ("SHINEWING"), the existing auditor of the Company. During the year, the amount charged in respect of non-auditing services provided by SHINEWING was HK\$10,000.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

Annual Report and Financial Statements

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

Accounting Period

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

Accounting Records

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

Going Concern

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

Internal Controls

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

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

THE COMPANY SECRETARY

After entering into the service contracts by the Company and the external service providers, Ms. Ho Wing Yan ("Ms. Ho") has been appointed as the Company Secretary of the Company. Mr. Shang Ling, our executive director, is the main contact person of Ms. Ho at the Company when she fulfills her duties.

As the Company Secretary, Ms. Ho supports the Board to ensure a smooth exchange of information within the members of the Board and that the policies and procedures of the Board are followed. She is responsible for advising the Board on corporate governance matters and making arrangements for the directors' induction training and ongoing training as well as professional development.

Ms. Ho is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Ho constantly pursues continuing education courses relating to the certificates of corporate governance. She has extensive experience in acting as the company secretary of a listed company and is awarded practitioners professional accreditation by the Hong Kong Institute of Chartered Secretaries. According to Rule 5.15 of the Listing Rules, Ms. Ho has attended more than 15 hours of relevant professional training during the year.

SHAREHOLDER'S RIGHTS

The Convening of an Extraordinary General Meeting

Pursuant to the Article 80 of the Articles of Association of the Company, Shareholders who request the convening of an extraordinary general meeting or a class meeting of shareholders shall do so in accordance with the following procedures:

- (1) Two (2) or more shareholders with an aggregate of more than 10% (including 10%) of shares with voting rights at the meeting to be convened may sign one or several written requests in the same format and with the same contents to the board of directors to convene an extraordinary general meeting or class meeting of shareholders and which shall also specify the meeting's agenda. After receiving the aforesaid written request, the board of directors shall promptly convene an extraordinary general meeting or class meeting of shareholders of shareholders. The aforesaid number of shares held by shareholders shall be calculated as at the date of the written request.

- (2) If the Board fails to issue notice for convening a meeting within thirty (30) days after receiving the aforesaid written request, the shareholders who raised the request may convene the meeting within four (4) months after the Board received that request. The procedures for convening such a meeting shall be, as much as possible, the same as the procedures for convening a general meeting by the Board.

In the case of shareholders organizing the convening of a meeting as a result of the failure of the Board to convene a meeting as requested above, reasonable expenses incurred on the meeting shall be borne by the Company and shall be deducted from the bank funds of those directors who were negligent in the performance of their duties.

Putting enquiries to the Board

To ensure effective communication between the Board and the Shareholders, the Company has adopted a shareholders' communication policy (the "Policy") on 20 March 2012. Under the Policy, the Company's information shall be communicated to the Shareholders mainly through general meetings, including annual general meetings, the Company's financial reports (interim reports and annual reports), and its corporate communications and other corporate publications on the Company's website and the Stock Exchange's website. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the Company Secretary at the Company's head office and principal place of business in Hong Kong.

Putting forward a proposal at a general meeting

Pursuant to the Article 61 of the Articles of Association of the Company, the Board of Directors, the Supervisory Committee and the Shareholder(s) individually or aggregately holding more than 3% of the Shares of the Company may put forward written additional proposals to the shareholders' general meeting. The contents of such additional proposals shall fall within the scope of the shareholder's general meeting and such proposals shall have clear and specific topics for discussion and comply with the relevant provisions of the laws, administrative regulations and the Articles of Association. The proposals shall be served to the Company within thirty (30) days from the issuance of the notice convening the meeting. The person convening such meeting shall give an additional notice in relation to the addition proposals within two (2) days upon receipt of the same. Save for the circumstances mentioned in the preceding paragraphs, no amendment to the proposals or additional proposals shall not be made after the notice of convening a general meeting is delivered. No proposal which has not been set out in the notice of the general meeting or not in compliance with the requirement under the second paragraph of this Article shall be considered and decided at the general meeting.

INVESTOR RELATIONS

The Company continues to pursue a proactive policy in promoting communications with the investors. The Board also recognized that effective communication with investors is the key to establish investor confidence and to attract new investors.

The Company communicates with its investors through the publication of annual and interim reports, press announcements and releases and also the Company's website at <http://www.withub.com.cn:81/index.jsp>. The Group regularly releases corporate information such as awards received, and the latest news of the Group's developments on the Company's website. The public are welcome to give their comments and make their enquiries through the Company's website, and the management will give their prompt response.



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Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF SHANGHAI JIAODA WITHUB INFORMATION INDUSTRIAL COMPANY LIMITED

上海交大慧谷信息產業股份有限公司
(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Shanghai Jiaoda Withub Information Industrial Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 91, which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, 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 judgement, 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 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 2014, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Chan Wing Kit

Practising Certificate Number: P03224

Hong Kong

18 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	NOTES	2014 RMB' 000	2013 RMB' 000
Turnover	5	111,946	125,477
Cost of sales		(104,269)	(109,774)
Gross profit		7,677	15,703
Other revenue	7	4,096	3,785
Distribution expenses		(4,934)	(5,661)
Administrative expenses		(21,774)	(13,941)
Share of profit of associates		1,700	973
(Loss) profit before tax		(13,235)	859
Income tax expense	8	-	-
(Loss) profit for the year	9	(13,235)	859
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation and other comprehensive (expense) income for the year		(4)	121
Total comprehensive (expense) income for the year		(13,239)	980
(Loss) profit for the year attributable to:			
Owners of the Company		(13,232)	862
Non-controlling interests		(3)	(3)
		(13,235)	859
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(13,236)	983
Non-controlling interests		(3)	(3)
		(13,239)	980
(Loss) earnings per share (in RMB)			
Basic and diluted	12	(0.0276)	0.0018

Consolidated Statement of Financial Position

As at 31 December 2014

	NOTES	2014 RMB' 000	2013 RMB' 000
Non-current assets			
Plant and equipment	13	991	440
Interests in associates	14	9,300	7,920
Intangible assets	15	1,050	3,934
Available-for-sale investments	16	2,416	2,416
		13,757	14,710
Current assets			
Inventories	17	5,685	7,316
Amounts due from customers for contract work	18	5,318	4,570
Trade receivables	19	14,017	17,941
Deposits, prepayments and other receivables	20	11,884	7,235
Amount due from an associate	31	228	216
Amount due from a shareholder	31	-	200
Restricted bank deposits	21	300	480
Bank balances and cash	21	49,582	63,063
		87,014	101,021
Current liabilities			
Trade payables	22	12,167	8,839
Other payables and accrued expenses	23	19,323	21,793
Amount due to an associate	31	51	-
Amount due to a shareholder	31	176	1,212
Amount due to a related party	31	664	638
		32,381	32,482
Net current assets		54,633	68,539
Total assets less current liabilities		68,390	83,249
Non-current liability			
Deferred income	25	-	1,620
Net assets		68,390	81,629
Capital and reserves			
Share capital	24	48,000	48,000
Reserves		20,405	33,641
Equity attributable to owners of the Company		68,405	81,641
Non-controlling interests		(15)	(12)
Total equity		68,390	81,629

The consolidated financial statements on pages 28 to 91 were approved and authorised for issue by the board of directors on 18 March 2015 and are signed on its behalf by:

