浙大蘭德

ZHEDA LANDE SCITECH LIMITED*

浙江浙大網新蘭德科技股份有限公司

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

Stock Code: 8106

2014
Annual Report

* for identification purposes only

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

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

* *For identification purposes only*

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

SUPERVISORS

Supervisors

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

Independent Supervisors

Mr. Feng Pei Xian
Ms. Wang Xiao Li

AUTHORISED REPRESENTATIVES

Mr. Chen Ping
Ms. Chan Ching Yi

COMPLIANCE OFFICER

Mr. Chao Hong Bo

COMPANY SECRETARY

Ms. Chan Ching Yi

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN CHINA

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Xihu District
Hangzhou City
Zhejiang Province
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

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

PRINCIPAL BANKER

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

STOCK CODE

8106

CHAIRMAN'S STATEMENT

I would like to present hereby on behalf of the board of directors (the "**Board**" or the "**Directors**") of Zheda Lande Scitech Limited* (the "**Company**") the 2014 annual report of the Company and its subsidiaries (together the "**Group**").

FINANCIAL HIGHLIGHTS

I hereby announce that for the year ended 31 December 2014, the Group recorded a turnover of approximately RMB48,130,000 with a net loss attributable to owners of the Company of approximately RMB11,237,000.

The Board does not recommend the payment of a final dividend for the financial year ended 31 December 2014.

REVIEW OF OPERATIONS AND PROSPECTS

In 2014, the business environment of the information market in the People's Republic of China (the "**PRC**" or "**China**") was still difficult, there was no remarkable improvement in the major business of the Company, despite its active exploration of business, due to lack of investors, results of the Company during the period were not satisfactory, under such circumstances, the Company strictly controlled expenses in its operation so as to reduce operating costs. At present, the management and shareholders of the Company also make great efforts to develop new business through various measures, and seek to have a good start in the new year.

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

Chen Ping
Chairman

25 March 2015
Hangzhou City, the PRC

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MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

1. Review of operating results for the year

For the year ended 31 December 2014, the consolidated turnover of the Group was approximately RMB48,130,000, representing a decrease of approximately RMB13,280,000, or approximately 21.63% as compared with that of 2013.

The net loss attributable to owners of the Company for the year ended 31 December 2014 was approximately RMB11,237,000, comparing to a net loss attributable to owners of the Company for the year ended 31 December 2013 of approximately RMB758,000.

The Board considers that the substantial increase in net loss attributable to owners of the Company for the year ended 31 December 2014 was mainly attributable to a decrease in turnover of the major business segments of the Group due to intensified competition of the market. During the year, there were decreases in the Group's turnover from the trading of hardware and computer software and provision of telecommunication value-added services. The profitability of the Group is inadequate.

2. Product and business development

During the period, the Group continued to maintain cooperation with the operators. The Group has the existing businesses of 114 Bai Shi Tong Alliance business, SMS business cards and precise marketing and other businesses which continue to be in operation in various places. The current reduction of business income is due to intense market competition and insufficient subsequent investment of the Group. The Group now plans to streamline the product lines, aims at making strong promotion and R & D of the major products in order to raise income, and use the resources more reasonably and effectively. Besides, the Group is also actively making deployment in the Internet business, and it will then making planning in the technical, human resources and resources aspects.

3. Investment and cooperation

During the period, the Group continued to strengthen the good cooperation relationship maintained with all operators and technical institutions and secured the business association with telecommunication operators in various locations. As at 31 December 2014, the Group did not have any specific investment plan already implemented.

The Company and Shanghai Aifusheng Information Technology Co., Ltd.* (上海艾孚生信息科技有限公司) ("**Shanghai Aifusheng**") entered into an equity transfer agreement (the "**EquityTransfer Agreement**") on 14 November 2013 pursuant to which the Company agreed to acquire from Shanghai Aifusheng 75% of the registered capital in Hangzhou Saijing Technology Co., Ltd.* (杭州賽景科技有限公司) and all rights and obligations attached thereto (the "**Proposed Acquisition**"). Completion of the Equity Transfer Agreement is conditional upon the fulfillment or waiver (where applicable) of the conditions precedent contained in the Equity Transfer Agreement. Up to 1 August 2014, certain conditions precedent had not been fulfilled and it was uncertain as to when such conditions precedent could be fulfilled. After careful consideration of all the circumstances surrounding the Proposed Acquisition, the Board decided not to proceed with the Proposed Acquisition. As such, on 1 August 2014, the Company and Shanghai Aifusheng entered into a termination agreement to terminate the Equity Transfer Agreement with immediate effect. Upon such termination, neither party should have any further obligations or liabilities towards the other nor any claims against the other in connection with the Equity Transfer Agreement.

The Board considers that the termination of the Equity Transfer Agreement is in the interest of the Company and its shareholders as a whole and has no material adverse impact on the existing business or financial position of the Group. Details of the termination of the Equity Transfer Agreement are set out in the Company's announcement dated 1 August 2014.

4. Employees information

As at 31 December 2014, the total number of employees of the Group was approximately 194 (2013: 223). During the year, the staff costs of the Group amounted to approximately RMB8,620,000 (2013: RMB8,904,000).

The Group formulated its human resources management strategies under the guidance of the Group's development strategy, aiming at targets established under its long-term planning. As an important part of the Group's development strategy, the human resources management strategy played an important supporting and propelling role in realising the overall development strategy of the Group. The Group built its human resources management structure from an overall strategic perspective, having the incentive mechanism combined with other links of human resources management and promoting one another. The Group opened up as many entrances as possible and established multiple recruitment channels to set up a talent-attracting mechanism. It also emphasised better use of human resources, and cultivating an agreeable mechanism for application and cultivation of talent.

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

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

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

REVIEW OF FINANCIAL POSITIONS

- The Group maintained creditable financial conditions. For the year ended 31 December 2014, the Group was mainly financed by proceeds generated from daily operations.
- As at 31 December 2014, the Group's total bank balances and cash amounted to approximately RMB29,247,000 (2013: RMB17,460,000).
- As at 31 December 2014, the Group had no borrowings (2013: nil).
- As at 31 December 2014, the Group had a total asset value of approximately RMB92,615,000 (2013: RMB109,508,000).
- As at 31 December 2014, the Group had current liabilities of approximately RMB16,188,000 (2013: RMB21,246,000).
- As at 31 December 2014, the Group had owner's equity of approximately RMB72,022,000 (2013: RMB83,259,000).
- As at 31 December 2014, the Group had non-controlling interests of approximately RMB4,405,000 (2013: RMB5,003,000).
- As at 31 December 2014, the Group had a gearing ratio (i.e. the ratio of total liabilities to total assets) of approximately 17.48% (2013: 19.40%).
- As at 31 December 2014, the Group had a net current ratio (i.e. the ratio of current liabilities to current assets) of approximately 17.85% (2013: 20.38%).
- As all of the Group's accounts payables of purchases and accounts receivables of sales are in Renminbi, there is no foreign exchange risk.
- As at 31 December 2014, none of the Group's assets were pledged (2013: nil).

CONTINGENT LIABILITY

Hangzhou Huaguang Computer Engineering Co., Ltd.* (杭州華光計算機工程有限公司) ("**Hangzhou Huaguang**"), a wholly-owned subsidiary of the Company, was involved in an arbitration application (the "**Arbitration Application**") filed by Ningbo Zhongke Guotai Information Technology Co., Ltd.* (寧波中科國泰信息技術有限公司) ("**Ningbo Zhongke**") in relation to the dispute arising from the sales and purchase contract entered into between Hangzhou Huaguang and Ningbo Zhongke. According to the Arbitration Application, Ningbo Zhongke required, among others, that Hangzhou Huaguang to refund the equipment payment and interests amounted to approximately RMB5,899,000 and settle the arbitration fees. As at 31 December 2014, bank balance of approximately RMB1,378,000 was frozen by Hangzhou Arbitration Commission in relation to the Arbitration Application. Details of the Arbitration Application are set out in the announcement of the Company dated 29 November 2013. Up to the date of this annual report, the arbitration is still in progress.

CAPITAL STRUCTURE

There was no change in the Company's capital structure during the year ended 31 December 2014 (2013: nil).

On 22 January 2014, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent agreed to place, during the placing period, on a best effort basis, the placing shares comprising up to 150,000,000 new H shares at the placing price, on behalf of the Company to the placees who will be independent third parties (the "**Placing**"). The Placing has been approved by the shareholders of the Company in their extraordinary general meeting and class meetings held on 25 April 2014 and subsequently the China Securities Regulatory Commission (中國證券監督管理委員會). The Company and the placing agent are still in the process of identifying potential investors for the Placing. In order to allow sufficient time for the Company and the placing agent to locate potential placees and complete the Placing before the expiration of placing period, i.e. 1 September 2015, the Company and the placing agent entered into the supplemental agreement on 20 January 2015 to extend the long stop date under the original placing agreement to 31 March 2015. Details of the proposed new H shares placing are set out in the announcement and the circular of the Company dated 22 January 2014 and 6 March 2014, respectively; and details of the supplemental agreement are set out in the announcement of the Company dated 20 January 2015. Relevant actions are in progress and the Placing has not been completed up to the date of this annual report.

EVENT AFTER THE REPORTING PERIOD

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

FUTURE PROSPECTS

1. Orders in hand/Status in sales contract

During the period, all the telecommunication value-added businesses of the Group were within the valid contract period (or the renewed period); and the Group maintained the introduction of these businesses at various locations and they were in operation at the sites concerned.

The Group will focus on the applications in the mobile Internet sector, including the Big-Data-based businesses of 金融管家, 商家旺舗助手 etc, and conduct intensive technical R & D.

2. Prospects of new business and new products

The Group will continue to focus on the mobile Internet sector, integrate the application of the Big Data, develop merchant management platform, to mainly provide e-commerce services and promotion to SMEs. At the same time, in view of the preferences of individual users, the Group will continue to improve the functions of products. At present, the Group has paid particular attention to the building of the related technical teams and marketing teams, to understand the actual situations and the needs of clients as well as to strengthen and improve the product lines. The Group believes that the mobile Internet business will be the core of the future business of the Group.

On behalf of the Board
Chen Ping
Chairman

25 March 2015
Hangzhou City, the PRC

* *For identification purposes only*

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Chen Ping, aged 50, is the chairman and the chief executive officer of the Company. He is an advisor to students seeking their master degree and an associate professor at Zhejiang University. Mr. Chen graduated from the Department of Computer Science at Zhejiang University with a bachelor degree and a master degree in computer applications in July 1987 and December 1989, respectively. Since graduation from Zhejiang University, Mr. Chen has been involved in the R&D of computer networking and communication platforms, particularly in wireless data communication platforms and was awarded the Zhejiang Province Science and Technology Advancement Second Prize and Third Prize in 1993. Mr. Chen had previously conducted classroom lectures in the Department of Computer Science and Technology at Zhejiang University for 7 years up to 1997. Mr. Chen published two computers networking academic textbooks and a number of academic research papers in the PRC. Mr. Chen joined the Company in May 1997.