Liu Yuwen
Director

Shang Ling
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company						Total	Non-controlling interests	Total
	Share Capital	Share premium	Capital reserve	Statutory reserves	Translation reserve	Accumulated losses			
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
			(note 32b(i))	(note 32b(ii))					
At 1 January 2013	48,000	61,068	16,000	223	815	(45,448)	80,658	(9)	80,649
Profit (loss) for the year	-	-	-	-	-	862	862	(3)	859
Other comprehensive income for the year									
- Exchange differences arising on translation	-	-	-	-	121	-	121	-	121
Total comprehensive income (expense) for the year	-	-	-	-	121	862	983	(3)	980
At 31 December 2013	48,000	61,068	16,000	223	936	(44,586)	81,641	(12)	81,629
Loss for the year	-	-	-	-	-	(13,232)	(13,232)	(3)	(13,235)
Other comprehensive expense for the year									
- Exchange differences arising on translation	-	-	-	-	(4)	-	(4)	-	(4)
Total comprehensive expense for the year	-	-	-	-	(4)	(13,232)	(13,236)	(3)	(13,239)
At 31 December 2014	48,000	61,068	16,000	223	932	(57,818)	68,405	(15)	68,390

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB' 000	2013 RMB' 000
OPERATING ACTIVITIES		
(Loss) profit before tax	(13,235)	859
Adjustments for:		
Amortisation of intangible assets	2,884	1,035
Allowance for inventories	773	489
Depreciation of plant and equipment	177	104
Dividend income from an available-for-sale investment	(210)	(150)
Government grants	(1,620)	(540)
Impairment loss recognised on trade receivables	2,128	158
Interest income	(1,711)	(1,562)
Loss on disposal of plant and equipment	22	2
Reversal of allowance for inventories	(1,769)	(979)
Impairment loss recognised on other receivables	-	90
Reversal of impairment loss recognised on an amount due from an associate	(58)	(202)
Reversal of impairment loss recognised on trade receivables	(124)	(416)
Share of profits of associates	(1,700)	(973)
Operating cash flows before movements in working capital	(14,443)	(2,085)
Decrease in inventories	2,627	326
(Increase) decrease in amounts due from customers for contract work	(748)	3,464
Decrease (increase) in trade receivables	1,920	(5,907)
(Increase) decrease in deposits, prepayments and other receivables	(3,278)	309
Decrease in amount due from an associate	46	959
Increase in trade payables	3,328	2,125
(Decrease) increase in other payables and accrued expenses	(2,470)	3,358
Increase in amount due to an associate	51	-
Increase (decrease) in amount due to a related party	26	(26)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(12,941)	2,523
INVESTING ACTIVITIES		
Withdrawal of time deposits with original maturity of more than three months	2,246	10,179
Interest received	340	1,562
Dividend received from an associate	320	680
Dividend received from an available-for-sale investment	210	150
Proceeds on disposal of plant and equipment	-	4
Placement of restricted bank deposits	(300)	(30)
Purchase of plant and equipment	(750)	(281)
Placement of time deposits with original maturity of more than three months	(5,000)	(9,152)
Withdrawal of restricted bank deposits	480	-

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB' 000	2013 RMB' 000
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(2,454)	3,112
FINANCING ACTIVITIES		
Advance from a shareholder	200	-
Repayment to a shareholder	(1,036)	-
NET CASH USED IN FINANCING ACTIVITIES	(836)	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(16,231)	5,635
CASH AND CASH EQUIVALENTS AT 1 JANUARY	27,393	21,753
Effect of foreign exchange rate changes	(4)	5
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash (note 21)	11,158	27,393

1. GENERAL

Shanghai Jiada Withub Information Industrial Company Limited (the "Company") was incorporated on 4 May 1998 as a joint stock limited liability company in Shanghai, the People's Republic of China (the "PRC"). The Company was listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 31 July 2002.

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

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

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

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

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and interpretations ("Int(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)*- Int 21	Levies

* HK(IFRIC) represents the Hong Kong (IFRS Interpretations Committee).

Except as described below, the application of the new and revised HKFRSs 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.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 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 have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

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

The Group has applied amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is categorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;
- each key assumption on which management has based its determination of fair value less costs of disposal;
- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively. The directors of the Company consider that application of the amendments to HKAS 36 has had no material impact on the disclosures in the Group’s consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments ⁴
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ²
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ²
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ²

¹ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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

New and revised HKFRSs issued but not yet effective (Continued)

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

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was future amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an “expected credit loss” model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 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 HKAS 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 HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

- In the aspect of impairment of financial assets, the impairment requirements relating to the accounting for an entity’s expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 introduces a new model which 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, HKFRS 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 HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 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 HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group’s financial assets and liabilities. Regarding the Group’s financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that a company should recognise revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- i) Identify the contract with customer;
- ii) Identify separate performance obligations in a contract;
- iii) Determine the transaction price;
- iv) Allocate transaction price to performance obligations; and
- v) Recognise revenue when (or as) the entity satisfies a performance obligation.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Annual Improvements to HKFRSs 2010-2012 Cycle

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

The amendments to HKFRS 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 HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 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 HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 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 HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 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.

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

New and revised HKFRSs issued but not yet effective (Continued)

Annual Improvements to HKFRSs 2010-2012 Cycle (Continued)

The amendments to HKAS 16 and HKAS 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 HKAS 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 HKFRSs 2010-2012 Cycle will have a material effect on the Group’s consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

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

The amendments to HKFRS 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 HKFRS 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, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 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 HKAS 40; and
- (b) the transaction meets the definition of a business combination under HKFRS 3.

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

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

New and revised HKFRSs issued but not yet effective (Continued)

Annual Improvement to HKFRSs 2012 – 2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements ‘if not disclosed elsewhere in the interim financial report’. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012-2014 Cycle will have a material effect on the Group’s consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

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

New and revised HKFRSs issued but not yet effective (Continued)

Amendments to HKAS 1 Disclosure Initiative

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity’s financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

- (i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and
- (ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of the amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group’s consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

- i) when the intangible asset is expressed as a measure of revenue;
- ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group use straight-line method for depreciation of plant and equipment, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group’s consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective (Continued)

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

- i) at cost;
- ii) in accordance with HKFRS 9 (or HKAS 39); or
- iii) using the equity method as described in HKAS 28.

The amendments to HKAS 27 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

The directors of the Company anticipate that the application of the amendments to HKAS 27 may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of the amendments to HKAS 27 until the Group performs a detailed review.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments provide guidance on addressing the acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28, in dealing with the sale or contribution of assets between an investor and its joint venture and associate. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that constitutes or contains a business to a joint venture or associate in full. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that does not constitute or contain a business to a joint venture or associate only to the extent of the unrelated investors’ interests in that joint venture or associate.

The amendments to HKFRS 10 and HKAS 28 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group has investments in associates, the directors of the Company anticipate that the application of the amendments to HKFRS 10 and HKAS 28 may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of the amendments to HKFRS 10 and HKAS 28 until the Group performs a detailed review.

In addition, the annual report requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap.622) come into operation as from the company’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap.622). So far it has concluded that the impact is unlikely to be insignificant and will primarily affect the presentation and disclosure of information in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in the 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 HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 where 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 Company 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.

When the Company has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give its power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate the Company has, or does not have, the current liability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company 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 Company gains control until the date when the Company ceases to control the subsidiary.