Mr. Chao Hong Bo, aged 51, received a bachelor degree of engineering from Beijing University of Posts and Telecommunications in 1985 and a master degree of economics from Renmin University of China in 1987. After graduation, Mr. Chao worked as a research assistant in State Bureau of Commodity Prices of the PRC until 1993. During the period between 1993 and 1999, Mr. Chao was the vice editorial director of National Development and Reform Commission of the PRC (previously known as State Planning Commission of the PRC). He then became an assistant to director in China Government Securities Depositary Trust & Clearing Co., Ltd. from 1999 to 2001. Since 2001, he has been serving as the chief executive officer of Guoheng Fashion Media Technology Group Co., Ltd.*(國恒時尚傳媒科技集團股份有限公司), a shareholder holding approximately 9.57% of the issued share capital of the Company. Mr. Chao is the compliance officer of the Company. Mr. Chao was appointed as an executive Director in July 2007.

Mr. Xia Zhen Hai, aged 41, graduated with a PhD degree in engineering from Zhejiang University. He is also now the senior member of International Financial Management Association. From 2001 to 2005, Mr. Xia served at the Shanghai office of JS Cresvale Securities International Limited. From 2005 to 2007, he was the representative of Samsung Securities Co., Ltd., Shanghai office. Mr. Xia is now the legal representative and executive director of Shanghai Longtail Investment Management Co., Ltd.*(上海長尾投資管理有限公司), a shareholder holding approximately 9.57% of the issued share capital of the Company. Mr. Xia was appointed as an executive Director in September 2007.

Mr. Xie Fei, aged 44, graduated from Zhejiang University of Finance and Economics with an associate degree in international accounting and a bachelor degree in accounting. He is a Certified Public Accountant and a Certified International Internal Auditor in the PRC. Mr. Xie served in the finance department of Zhejiang Machinery and Equipment Import and Export Co., Ltd.* (浙江省機械設備進出口公司) between 1991 and 1999 and in the finance department of Hangzhou Alcatel Communication System Co., Ltd.* (杭州阿爾卡特通訊系統有限公司) between 1999 and 2001. Since 2001, Mr. Xie has been serving at Insigma Technology Co., Ltd.* (浙大網新科技股份有限公司), a substantial shareholder holding approximately 22.94% of the issued share capital of the Company and a company listed on the Shanghai Stock Exchange. Mr. Xie is the manager of audit department of Insigma Technology Co., Ltd.* (浙大網新科技股份有限公司). Mr. Xie was appointed as an executive Director in November 2011.

Mr. Wang Linhua, aged 39, is the Company's financial controller and vice president and is responsible for the whole spectrum of corporate finance. Mr. Wang graduated from the Xian University of Finance and Economics in accounting, and is a graduate of master in professional accounting in Zhongnan University of Economics and Law, and he has many years of experience in corporate finance management. Mr. Wang joined the Company in January 2008 and was appointed as an executive Director in November 2011.

Mr. Wang Yong Gui, aged 40, is the secretary to the Board and vice president of the Company. He graduated from the Institute of Managerial Economics in the Industrial University of Shenyang, with a bachelor's degree in international finance. He has abundant experience in corporate governance of listed companies, investment and financing. Mr. Wang served in the securities department of Wafangdian Bearing Company Limited*(瓦房店軸承有限責任公司). Mr. Wang joined the Company in July 2002 and was appointed as an executive Director in December 2012.

Independent Non-Executive Directors

Mr. Zhang De Xin, aged 84, graduated from the faculty of Electrical and Mechanical Engineering at Zhejiang University in July 1953 and at Tsing Hua University in June 1956, respectively. He attended Illinois Institute of Technology in the United States from June 1982 to May 1984 and served as senior research associate in the departments of Electrical and Mechanical as well as Computer Engineering. Professor Zhang has served as a professor at Zhejiang University's faculties of Electrical and Mechanical Engineering, Wireless Engineering and Computer Science for 37 years since 1956. He had also been a committee member of Zhejiang Political Consultative Conference for two terms in 1988 and 1993. Moreover, Professor Zhang has been involved in numerous research projects and studies in computing networks. Professor Zhang was awarded winner of the Zhejiang Province Science and Technology Advancement in 1989, 1991 and 1993 for three times. Professor Zhang is the Chairman of the nomination committee of the Company. Professor Zhang was appointed as an independent non-executive Director in October 2001.

Mr. Cai Xiao Fu, aged 75, is a senior engineer and the chairman of Zhejiang Province Software Industry Association, inspecting and monitoring the development of Zhejiang Province IT industry. Mr. Cai graduated from Tsing Hua University's faculty of Control Automation in July 1963. He attended the Polytechnic of Cranfield in the United Kingdom during October 1981 to January 1984 to research aeronautics and computer simulation devices. Mr. Cai was appointed as an independent non-executive Director in October 2001.

Mr. Gu Yu Lin, aged 44, graduated from the faculty of Finance and Accounting of Fudan University in June 1997. Mr. Gu is an assistant accountant. Mr. Gu is currently working in the general office of Zhejiang University. Mr. Gu is the chairmans of the audit committee and the remuneration committee of the Company. He has been the independent supervisor (the "**Supervisor**") of the Company before and was appointed as an independent non-executive Director in September 2004.

SUPERVISORS

Supervisors

Mr. Xie Jian Ping, aged 52, graduated from Shanghai College of Railway Public Security* (上海鐵路公安專科學校) majoring in public order management. Between 1984 and 1998, he served as a public security officer in Hangzhou Public Security Bureau. In 1999. Mr. Xie joined the Company as an office manager. He was then promoted as the manager of the procurement department and is currently the manager of data communication product department of the Company. Mr. Xie was appointed as a Supervisor in September 2010.

Mr. Wang Li Jun, aged 42, graduated from Hangzhou Shipping Industrial College* (杭州船舶工業學校) in 1991 majoring in computer science. Prior to joining the Group in June 2007, Mr. Wang served in a number of information technology and software companies and was responsible for corporate operations and technology development. In June 2007, Mr. Wang joined the Company as a product manager. He is currently the product director and assistant to general manager of 浙江蘭創通信有限公司, a 85% subsidiary of the Company. Mr. Wang was appointed as a Supervisor in September 2010.

Ms. Liu Chun Fang, aged 48, graduated from Central University of Finance and Economics in 1995 majoring in finance and accounting. Ms. Liu was an accountant in the Technology Service Company under the Administrative Bureau of Chinese Academy of Sciences. She is currently a deputy manager of the finance department of Guoheng Fashion Media Technology Group Co., Ltd.* (國恆時尚傳媒科技集團股份有限公司), a shareholder holding approximately 9.57% of the issued share capital of the Company. Ms. Liu was appointed as a Supervisor in September 2010.

Independent Supervisors

Mr. Feng Pei Xian, aged 77, graduated from Shangtong Industrial Institute. He was the assistant chief engineer of the 52nd Research Institute of Ministry of Information Industry of the PRC and Chief Editor of "External Computer Equipment". Mr. Feng is now the Chief Secretariat of the Zhexiang Computer User Association and senior reporter of the China Computer News in Zhejiang. Mr. Feng was appointed as an independent Supervisor in April 2001.

Ms. Wang Xiao Li, aged 47, graduated from Zhejiang Finance Institute in 1996 majoring in accounting. Ms. Wang obtained the certificate of intermediate accounting and has 15 years of experience in financial management. Ms. Wang is currently the head of finance in 浙江浩天信息科技有限公司. Ms. Wang was appointed as an independent Supervisor in September 2010.

SENIOR MANAGEMENT

Mr. Chen Ping, aged 50, is the chairman and the chief executive officer of the Company. He is an advisor to students seeking their master degree and an associate professor at Zhejiang University. Mr. Chen graduated from the Department of Computer Science at Zhejiang University with a bachelor degree and a master degree in computer applications in July 1987 and December 1989, respectively. Since graduation from Zhejiang University, Mr. Chen has been involved in the R&D of computer networking and communication platforms, particularly in wireless data communication platforms and was awarded the Zhejiang Province Science and Technology Advancement Second Prize and Third Prize in 1993. Mr. Chen had previously conducted classroom lectures in the Department of Computer Science and Technology at Zhejiang University for 7 years up to 1997. Mr. Chen published two computers networking academic textbooks and a number of academic research papers in the PRC. Mr. Chen joined the Company in May 1997.

Mr. Luo An, aged 51, vice president of the Company, is an engineer and the general manager of Hangzhou Huaguang Computer Engineering Co., Ltd.*（杭州華光計算機工程有限公司）, a wholly-owned subsidiary of the Company. Mr. Luo is a graduate of master in software computing and theoretical science of Zhejiang University. Mr. Luo had worked at management positions in 浙江天昌集團高科技開發公司 and 湖州軍普電腦公司, respectively. Mr. Luo has over 10 years of management experience in the field of information technology. Mr. Luo joined the Company in September 2009.

Mr. Wang Linhua, aged 39, is an executive Director, financial controller and vice president of the Company and is responsible for the whole spectrum of corporate finance. Mr. Wang graduated from the Xian University of Finance and Economics in accounting, and is a graduate of master in professional accounting in Zhongnan University of Economics and Law, and he has many years of experience in corporate finance management. Mr. Wang joined the Company in January 2008.

Mr. Wang Yong Gui, aged 40, is an executive Director, the secretary to the Board and vice president of the Company. He graduated from the Institute of Managerial Economics in the Industrial University of Shenyang, with a bachelor's degree in the international finance. He has abundant experience in corporate governance of listed companies, investment and financing. Mr. Wang joined the Company in July 2002.

Mr. Gao Zhan, aged 43, is the vice president of the Company and general manager of 浙江蘭創通信有限公司, a 85% subsidiary of the Company. Mr. Gao graduated from the Department of Electronic Engineering of Hangzhou Institute of Electronic with a bachelor's degree in radio technology. Mr. Gao has been in the areas of data service and telecommunication value-added service for many years and has extensive experiences in planning, operation, management and market operation of broadband data service and value-added business. Mr. Gao joined the Company in April 2005.

Ms. Chan Ching Yi, aged 40, is the company secretary of the Company. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Ms. Chan holds a bachelor's degree in accountancy and has accumulated more than 18 years of financial and auditing experience. She is currently the company secretary of Shifang Holding Limited (stock code: 1831), a company listed on the Main Board of the Stock Exchange. Ms. Chan joined the Company in September 2002.