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 intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in subsidiaries

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

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 exceeds the Group's 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.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**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.

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

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

The Group's policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

Service income is recognised when services are provided.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Construction contracts

Where the outcome of development and provision of business solutions, application software, and installation and maintenance of network and data security products can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts (Continued)

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

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

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work.

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

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 assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interest as appropriate).

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Retirement benefit costs

Payments to the state-managed retirement benefit scheme are recognised as an expense 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) profit 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax are recognised in profit or loss.

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 losses. 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.

Internally-generated intangible assets - 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 following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Internally-generated intangible assets - research and development expenditure (Continued)

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are 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 and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

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

Financial instruments

Financial assets and financial liabilities are recognised 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

Financial assets are classified into one of the two categories, available-for-sale ("AFS") financial assets and 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 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 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.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. The Group designated unlisted equity securities and other debt investment as AFS financial assets on initial recognition.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, amount due from an associate, amount due from a shareholder, restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each 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 AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Financial instruments** (Continued)Financial assets (Continued)*Impairment of financial assets* (Continued)

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter 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 credit period ranging from 90 to 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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 receivables, other receivables, amount due from an associate and amount due from a shareholder, 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, an other receivable, an amount due from an associate or an amount due from a shareholder is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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 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 (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

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.

Other financial liabilities

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

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

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an 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.

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 a 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 an impairment loss is recognised immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Construction contracts

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

Estimated impairment loss on assets

The Group tests annually whether (i) plant and equipment; (ii) intangible assets; and (iii) available-for-sale investments have suffered any impairment in accordance with relevant accounting policies. In determining the recoverable amounts of the relevant asset, the Group is required to make a number of assumptions in such assessment, including the utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable amount of the relevant asset.

As at 31 December 2014, the carrying values of plant and equipment, intangible assets and available-for-sale investments were approximately RMB991,000 (2013: RMB440,000), RMB1,050,000 (2013: RMB3,934,000) and RMB2,416,000 (2013: RMB2,416,000) respectively. No impairment was provided on these assets as at 31 December 2014 and 2013.

Estimated impairment loss on interests in associates

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

In the opinion of the directors of the Company, no further impairment is considered necessary for the years ended 31 December 2014 and 2013. The carrying amount of the Group's interests in associates as at 31 December 2014 was approximately RMB9,300,000 (2013: RMB7,920,000), net of accumulated impairment losses of approximately RMB12,624,000 (2013: RMB12,624,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)**Allowance for inventories**

The management of the Group reviews ageing analysis at the end of each reporting period and makes allowance for obsolete and slow-moving inventory items identified. The management also estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions which involve judgement in respect of the expectation about the market condition and the future demand for such items in inventory. As at 31 December 2014, the carrying amount of inventories was approximately RMB5,685,000 (2013: RMB7,316,000), net of allowance for inventories of approximately RMB1,419,000 (2013: RMB2,415,000)

Estimated impairment of trade and other receivables

The Group makes impairment loss based on assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or change in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. In determining whether impairment loss on receivables is required, the Group takes into consideration the current creditworthiness, the past collection history, age status, likelihood of collection and background of the trade debtors. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 December 2014, the carrying amount of trade receivables was approximately RMB14,017,000 (2013: RMB17,941,000) net of accumulated impairment losses of approximately RMB5,504,000 (2013: RMB3,500,000).

As at 31 December 2014, the carrying amount of deposits and other receivables was approximately RMB7,944,000 (2013: RMB6,176,000), net of accumulated impairment losses of approximately RMB595,000 (2013: RMB595,000).

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5. TURNOVER

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

	2014 RMB' 000	2013 RMB' 000
Development and provision of:		
- Business application solutions and application software	24,171	27,723
- Installation and maintenance of network and data security products	3,193	2,929
Sales and distribution of computer, electrical products and accessories	84,582	94,825
	111,946	125,477

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Business application solutions and application software - Develop and provide business application solutions services which include business solutions, application software, and installation and maintenance of network and data security products.
- Sales of goods - Sales and distribution of computer and electrical products and accessories.

Segment revenue and results

The following is an analysis of the Group's turnover and results by reportable and operating segment.

	Business application solutions and application software		Sales of goods		Total	
	2014 RMB' 000	2013 RMB' 000	2014 RMB' 000	2013 RMB' 000	2014 RMB' 000	2013 RMB' 000
REVENUE						
External sales	27,364	30,652	84,582	94,825	111,946	125,477
Segment profit	2,034	8,916	2,176	6,353	4,210	15,269
Share of profits of associates					1,700	973
Interest income					1,711	1,562
Unallocated corporate income					641	1,267
Unallocated corporate expenses					(21,497)	(18,212)
(Loss) profit before tax					(13,235)	859

6. SEGMENT INFORMATION (Continued)**Segment revenue and results** (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies as described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' emoluments, interest income, share of profit of associates. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	Business application solutions and application software		Sales of goods		Total	
	2014 RMB' 000	2013 RMB' 000	2014 RMB' 000	2013 RMB' 000	2014 RMB' 000	2013 RMB' 000
Segment assets	22,135	23,950	13,146	16,341	35,281	40,291
Interests in associates					9,300	7,920
Available-for-sale investments					2,416	2,416
Unallocated corporate assets					53,774	65,104
Consolidated assets					100,771	115,731
Segment liabilities	20,683	20,804	8,785	9,669	29,468	30,473
Unallocated corporate liabilities					2,913	3,629
Consolidated liabilities					32,381	34,102

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

- all assets are allocated to operating segments other than interests in associates, available-for-sale investments, amount due from an associate, restricted bank deposits, bank balances and cash and other assets for corporate use including other receivables.
- all liabilities are allocated to operating segments other than amount due to a shareholder and other payables for which the corporate is liable.

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6. SEGMENT INFORMATION (Continued)

Other segment information

	Business application solutions and application software		Sales of goods		Unallocated		Total	
	2014 RMB' 000	2013 RMB' 000	2014 RMB' 000	2013 RMB' 000	2014 RMB' 000	2013 RMB' 000	2014 RMB' 000	2013 RMB' 000
Amounts included in the measure of segment profit or segment assets:								
Addition to plant and equipment	750	281	-	-	-	-	750	281
Depreciation of plant and equipment	177	104	-	-	-	-	177	104
Amortisation of intangible assets	2,884	1,035	-	-	-	-	2,884	1,035
Impairment loss recognised on trade receivables	1,905	-	223	158	-	-	2,128	158
Impairment loss recognised on other receivables	-	90	-	-	-	-	-	90
Loss on disposal of plant and equipment	22	2	-	-	-	-	22	2
Allowance for inventories	-	-	773	489	-	-	773	489
Reversal of allowance for inventories	-	-	(1,769)	(979)	-	-	(1,769)	(979)
Reversal of impairment loss recognised on trade receivables	-	(402)	(124)	(14)	-	-	(124)	(416)
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:								
Interests in associates	-	-	-	-	9,300	7,920	9,300	7,920
Share of profits of associates	-	-	-	-	1,700	973	1,700	973
Reversal of impairment loss recognised on amount due from an associate	-	-	-	-	(58)	(202)	(58)	(202)
Interest income	-	-	-	-	(1,711)	(1,562)	(1,711)	(1,562)

Geographical information

All of the Group's turnover was generated from customers in the PRC during the years ended 31 December 2014 and 2013 and all of the Group's assets were located in the PRC. Therefore, no geographical segment information is presented.