* *For identification purposes only*

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Group recognises the importance of achieving and monitoring the high standard of corporate governance in realising the need and requirements of its business and the best interest of all of the Company's shareholders. The Group is fully committed to doing so. Throughout the year ended 31 December 2014, the Company has adopted and complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**"), except for the deviation from CG Code Provision A.2.1 as explained below. The Board will continue to review regularly and take appropriate actions to comply with the CG Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 December 2014. Having made specific enquiry with all Directors, the Company confirmed that all Directors had complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors throughout the year ended 31 December 2014.

BOARD OF DIRECTORS

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

Executive Directors

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

Independent Non-Executive Directors

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

The biographical details of the Directors are set out on pages 7 and 8 of this annual report.

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

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

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

During the year, the Board complied at all times with the requirement of the GEM Listing Rules relating to the appointment of at least 3 independent non-executive directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise.

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

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

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

Pursuant to the CG Code, the Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board is made with thorough and necessary information. The Company provides introduction and information to newly appointed Directors on their legal and other responsibilities as directors and their functions. As part of an ongoing process of directors' training, the Directors are updated with latest developments regarding the GEM Listing Rules and other applicable regulatory requirements from time to time to ensure compliance of the same by all Directors. All Directors are encouraged to attend external and internal forum or training courses on relevant topics which may count towards continuous professional development training. The Company has devised a training record in order to assist the Directors to record the training they have undertaken. During the year, all Directors have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

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

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

	Meeting attended				
Director	**Board**	**Audit committee**	**Remuneration committee**	**Nomination committee**	**Shareholders**
Executive Directors					
Mr. Chen Ping	7/7		1/1	1/1	2/2
Mr. Chao Hong Bo	4/7				2/2
Mr. Xia Zhen Hai	5/7				1/2
Mr. Xie Fei	7/7				2/2
Mr. Wang Linhua	7/7				2/2
Mr. Wang Yong Gui	7/7				2/2
Independent Non-Executive Directors					
Mr. Zhang De Xin	7/7	4/4		1/1	2/2
Mr. Cai Xiao Fu	6/7	4/4	1/1		2/2
Mr. Gu Yu Lin	5/7	4/4	1/1	1/1	2/2

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

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

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

BOARD COMMITTEES

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

- **Audit committee**

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

  The primary duties of the committee are to review the Company's annual report, consolidated financial statements and audited annual results, half-year report and quarterly reports and to advise and comment thereon to the Board. The committee is also responsible for reviewing and supervising the financial reporting process and internal control of the Group. In the course of doing so, the committee has met the Company's management several times and the external auditor once during the year ended 31 December 2014. The committee has reviewed, among other things, the audited financial results and annual report of the Group for the year ended 31 December 2014.

- **Remuneration committee**

  The Company has a remuneration committee with written terms of reference in alignment with the provisions as set out in the CG Code. The committee comprises two independent non-executive Directors, namely, Mr. Gu Yu Lin and Mr. Cai Xiao Fu, and one executive Director, Mr. Chen Ping, the chairman and chief executive officer of the Company; and is chaired by Mr. Gu Yu Lin.

  The main responsibilities of the committee are to review and endorse the remuneration policies of the Directors and senior management and to make recommendations to the Board for the remuneration of the Directors. During the year, the committee discussed with the chief executive officer of the Company on its proposals relating to the remuneration of the Directors and senior management and has ensured that no Director is involved in deciding his own remuneration.

- **Nomination committee**

  The Company has a nomination committee with written terms of reference in alignment with the provisions as set out in the CG Code. The committee comprises Mr. Chen Ping, the chairman and chief executive officer of the Company and executive Director and two independent non-executive Directors, namely, Mr. Zhang De Xin and Mr. Gu Yu Lin; and is chaired by Mr. Zhang De Xin.

  The responsibilities of the committee include reviewing the structure, size and composition of the Board; identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on selection of individual nominated for directorships; making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executives; and determining the policy for nomination of Directors. During the year, the committee has considered the past performance, qualification and general market conditions in selecting and recommending prospective candidates for directorship.

CORPORATE GOVERNANCE FUNCTION

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

COMPANY SECRETARY

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

AUDITOR'S REMUNERATION

During the year, the Group incurred approximately RMB612,000 for remunerations in respect of audit services provided by the Company's auditor.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is the independent auditor's responsibility to form an independent opinion, based on their audit, on those consolidated financial statements and to report their opinion to the Company's shareholders. The responsibilities of the independent auditor are set out in the independent auditor's report on pages 21 and 22 of this annual report.

INTERNAL CONTROLS

During the reporting year, the Board held one meeting to appraise the validity of control inside the Company in an all-round way, with Supervisors and part of the senior executives seated in the meeting. The meeting confirmed that the procedures of internal control inside the Company are legally compliant and effective. The Board's annual review for the year ended 31 December 2014 as aforementioned has satisfactorily covered the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget.

INVESTOR RELATIONS

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

SHAREHOLDERS' RIGHTS

I. Convene an extraordinary general meeting

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

II. Send enquiries to the Board

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

III. Make proposals at general meetings

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

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

On behalf of the Board
Chen Ping
Chairman

25 March 2015
Hangzhou City, the PRC

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

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

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

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2014 and its state of affairs as at that date are set out in the consolidated financial statements on pages 23 to 67 of this annual report.

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

PROFIT AVAILABLE FOR DISTRIBUTION

As at 31 December 2014, the Group did not have profit available for distribution to owners of the Company (2013: nil).

PLANT AND EQUIPMENT

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

BORROWINGS AND INTERESTS CAPITALISATION

The Group did not neither have bank loans nor capitalise any interest during the year (2013: nil).

SHARE CAPITAL

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

RESERVES

Details of the reserves of the Group are set out in the consolidated statement of changes in equity on page 25 of this annual report.

RETIREMENT PLAN

Details of the retirement benefit schemes of the Group are set out in note 29 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group in aggregate accounted for approximately 37% of the Group's turnover and the largest customer of the Group accounted for approximately 11% of the Group's turnover for the year.

The five largest suppliers of the Group in aggregate accounted for approximately 74% of the Group's direct purchases and the largest supplier of the Group accounted for approximately 42% of the Group's direct purchases for the year.

None of the Directors, their respective associates, or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in any of the five largest customers and five largest suppliers of the Group for the year ended 31 December 2014.

FINANCIAL SUMMARY

A summary of the Group's results for each of the five years ended 31 December 2014 and the Group's assets and liabilities as at 31 December 2010, 2011, 2012, 2013 and 2014 is set out on page 68 of this annual report.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors of the Company during the year and up to the date of this report were:

Executive Directors

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

Independent Non-Executive Directors

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

Supervisors

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

Independent Supervisors

Mr. Feng Pei Xian
Ms. Wang Xiao Li

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each Director and Supervisor has entered into a three year service agreement with the Company expiring on 20 September 2016. All appointments are subject to termination in certain circumstances as stipulated in the relevant service agreement. In the event that the appointment of the Director or Supervisor is terminated in the annual general meeting of the shareholders of the Company without any reason, the relevant Director or Supervisor may claim for compensation from the Company.

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

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management are set out on pages 7 to 9 of this annual report.

DIRECTORS' AND SUPERVISORS' REMUNERATION AND HIGHEST PAID EMPLOYEES

The Group has adopted an emolument policy as set out in the sub-section headed "Review of Operations" under the section headed "Management Discussion and Analysis" on pages 4 to 6 of this annual report. The Directors', Supervisors' and senior management's emoluments are determined by the Board with reference to their duties, responsibilities, performance and recommendations by the remuneration committee of the Company.

Details of the Directors' and Supervisors' remuneration and that of the highest paid employees are set out in notes 9 and 10 to the consolidated financial statements, respectively.

DIRECTORS' SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

Save as disclosed below, as at 31 December 2014, none of the Directors, Supervisors or the Company's chief executives had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "**SFO**")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers relating to securities transactions by Directors to be notified to the Company and the Stock Exchange:

Long position in shares

Name	Capacity and nature of interest	Number of shares held	Percentage of beneficial interests in the Company's share capital
Director and chief executive officer			
Mr. Chen Ping	Beneficial owner	36,392,320 domestic shares	10.21%
	Interest of a controlled corporation	33,961,432 domestic shares (Note)	9.53%

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

Save as disclosed herein, during the year ended 31 December 2014, none of the Directors, Supervisors or the Company's chief executives was granted options to subscribe for shares of the Company. As at 31 December 2014, none of the Directors, Supervisors or the Company's chief executives or any of their spouses and children under 18 years of age had any interest in, or had been granted any interest in, or had been granted, or exercised, had any rights to subscribe for shares (or warrants or debentures, if applicable) or to acquire shares of the Company.

COMPETING INTERESTS

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

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, so far as was known to any Directors, Supervisors or the Company's chief executives, as at 31 December 2014, there were no persons or companies (other than the interests as disclosed above in respect of the Directors) who had equity interests or short positions in the shares or underlying share of the Company which would fall to be disclosed under Division 2 and 3 or Part XV of the SFO; or who were deemed to be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; or who were substantial shareholders as recorded in the register maintained under section 336 of the SFO:

Long position in shares

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

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

RELATED AND CONNECTED PARTY TRANSACTIONS

Except otherwise disclosed in note 28 to the consolidated financial statements, the Group had no transactions which need to be disclosed as connected transaction in accordance with the requirements of the GEM Listing Rules during each of the two years ended 31 December 2014.

SHARE OPTION SCHEME

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

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2014.

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

The Company established an audit committee in November, 2001 with written terms of reference in compliance with the requirements as set out in the GEM Listing Rules. The primary duties of the audit committee are to review the Group's annual report and consolidated financial statements, audited annual results, half-year report and quarterly reports and provide advice and comments thereon to the Board and to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises three independent non-executive Directors, Mr. Gu Yu Lin, Mr. Zhang De Xin and Mr. Cai Xiao Fu whereas Mr. Gu Yu Lin is the chairman. During the year, the audit committee reviewed the first quarterly report, half-year report, the third quarterly report of the Group for the year 2014 and the annual report of the Group for the year 2013. The audit committee has also reviewed the annual report of the Group for the year 2014.

AUDITOR

During the year, SHINEWING (HK) CPA Limited was re-appointed as auditor of the Company. The consolidated financial statements of the Group for each of the three years ended 31 December 2014 was audited by SHINEWING (HK) CPA Limited.

On behalf of the Board
Chen Ping
Chairman

25 March 2015
Hangzhou City, the PRC

* *For identification purposes only*

REPORT OF THE SUPERVISORY COMMITTEE

The supervisory committee is pleased to present the annual report for the year of 2014.

SUPERVISORY COMMITTEE OPERATION REVIEW

In the year, five meetings of the supervisory committee were held to review the quarterly results and the audited annual financial statements of the Group. During the year, the supervisory committee has examined the legitimacy and validity, pursuant to the investiture of the shareholders' meeting and articles of association of the Company, upon convocation and voting procedures of meetings of the Board. We inspected whether the resolutions passed by the Board corresponded with the PRC laws and the stipulations of articles of association of the Company or not, and adduced feasible proposals. The supervisory committee considered that the convocation and the voting procedures of the Board meetings corresponded with the PRC laws and articles of association of the Company. The shareholders' meeting's resolutions have been executed effectively. The supervisory committee has obtained the respect and its suggestions have been accepted.