Information about major customers

There is no customer with whom transactions have exceeded 10% of the Group's total turnover during the years ended 31 December 2014 and 2013.

7. OTHER REVENUE

	2014	2013
	RMB' 000	RMB' 000
Interest income	1,711	1,562
Government grants (Note 25)	1,620	540
Rental income	272	258
Dividend income from an available-for-sale investment	210	150
Reversal of impairment loss recognised on trade receivables	124	416
Reversal of impairment loss recognised on amount due from an associate	58	202
Others	101	657
	4,096	3,785

8. INCOME TAX EXPENSE

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company and its PRC subsidiaries is 25% for both years.

No provision for Enterprise Income Tax has been made for the two years ended 31 December 2014 as there was no assessable profit derived from the PRC for both years.

No provision for Hong Kong Profits Tax has been made for the two years ended 31 December 2014 as there was no assessable profit derived from Hong Kong for both years.

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

	2014	2013
	RMB' 000	RMB' 000
(Loss) profit before tax	(13,235)	859
Tax at the domestic income tax rate of 25% (2013: 25%)	(3,309)	215
Tax effect of different tax rate of a subsidiary	-	21
Tax effect of expenses not deductible for tax purpose	757	146
Tax effect of income not taxable for tax purpose	(540)	(546)
Tax effect on tax losses not recognised	3,517	407
Tax effect of share of profit of associates	(425)	(243)
Income tax expense for the year	-	-

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For the year ended 31 December 2014

9. (LOSS) PROFIT FOR THE YEAR

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

	2014 RMB' 000	2013 RMB' 000
Staff costs (including directors', chief executive's and supervisors' emoluments) (Notes 10 (a) and (b))		
- Salaries and other benefits	10,708	8,608
- Termination benefits	226	-
- Contributions to retirement benefits scheme	1,281	1,165
Total staff costs	12,215	9,773
Gross rental income from office premises	(272)	(258)
Less: operating lease charges in respect of office premises	272	258
	-	-
Auditor's remuneration	389	348
Allowance for inventories (included in cost of sales)	773	489
Reversal of allowance for inventories (included in cost of sales)	(1,769)	(979)
Cost of inventories recognised as an expense (included in cost of sales)	82,307	88,328
Depreciation of plant and equipment	177	104
Amortisation of intangible assets (included in administrative expenses)	2,884	1,035
Impairment loss recognised on trade receivables (included in administrative expenses)	2,128	158
Impairment loss recognised on other receivables (included in administrative expenses)	-	90
Loss on disposal of plant and equipment	22	2
Exchange (gain) loss, net	(9)	6
Research and development expenditures (Note)	6,479	2,204
Share of income tax expense of associates (included in the share of profit of associates)	215	258
Minimum lease payment under operating leases	2,220	1,811

Note: During the year ended 31 December 2014, research and development costs included staff costs of approximately RMB4,411,000 (2013: RMB1,198,000) for the Group's employees engaged in research and development activities, which are also included in staff costs as above.

10. DIRECTORS' AND CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the thirteen (2013: nine) directors and the chief executive were as follows:

For the year ended 31 December 2014

Name of director	Fees RMB' 000	Salaries and other benefits RMB' 000	Contributions to retirement benefits scheme RMB' 000	Total RMB' 000
Executive directors				
Mr. Mo Zhenxi	-	-	-	-
Mr. Wu Hanyuan	-	-	-	-
Mr. Liu Yuwen (Note i)	-	-	-	-
Mr. Shang Ling (Notes i & iii)	-	144	38	182
Mr. Shen Zhimin (Note i)	-	-	-	-
Mr. Zhu Kaiyong (Note i)	-	-	-	-
Mr. Li Zhan (Note ii)	-	-	-	-
Mr. Du Songning (Note ii)	-	-	-	-
Mr. Qiao Jin (Note ii)	-	-	-	-
Mr. Wang Yiming (Notes ii & iv)	-	210	-	210
Independent non-executive directors				
Dr. Cao Guo Qi	20	-	-	20
Dr. Chan Yan Chong	20	-	-	20
Mr. Yuan Shumin	60	-	-	60
Total	100	354	38	492

Notes to the Consolidated Financial Statements

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10. DIRECTORS' AND CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(Continued)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2013

Name of director	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive directors				
Mr. Du Songning	-	-	-	-
Mr. Li Zhan	-	-	-	-
Mr. Mo Zhenxi	-	-	-	-
Mr. Qiao Jin	-	-	-	-
Mr. Wang Yiming (Note iv)	-	240	-	240
Mr. Wu Hanyuan	-	-	-	-
Independent non-executive directors				
Dr. Cao Guo Qi	40	-	-	40
Dr. Chan Yan Chong	40	-	-	40
Mr. Yuan Shumin	40	-	-	40
Total	120	240	-	360

Notes:

- (i) Appointed on 7 July 2014
- (ii) Resigned on 7 July 2014
- (iii) Mr. Shang Ling is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.
- (iv) The retirement benefit contribution of Mr. Wang Yiming was paid by the Company's indirect shareholder, Shanghai Jiao Tong University. The Group was not required to reimburse the retirement benefit paid by Shanghai Jiao Tong University.

Mr. Wang Yiming was also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Neither the chief executive nor any of the directors waived or agreed to waive any emoluments paid by the Group during the two years ended 31 December 2014. No emoluments were paid or payable by the Group to the chief executive nor any director of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office during the two years ended 31 December 2014.

10. DIRECTORS' AND CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(Continued)

(b) Supervisors' emoluments

The emoluments of each supervisor are set out below:

For the year ended 31 December 2014

Name of supervisor	Salaries and other benefits RMB' 000	Contributions to retirement benefits scheme RMB' 000	Total RMB' 000
Ms. Qin Yan	140	35	175
Mr. Yao Benqiang	-	-	-
Mr. Yu Jiming	-	-	-
Ms. Dong Beihua (Note i)	-	-	-
Mr. Gu Wei (Note i)	206	35	241
Ms. Huang Hua (Note ii)	-	-	-
Mr. Chen Minglong (Note ii)	-	-	-
Total	346	70	416

For the year ended 31 December 2013

Name of supervisor	Salaries and other benefits RMB' 000	Contributions to retirement benefits scheme RMB' 000	Total RMB' 000
Ms. Huang Hua	69	11	80
Ms. Qin Yan	135	23	158
Mr. Chen Minglong	-	-	-
Mr. Yao Benqiang	-	-	-
Mr. Yu Jiming	-	-	-
Total	204	34	238

Notes:

(i) Appointed on 7 July 2014

(ii) Resigned on 7 July 2014

No emoluments were paid or payable by the Group to any supervisor of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office during the two years ended 31 December 2014.

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10. DIRECTORS' AND CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(Continued)

(c) The five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2013: one) was director and the chief executive of the Company whose emoluments are included in note (a) above. The emoluments of the remaining four (2013: four) individuals were as follows:

	2014 RMB' 000	2013 RMB' 000
Salaries and other benefits	998	707
Contributions to retirement benefits scheme	148	174
	1,146	881

The emoluments of each of the five highest paid individuals for the two years ended 31 December 2014 were within the band of nil to HK\$1,000,000 (equivalent to approximately RMB799,000 (2013: RMB799,000)).