FINANCIAL POSITION OF COMPANY

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

ETHICS OF DIRECTORS AND SENIOR MANAGEMENT

In the year, the supervisory committee executed its obligations and supervised on the ethics of the Directors and senior management, in order to raise the Directors' and senior management's onus to perform their duties with good faith and due diligence, and avoid the operational risk incurable to the Group or damages to the interest of the shareholders of the Company because of personal fault.

During the year, the supervisory committee inspected and found that the Directors and the managers had not violated the PRC laws, regulations, and articles of association of the Company when executing their duties. The Directors and senior management had performed their duties and there was no occurrence of impairment to shareholders' interest either.

On behalf of the supervisory committee
Mr. Xie Jian Ping
Chairman of the supervisory committee

25 March 2015
Hangzhou City, the PRC

Independent Auditor's Report

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

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

We have audited the consolidated financial statements of Zheda Lande Scitech Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 67, which comprise the consolidated statement of financial position as at 31 December 2014, and 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 International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of 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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224

Hong Kong
25 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	7	**48,130**	61,410
Cost of sales		**(29,914)**	(30,155)
Gross profit		**18,216**	31,255
Other operating income	8	**2,156**	1,266
Distribution and selling expenses		**(12,352)**	(10,334)
General and administrative expenses		**(19,855)**	(22,904)
Loss before tax		**(11,835)**	(717)
Income tax	11	**–**	(305)
Loss and total comprehensive expense for the year	12	**(11,835)**	(1,022)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(11,237)**	(758)
Non-controlling interests		**(598)**	(264)
		(11,835)	(1,022)
Loss per share			
Basic and diluted (RMB)	14	**(3.15) cents**	(0.21) cents

Consolidated Statement of Financial Position

As at 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000 (restated)
Non-current assets			
Plant and equipment	15	**1,945**	4,319
Intangible assets	16	**–**	–
Goodwill	17	**–**	956
		1,945	5,275
Current assets			
Inventories	18	**2,286**	1,572
Trade receivables	19	**6,724**	9,170
Prepayments and other receivables	20	**52,413**	76,031
Restricted bank balance	21	**1,378**	1,378
Bank balances and cash	21	**27,869**	16,082
		90,670	104,233
Current liabilities			
Trade and other payables	22	**14,107**	18,907
Receipt in advance from customers		**466**	502
Income tax payables		**1,615**	1,837
		16,188	21,246
Net current assets		**74,482**	82,987
Net assets		**76,427**	88,262
Capital and reserves			
Paid-in capital	23	**35,655**	35,655
Reserves	24	**36,367**	47,604
Equity attributable to owners of the Company		**72,022**	83,259
Non-controlling interests		**4,405**	5,003
Total equity		**76,427**	88,262

The consolidated financial statements on pages 23 to 67 were approved and authorised for issue by the Board of Directors on 25 March 2015 and are signed on its behalf by:

Chen Ping
Director

Wang Linhua
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company						
	Paid-in capital RMB'000	**Share premium** RMB'000	**Statutory surplus reserve** RMB'000 (note 24)	**Accumulated losses** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2013	35,655	76,570	10,567	(38,775)	84,017	5,267	89,284
Loss and total comprehensive expense for the year	–	–	–	(758)	(758)	(264)	(1,022)
At 31 December 2013 and at 1 January 2014	35,655	76,570	10,567	(39,533)	83,259	5,003	88,262
Loss and total comprehensive expense for the year	–	–	–	(11,237)	(11,237)	(598)	(11,835)
At 31 December 2014	35,655	76,570	10,567	(50,770)	72,022	4,405	76,427

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000 (restated)
OPERATING ACTIVITIES		
Loss before taxation	**(11,835)**	(717)
Adjustments for:		
Amortisation of intangible assets	**–**	38
Write back of impairment loss on trade receivables	**(1)**	(612)
Write back of impairment loss on prepayments and other receivables	**(1,210)**	(184)
Depreciation of plant and equipment	**1,236**	1,384
Impairment loss on plant and equipment	**1,341**	–
Impairment loss on trade receivables	**64**	665
Impairment loss on prepayments and other receivables	**285**	1,125
Impairment loss on goodwill	**956**	–
Interest income	**(143)**	(33)
Loss on disposal of plant and equipment	**48**	12
Operating cash flows before movements in working capital	**(9,259)**	1,678
Increase in inventories	**(714)**	(510)
Decrease (increase) in trade receivables	**2,383**	(2,629)
Decrease (increase) in prepayments and other receivables	**15,178**	(29,027)
(Decrease) increase in trade and other payables	**(1,217)**	938
(Decrease) increase in receipt in advance from customers	**(36)**	7
Increase in restricted bank balance	**–**	(1,378)
Cash generated from (used in) operations	**6,335**	(30,921)
Income tax paid	**(222)**	(381)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**6,113**	(31,302)
INVESTING ACTIVITIES		
Repayment from related parties (included in other receivables)	**9,365**	29,425
Proceeds from disposal of plant and equipment	**278**	41
Interest received	**143**	33
Purchase of plant and equipment	**(529)**	(472)
Placing on time deposits with original maturity of more than three months	**(2,029)**	–
NET CASH FROM INVESTING ACTIVITIES	**7,228**	29,027
CASH (USED IN) FROM FINANCING ACTIVITY		
(Repayment to) advance from related parties (included in other payables)	**(3,583)**	3,583
NET INCREASE IN CASH AND CASH EQUIVALENTS	**9,758**	1,308
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**16,082**	14,774
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash (note 21)	**25,840**	16,082