No emoluments were paid or payable by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the two years ended 31 December 2014.

11. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: nil).

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB13,232,000 (2013: profit of approximately RMB862,000) and the weighted average number of 480,000,000 (2013: 480,000,000) ordinary shares in issue during the year.

Diluted (loss) earnings per share is the same as the basic (loss) earnings per share as there were no potential dilutive ordinary shares outstanding as at 31 December 2014 and 2013.

13. PLANT AND EQUIPMENT

	Leasehold improvement RMB' 000	Furniture and office equipment RMB' 000	Motor vehicles RMB' 000	Total RMB' 000
COST				
At 1 January 2013	1,555	2,351	1,130	5,036
Additions	-	16	265	281
Disposals	-	(967)	(201)	(1,168)
At 31 December 2013	1,555	1,400	1,194	4,149
Additions	-	174	576	750
Disposals	-	(677)	-	(677)
At 31 December 2014	1,555	897	1,770	4,222
ACCUMULATED DEPRECIATION				
At 1 January 2013	1,555	2,235	977	4,767
Provided for the year	-	57	47	104
Eliminated on disposals	-	(967)	(195)	(1,162)
At 31 December 2013	1,555	1,325	829	3,709
Provided for the year	-	31	146	177
Eliminated on disposals	-	(655)	-	(655)
At 31 December 2014	1,555	701	975	3,231
CARRYING VALUES				
At 31 December 2014	-	196	795	991
At 31 December 2013	-	75	365	440

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	Over the shorter of the term of the lease or 33⅓%
Furniture and office equipment	20% to 33⅓%
Motor vehicles	20%

14. INTERESTS IN ASSOCIATES

	2014 RMB' 000	2013 RMB' 000
Unlisted investments, at cost	52,317	52,317
Impairment loss recognised	(12,624)	(12,624)
Share of post-acquisition losses and other comprehensive expense, net of dividends received	(30,393)	(31,773)
	9,300	7,920

As at 31 December 2014, included in the cost of investments in associates is goodwill of approximately RMB2,699,000 (2013: RMB2,699,000) arising on acquisitions of associates in prior years. The related investment in such associates have been fully impaired in prior years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

14. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2014 and 2013, the Group had interests in the followings associates:

Name of entity	Form of entity	Place of incorporation / establishment and operation	Class of shares held	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principal activities
				2014 and 2013	2014 and 2013	
上海慧谷多高信息工程有限公司 (Shanghai Withub Duogao Information Construction Company Limited*) ("Duogao")	Private limited liability company	The PRC	Contributed capital	34%	34%	Design and installation of intelligent household systems
上海交大慧谷科技有限公司 (Shanghai Jiaoda Withub Technology Company Limited*) ("Withub Technology")	Private limited liability company	The PRC	Contributed capital	44.44%	44.44%	Investment holding
上海通創信息技術有限公司 (Shanghai Tong Tron Information Technology Company Limited*) ("Shanghai Tong Tron")	Private limited liability company	The PRC	Contributed capital	43.24%	43.24%	Development and sales of business solutions and computer accessories
上海交大科技園信息技術(上競)有限公司 (Shanghai Jiaoda Science & Technology Park Information Technology (Shangrao) Company Limited*) ("Shangrao")	Private limited liability company	The PRC	Contributed capital	40%	40%	Inactive
上海交大慧谷通用技術有限公司 (Shanghai Jiaoda Withub Tong Yong Technology Company Limited*) ("Tong Yong")	Private limited liability company	The PRC	Contributed capital	31.11%	31.11%	Development and sales of business solutions
Union Genesis Limited ("UGL")	Private limited liability company	British Virgin Islands	Ordinary	45%	45%	Investment holding
C-NOVA Microsystems Limited ("C-NOVA")	Private limited liability company	Hong Kong	Ordinary	45%	45%	Design, produce and sales of consumer electronics hardware and software
C-NOVA Microsystems (Shanghai) Limited ("C-NOVA (Shanghai)")	Private limited liability company	The PRC	Contributed capital	45%	45%	Design, produce and sales of consumer electronics hardware and software

* For identification purpose only

14. INTERESTS IN ASSOCIATES (Continued)**Summarised financial information of material associates**

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Duogao

	2014 RMB' 000	2013 RMB' 000
Current assets	27,930	26,589
Non-current assets	238	319
Current liabilities	(20,161)	(19,568)
Non-current liabilities	-	-
Turnover	61,834	38,228
Profit for the year	667	679
Other comprehensive income for the year	-	-
Total comprehensive income for the year	667	679
Dividends received from the associate during the year	-	360

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 RMB' 000	2013 RMB' 000
Net assets of Duogao	8,007	7,340
Group's effective interest	34%	34%
Group's share of net assets of Duogao	2,722	2,495
Goodwill	75	75
Carrying amount of the Group's interest in Duogao	2,797	2,570

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14. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associates (Continued)

Withub Technology and its subsidiary (Tong Yong) ("Withub Technology Group")

	2014 RMB' 000	2013 RMB' 000
Current assets	12,630	17,646
Non-current assets	481	581
Current liabilities	(10,839)	(19,189)
Non-current liabilities	-	-
Non-controlling interest	(1,172)	(798)
Turnover	23,941	20,650
Profit (loss) for the year	2,860	(183)
Other comprehensive income (expense) for the year	-	-
Total comprehensive income (expense) for the year	2,860	(183)
Dividends received from the associate during the year	-	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 RMB' 000	2013 RMB' 000
Net assets (liabilities) attributable to the owners of Withub Technology Group	1,100	(1,760)
Group's effective interest	44.44%	44.44%
Group's share of net assets of Withub Technology Group	489	-
Carrying amount of the Group's interest in Withub Technology Group	489	-

Note: As at 31 December 2013, the Group's share of accumulated losses of Withub Technology Group exceeded the Group's interest in Withub Technology Group, the Group's interest was reduced to nil and recognition of further losses was discontinued.

14. INTERESTS IN ASSOCIATES (Continued)**Summarised financial information of material associates** (Continued)**Shanghai Tong Tron**

	2014 RMB' 000	2013 RMB' 000
Current assets	15,514	13,883
Non-current assets	157	241
Current liabilities	(1,763)	(1,753)
Non-current liabilities	-	-
Turnover	39,006	27,973
Profit for the year	2,277	1,716
Other comprehensive income for the year	-	-
Total comprehensive income for the year	2,277	1,716
Dividends received from the associate during the year	320	320

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 RMB' 000	2013 RMB' 000
Net assets of Shanghai Tong Tron	13,908	12,371
Group's effective interest	43.24%	43.24%
Group's share of net assets of Shanghai Tong Tron	6,014	5,350
Carrying amount of the Group's interest in Shanghai Tong Tron	6,014	5,350

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14. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associates (Continued)

Shangrao

	2014 RMB' 000	2013 RMB' 000
Current assets	1,847	1,847
Non-current assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Turnover	-	-
Loss for the year	-	(23,153)
Other comprehensive expense for the year	-	-
Total comprehensive expense for the year	-	(23,153)
Dividends received from the associate during the year	-	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 RMB' 000	2013 RMB' 000
Net assets of Shangrao	1,847	1,847
Group's effective interest	40%	40%
Group's share of net assets of Shangrao (Note)	-	-
Carrying amount of the Group's interest in Shangrao	-	-

Note: As at 31 December 2014 and 2013, the Group's interest in Shangrao was fully impaired and recognition of further losses is discontinued.

14. INTERESTS IN ASSOCIATES (Continued)**Summarised financial information of material associates** (Continued)**UGL and its subsidiaries (C-NOVA and C-NOVA (Shanghai)) ("UGL Group")**

	2014 RMB' 000	2013 RMB' 000
Current assets	26,301	26,610
Non-current assets	7,415	9,340
Current liabilities	(67,253)	(66,816)
Non-current liabilities	-	-
Turnover	1,735	1,125
Loss for the year	(2,686)	(1,617)
Other comprehensive income (expense) for the year	15	(26,677)
Total comprehensive expense for the year	(2,671)	(28,294)
Dividends received from the associate during the year	-	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 RMB' 000	2013 RMB' 000
Net liabilities of UGL Group	(33,537)	(30,866)
Group's effective interest	45%	45%
Group's share of net assets of UGL Group (Note)	-	-
Carrying amount of the Group's interest in UGL Group	-	-

Note: As at 31 December 2014 and 2013, the Group's share of accumulated losses of UGL Group exceeds the Group's interest in UGL Group, the Group's interest is reduced to nil and recognition of further losses is discontinued.

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For the year ended 31 December 2014

14. INTERESTS IN ASSOCIATES (Continued)

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

	2014 RMB' 000	2013 RMB' 000
Unrecognised share of losses of associates for the year	420	10,069
Accumulated unrecognised share of losses of associates	40,791	40,371

15. INTANGIBLE ASSETS

	Acquired trade name RMB' 000	Development costs RMB' 000	Total RMB' 000
COST			
At 1 January 2013, 31 December 2013 and 31 December 2014	6,000	3,678	9,678
ACCUMULATED AMORTISATION			
At 1 January 2013	4,350	359	4,709
Charge for the year	300	735	1,035
At 31 December 2013	4,650	1,094	5,744
Charge for the year	300	2,584	2,884
At 31 December 2014	4,950	3,678	8,628
CARRYING VALUES			
At 31 December 2014	1,050	-	1,050
At 31 December 2013	1,350	2,584	3,934

Acquired trade name represents an one-off fee paid to Shanghai Jiao Tong University (上海交通大學) in exchange for the use of the name “交大慧谷” and the right to engage the Electronic Information Institute of Shanghai Jiao Tong University to provide research and development support on a cost reimbursement basis. The total consideration paid for the above contractual rights is RMB6,000,000. The contract term is 10 years and is renewable for a further term of 10 years at the discretion of the Company.

As at 31 December 2013, development costs represent internally-generated assets relating to the development of an information sharing platform project. The amount was amortised to profit or loss over the project period to match with the recognition of deferred income (Note 25). Meanwhile, the relevant project was early completed in 2014 and the amortisation of the remaining development costs was accelerated and the whole amount was fully amortised during the year.

The above intangible asset has finite useful lives. Such intangible asset is amortised on a straight-line basis over the following periods:

Acquired trade name	20 years
Development costs	Over the project period

16. AVAILABLE-FOR-SALE INVESTMENTS

	2014	2013
	RMB' 000	RMB' 000
Unlisted investments:		
- Equity interests in PRC private limited liability companies	2,266	2,266
- Other investments	150	150
	2,416	2,416

The equity interests in PRC private limited liability companies are measured at cost less impairment at the end of each reporting period since the range of their reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Other investments are measured at cost less impairment at the end of each reporting period.

17. INVENTORIES

	2014	2013
	RMB' 000	RMB' 000
Merchandise for resale	5,685	7,316

During the year ended 31 December 2014, certain impaired inventories were sold at profit. As a result, a reversal of allowance for inventories of approximately RMB1,769,000 (2013: RMB979,000) has been recognised for the year ended 31 December 2014.

18. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2014	2013
	RMB' 000	RMB' 000
Contracts in progress at the end of the reporting period		
Contract costs incurred plus		
recognised profits less recognised losses	60,139	48,370
Less: progress billings	(54,821)	(43,800)
Amounts due from contract customers	5,318	4,570

At 31 December 2014, retention money held by customers for contract work amounted to approximately RMB1,292,000 (2013: RMB329,000) and advances received from customers for contract work amounted to approximately RMB3,265,000 (2013 : RMB4,518,000).

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19. TRADE RECEIVABLES

	2014 RMB' 000	2013 RMB' 000
Trade receivables	19,521	21,441
Less: impairment loss recognised	(5,504)	(3,500)
	14,017	17,941

The Group allows credit period ranging from 90 to 180 days to its trade customers. For customers with good credit history and selected government agencies with sound financial standing, credit period of longer than 180 days may be granted. The following is an aged analysis of trade receivables net of impairment losses recognised presented based on the date of delivery of goods or date of rendering of services which approximated the respective dates on which revenue was recognised.

	2014 RMB' 000	2013 RMB' 000
Within 90 days	8,712	12,815
91 to 180 days	285	482
181 to 365 days	307	116
Over 365 days	4,713	4,528
	14,017	17,941

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of approximately RMB5,020,000 (2013: RMB4,644,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

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

	Total RMB' 000	Past due but not impaired			
		Neither past due nor impaired RMB' 000	91 to 180 days RMB' 000	181 to 365 Days RMB' 000	Exceeding 365 days RMB' 000
31 December 2014	14,017	8,997	-	307	4,713
31 December 2013	17,941	13,297	-	116	4,528

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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

19. TRADE RECEIVABLES (Continued)

Movements in the impairment losses on trade receivables:

	2014	2013
	RMB' 000	RMB' 000
At 1 January	3,500	3,758
Impairment loss recognised on trade receivables	2,128	158
Reversal of impairment loss recognised on trade receivables	(124)	(416)
At 31 December	5,504	3,500

As at 31 December 2014, included in the impairment loss on trade receivables are individually impaired trade receivables with an aggregate balance of approximately RMB5,504,000 (2013: RMB3,500,000) which are due to long outstanding.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2014	2013
	RMB' 000	RMB' 000
Deposits and other receivables	8,539	6,771
Less: impairment loss recognised on other receivables	(595)	(595)
	7,944	6,176
Prepayments	3,940	1,059
	11,884	7,235

At the end of each reporting period, the Group's other receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history, such as financial difficulties or default in payments and current market conditions.

Movements in the impairment losses on other receivables:

	2014	2013
	RMB' 000	RMB' 000
At 1 January	595	505
Impairment losses recognised on other receivables	-	90
At 31 December	595	595

As at 31 December 2014, included in the impairment loss on other receivables are individually impaired other receivables with an aggregate balance of approximately RMB595,000 (2013: RMB595,000) which are long outstanding. The Group does not hold any collateral over these balances.

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21. RESTRICTED BANK DEPOSITS / BANK BALANCES AND CASH

Restricted bank deposits

Restricted bank deposits represent guarantee deposits placed to bank for certain subcontracting projects in relation to business solutions development. As at 31 December 2014, the restricted bank deposits carried interest at a market rate of 0.35% (2013: 0.35%) per annum. Deposits of RMB300,000 (2013: RMB480,000) will be settled 12 months within the end of the reporting period and are therefore classified as current assets.

Bank balances

Bank balances comprise short-term deposits with an original maturity of six months or less. The bank balances and deposits carry interest at market rates which range from 0.01% to 5.0% (2013: 0.01% to 2.8%) per annum.

At 31 December 2014, the Group's bank balances and cash denominated in RMB amounted to approximately RMB44,686,000 (2013: RMB56,640,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

	2014 RMB' 000	2013 RMB' 000
Bank balances and cash	49,582	63,063
Time deposits with an original maturity of more than three months when acquired	(38,424)	(35,670)
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	11,158	27,393

22. TRADE PAYABLES

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

	2014 RMB' 000	2013 RMB' 000
Within 90 days	6,134	6,708
91 to 180 days	1,280	474
181 to 365 days	93	52
Over 365 days	4,660	1,605
	12,167	8,839

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

23. OTHER PAYABLES AND ACCRUED EXPENSES

	2014 RMB' 000	2013 RMB' 000
Other payables and accrued expenses	15,771	15,652
Receipts in advance	3,552	6,141
	19,323	21,793

24. SHARE CAPITAL

	2014 RMB' 000	2013 RMB' 000
Registered, issued and fully paid:		
132,000,000 H shares of RMB0.1 each	13,200	13,200
348,000,000 domestic shares of RMB0.1 each	34,800	34,800
	48,000	48,000

25. DEFERRED INCOME

The following is the major deferred income recognised and movements thereon during the current and prior years:

	Information sharing platform RMB' 000
At 1 January 2013	2,160
Credited to profit or loss	(540)
At 31 December 2013	1,620
Credited to profit or loss	1,620
At 31 December 2014	-

The Group received government grant of RMB2,700,000 in aggregate in respect of a project for the development of an information sharing platform and such amount was treated as deferred income in these consolidated financial statements. The amount was transferred to other revenue (Note 7) over the useful lives of the relevant assets to match with the amortisation of the relevant project development costs capitalised as intangible assets. Meanwhile, the relevant project was early completed in 2014 (Note 15) and the remaining deferred income was fully recognised as income during the year ended 31 December 2014.

Notes to the Consolidated Financial Statements

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26. DEFERRED TAXATION

The followings are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

	Estimated tax losses RMB' 000	Deferred income arising from government grant RMB' 000	Total RMB' 000
At 1 January 2013	540	(540)	-
(Charged) credited to profit or loss	(135)	135	-
At 31 December 2013	405	(405)	-
(Charged) credited to profit or loss	(405)	405	-
At 31 December 2014	-	-	-

At 31 December 2014, the Group has unused tax losses of approximately RMB18,037,000 (2013: RMB5,589,000) available for offset against future profits. At 31 December 2014, no deferred tax asset has been recognised due to the unpredictability of future profit streams. At 31 December 2013, a deferred tax asset as recognised in respect of approximately RMB1,620,000 of such losses. At 31 December 2014, approximately RMB15,749,000 (2013: RMB3,301,000) included in the above unused tax losses will be expired after five years from the year of assessment to which they related. Other tax losses may be carried forward indefinitely.

27. RETIREMENT BENEFITS SCHEME

As stipulated by the rules and regulations in the PRC, the Group maintains defined contribution retirement plans for all of its employees. The Group contributes to a state-managed retirement plan at 22% (2013: 22%) of the basic salary of its employees, and has no further obligation for actual pension payments or post-retirement benefits beyond the annual contributions. The state-managed retirement plan is responsible for the entire pension obligations payable to retired employees. During the year ended 31 December 2014, the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately RMB1,281,000 (2013: RMB1,165,000).

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 RMB' 000	2013 RMB' 000
Financial assets		
Loans and receivables (including restricted bank deposits and bank balances and cash)	72,071	88,076
Available-for-sale investments	2,416	2,416
	74,487	90,492
Financial liabilities		
At amortised cost	28,422	25,049

28. FINANCIAL INSTRUMENTS (Continued)**(b) Financial risk management objectives and policies**

The Group's major financial instruments include trade receivables, deposits and other receivables, amount due from an associate, amount due from a shareholder, restricted bank deposits, bank balances and cash, trade payables, other payables and accrued expenses, amount due to an associate, amount due to a shareholder and amount due to a related party. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk***Currency risk***

The Group mainly operates in the PRC. Revenue and majority of its operating costs and cost of sales are denominated in RMB. Certain bank balances of a subsidiary with Hong Kong dollar ("HK\$") as its functional currency are denominated in the United States dollar ("US\$"). Such US\$ denominated bank balances are exposed to fluctuations in the value of HK\$ against US\$ in which these bank balances are denominated. As HK\$ is pegged to US\$, the Group currently considers the risk of movements in exchange rates between HK\$ and US\$ to be insignificant.

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

28. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Interest rate risk

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

The Group's cash flow interest rate is mainly concentrated on the fluctuation of prevailing market rates arising from the Group's bank balances denominated in RMB base deposit rate stipulated by the People's Bank of China arising from the Group's bank balances denominated in RMB.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2013: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2013: 100 basis points) higher/lower and all other variables were held constant, the Group's loss (2013: profit) for the year ended 31 December 2014 would decrease/increase by approximately RMB98,000 (2013: RMB184,000).

This is mainly attributable to the Group's exposure to interest rates on its variable-rate deposits with bank.

28. FINANCIAL INSTRUMENTS (Continued)**(b) Financial risk management objectives and policies** (Continued)***Credit risk***

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group limits its exposure to credit risk by vigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with selected government agencies with sound financial standing. Also, certain new customers were required to place cash deposits with the Group to mitigate the maximum exposure to credit risk. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the 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.

Regarding to the amount due from an associate, as at 31 December 2014, no impairment loss was recognised (2013: RMB58,000) having considered the financial position of the associate as at the end of the reporting period. The Group's exposure to credit risk arising from the default of the associate on the outstanding amount is limited as the associate was sufficient net assets to repay the remaining debts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2013: 100%) of the total trade receivables as at 31 December 2014.

Liquidity risk

In the management of the 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.

As at 31 December 2014 and 2013, the non-derivative financial liabilities including trade payables, other payables and accrued expenses, amount due to an associate, amount due to a shareholder and amount due to a related party are all due for settlement contractually within one year.

28. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

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

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

29. CAPITAL RISK MANAGEMENT

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

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

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

30. OPERATING LEASE COMMITMENTS**The Group as lessee**

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

	2014 RMB' 000	2013 RMB' 000
Within one year	2,238	1,332
In the second to fifth year inclusive	3,294	-
	5,532	1,332

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

The above commitments have included the commitment to an indirect shareholder (Note 31(iii)).

The Group as lessor

Property rental income earned during the year was approximately RMB272,000 (2013: RMB258,000).

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

	2014 RMB' 000	2013 RMB' 000
Within one year	204	172

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31. RELATED PARTY TRANSACTIONS

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

(a) Amount due from an associate

	2014 RMB' 000	2013 RMB' 000
Duogao	228	216

The amount is unsecured, non-interest bearing and repayable on demand. Included in the amount is trade receivable from the associate of RMB88,000 and aged within 90 days.

Movements in the impairment loss on amount due from an associate:

	2014 RMB' 000	2013 RMB' 000
At 1 January	58	260
Reversal of impairment loss recognised on amount due from an associate	(58)	(202)
At 31 December	-	58

(b) Amount due from a shareholder

	2014 RMB' 000	2013 RMB' 000
上海交大科技园有限公司(“上海交大科技园”)	-	200

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

31. RELATED PARTY TRANSACTIONS (Continued)

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

(c) Amount due to an associate

	2014 RMB' 000	2013 RMB' 000
Tong Yong	51	-

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

(d) Amount due to a shareholder

	2014 RMB' 000	2013 RMB' 000
Shanghai Jiao Tong University	176	1,212

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

(e) Amount due to a related party

Name of related party	Relationship	2014 RMB' 000	2013 RMB' 000
上海慧康信息技術有限公司 (“慧康信息”) (Shanghai Huikang Information Technology Company Limited*)	Company controlled by a director of the Company	664	638

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

* For identification purpose only.

Notes to the Consolidated Financial Statements

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31. RELATED PARTY TRANSACTIONS (Continued)

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

	Relationship	2014 RMB' 000	2013 RMB' 000
(a) Project income received therefrom			
- 慧康信息	Controlled by a director of the Company	329	470
- Duogao	An associate	1,482	1,794
(b) Rental income received therefrom			
- Tong Yong	An associate	272	258
(c) Operating lease payments thereto			
- Shanghai Jiao Tong University	An indirect shareholder	1,788	1,694

The directors of the Company are of the opinion that the above transactions were conducted in accordance with the terms of contracts entered into between the Group and the related parties in the ordinary course of business of the Group.

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

	2014 RMB' 000	2013 RMB' 000
Within one year	1,976	1,129
In the second to fifth year inclusive	3,294	-
	5,270	1,129

(iv) At the end of the reporting period, the Group had contracted with Tong Yong for the following future minimum lease payments as a lessor:

	2014 RMB' 000	2013 RMB' 000
Within one year	204	172

31. RELATED PARTY TRANSACTIONS (Continued)

- (v) Compensation for key management personnel, including remuneration paid to the directors and other members of key management during the year was as follows:

	2014	2013
	RMB' 000	RMB' 000
Short-term benefits	1,297	1,271
Post-employment benefits	255	208
	1,552	1,479

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

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

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32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	2014 RMB' 000	2013 RMB' 000
Non-current assets			
Plant and equipment		991	440
Interests in associates		4,855	4,855
Intangible assets		1,050	3,933
Available-for-sale investments		2,416	2,416
Unlisted investments in subsidiaries		-	-
		9,312	11,644
Current assets			
Inventories		5,685	7,316
Amounts due from customers for contract work		5,318	4,570
Trade receivables		14,017	17,941
Deposits, prepayments and other receivables		11,882	7,233
Amount due from an associate	(a)	228	216
Amount due from a shareholder	(a)	-	200
Restricted bank deposits		300	480
Bank balances and cash		44,384	56,629
		81,814	94,585
Current liabilities			
Trade payables		12,057	8,339
Other payables and accrued expenses		19,018	21,489
Amount due to an associate	(a)	51	-
Amount due to a shareholder	(a)	176	1,212
Amount due to a related party	(a)	664	638
		31,966	31,678
Net current assets		49,848	62,907
Total assets less current liabilities		59,160	74,551
Non-current liability			
Deferred income		-	1,620
Net assets		59,160	72,931
Capital and reserves			
Share capital (Note 24)		48,000	48,000
Reserves	(b)	11,160	24,931
Total equity		59,160	72,931

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

Notes:

- (a) Amounts due from / to associates / a shareholder / a related party

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

- (b) Reserves

	Share premium RMB' 000	Capital reserve RMB' 000	Statutory reserve RMB' 000	Accumulated losses RMB' 000	Total RMB' 000
		(Note (i))	(Note (ii))		
At 1 January 2013	61,068	16,000	223	(53,961)	23,330
Profit and total comprehensive income for the year	-	-	-	1,601	1,601
At 31 December 2013	61,068	16,000	223	(52,360)	24,931
Loss and total comprehensive expense for the year	-	-	-	(13,771)	(13,771)
At 31 December 2014	61,068	16,000	223	(66,131)	11,160

- (i) Capital reserve

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

The capital reserve is non-distributable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

(b) Reserves (Continued)

(ii) Statutory reserve

The transfers to statutory surplus reserve are based on the net profit under the financial statements prepared using the PRC accounting standards. The PRC Company Law requires the annual appropriation of 10% of the profit after taxation of relevant entities in the Group to the statutory surplus reserve until the balance reaches 50% of the registered share capital. Under normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the Company's production and operation. In the event of the capitalisation of the statutory surplus reserve into share capital, the remaining amount of such reserve after capitalisation shall not be less than 25% of the registered share capital.

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation / establishment and operation	Class of shares held	Registered / issued and fully paid share capital	Proportion ownership interest and voting power directly held by the Company		Principal activities
				2014	2013	
上海慧谷智睿高新 科技有限公司 Shanghai Withub Zhirui Hi-Tech Co., Limited*	The PRC	Contributed capital	RMB5,000,000	82%	82%	Inactive
上海慧谷信息人才專修學院 Shanghai Withub Information and Professional Training School (the "School")**	The PRC	Contributed capital	RMB1,000,000	100% (Note)	100% (Note)	Inactive
Jiaoda Withub (Hong Kong) Limited*** 交大慧谷(香港)有限公司	Hong Kong	Ordinary	HK\$12,000,000	100%	100%	Inactive

* private limited liability company (domestic joint equity)

** private unincorporated entity

*** private limited liability company

None of the subsidiaries had any debt securities at the end of both years nor at any time during both years.

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

Five-year Financial Summary

RESULTS

	Year ended 31 December				
	2014 RMB' 000	2013 RMB' 000	2012 RMB' 000	2011 RMB' 000	2010 RMB' 000
Turnover	111,946	125,477	100,336	98,089	85,622
Profit (loss) before tax	(13,235)	859	(2,936)	1,280	(16,126)
Income tax expense	-	-	-	-	-
Profit (loss) for the year	(13,235)	859	(2,936)	1,280	(16,126)
Profit (loss) for the year attributable to:					
- Owners of the Company	(13,232)	862	(2,933)	1,283	(16,123)
- Non-controlling interest	(3)	(3)	(3)	(3)	(3)
Dividend	-	-	-	-	-
Earnings (loss) per share (in RMB)					
- Basic and diluted	(0.0276)	0.0018	(0.0061)	0.0027	(0.0336)

ASSETS AND LIABILITIES

	Year ended 31 December				
	2014 RMB' 000	2013 RMB' 000	2012 RMB' 000	2011 RMB' 000	2010 RMB' 000
Non-current assets	13,757	14,710	15,731	16,998	19,568
Current assets	87,014	101,021	94,219	102,360	92,016
Total assets	100,771	115,731	109,950	119,358	111,584
Current liabilities	32,381	32,482	27,141	34,096	27,155
Non-current liability	-	1,620	2,160	1,800	2,500
Total liabilities	32,381	34,102	29,301	35,896	29,655
Total net assets	68,390	81,629	80,649	83,462	81,929
Share capital	48,000	48,000	48,000	48,000	48,000
Reserves	20,405	33,641	32,658	35,468	33,932
Equity attributable to owners of the Company	68,405	81,641	80,658	83,468	81,932
Non-controlling interests	(15)	(12)	(9)	(6)	(3)
Total equity	68,390	81,629	80,649	83,462	81,929