1. GENERAL

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

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

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

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

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

In the current year, the Group has applied the following new and revised IFRSs, which includes IFRS, International Accounting Standards ("IAS(s)"), amendments and new interpretations ("Int(s)") issued by the International Accounting Standards Board (the "IASB") and the IFRS Interpretations Committee ("IFRIC") of the IASB.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC-Int 21	Levies

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

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*

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

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 INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

New and revised IFRSs issued but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 July 2014.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2017.
4 Effective for annual periods beginning on or after 1 January 2018.

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

IFRS 9 (2014) Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, IFRS 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 IFRS 9 was issued in 2014 to incorporate all the requirements of IFSR 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 IFRS 9 also introduces an "expected credit loss" model for impairment assessments.

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

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. 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 IFRS 9 (2014), 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.

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

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

IFRS 9 (2014) Financial Instruments (Cont'd)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities" credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment of financial assets, the impairment requirements relating to the accounting for an entity's expected credit loss on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the impairment approach in IFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit loss 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.

- IFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, IFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under IAS 39, it is necessary to exhibit eligibility and compliance with the requirements in IAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for IAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

IFRS 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.

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

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

IFRS 15 *Revenue from Contracts with Customers*

The core principle of IFRS 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, IFRS 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.

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

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

IFRS 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 IFRS 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 IFRS 15 until the Group performs a detailed review.

Annual Improvements to IFRSs 2010-2012 Cycle

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

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

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

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

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

Annual Improvements to IFRSs 2010-2012 Cycle (Cont'd)

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

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

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

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

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

Annual Improvements to IFRSs 2011-2013 Cycle

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

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

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

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

(a) the property meets the definition of investment property in terms of IAS 40; and

(b) the transaction meets the definition of a business combination under IFRS 3.

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

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

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

Annual Improvement to IFRSs 2012 – 2014 Cycle

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

The amendments to IFRS 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 IFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to IFRS 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 IFRS 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 IFRS 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 IAS 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.

IAS 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 IAS 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 of the Company do not anticipate that the application of the amendments included in the *Annual Improvements* to IFRSs 2012-2014 Cycle will have a material effect on the Group's consolidated financial statements.

Amendments to IAS 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 IFRS if the information resulting from that disclosure is not material. This is the case even if the IFRS contain a list of specific requirements or describe them as minimum requirements.

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.

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

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

Amendments to IAS 1 Disclosure Initiative (Cont'd)

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 *Amendments to IAS 1 Disclosure Initiative* in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

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

The amendments to IAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under IAS 16. The amendments to IAS 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 IAS 16 and IAS 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 retrospectively.

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

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 significant and will primarily only 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 IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange and by the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong 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 exchange for goods and services.

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

The 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (Cont'd)

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.

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

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

Goodwill

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

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

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

Non-controlling interests

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments" proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

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

Revenue recognition

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

(i) Income from provision of telecommunication solutions

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

(ii) Income from trading of hardware and computer software

Revenue is recognised when the goods are delivered and the title has passed, at which time all the following conditions are satisfied:

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

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

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

(iv) Interest income

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment loss. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

Research and development expenditure

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

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

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

Subsequent to initial recognition, internally-generated intangible assets is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

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

Inventories

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

Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

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

Effective interest method

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, restricted bank balance 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).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, and observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

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.

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

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

Financial liabilities and equity instruments

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 Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing

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

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to central pension scheme operated by the PRC local municipal governments are recognised as expenses when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual bonuses, paid annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Impairment of plant and equipment

The Group assesses whether there are any indicators of impairment for all plant and equipment at the end of each reporting period. Plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management may significantly affect the Group's impairment evaluation and hence results. As at 31 December 2014, the carrying amount of plant and equipment is RMB1,945,000 (2013: RMB4,319,000), net of accumulated impairment loss of RMB1,341,000 (2013: nil).

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of goodwill is nil (2013: approximately RMB956,000), net of accumulated impairment loss of approximately RMB956,000 (2013: nil). Details of the recoverable amount calculation are disclosed in note 17.

Impairment of trade receivables, prepayments and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amounts of trade receivables, prepayments and other receivables are approximately RMB6,724,000 (net of accumulated impairment loss of approximately RMB4,932,000), RMB1,587,000 (net of accumulated impairment loss of approximately RMB403,000) and RMB50,446,000 (net of accumulated impairment loss of approximately RMB6,025,000) respectively (2013: the carrying amounts of trade receivables, prepayments and other receivables are approximately RMB9,170,000 (net of accumulated impairment loss of approximately RMB5,749,000), RMB2,783,000 (net of accumulated impairment loss of approximately RMB117,000) and RMB68,850,000 (net of accumulated impairment loss of approximately RMB9,217,000), respectively.

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 RMB2,286,000 (2013: RMB1,572,000). No allowance was provided on inventories as at both years ended 31 December 2014 and 2013.

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

Contingent Liabilities

The Group exercises judgements in measuring the exposure to contingent liabilities related to pending litigation or other outstanding claims as detailed in note 26. Judgements, including those involving estimations, are necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. In the opinion of directors of the Company based on the legal advice, the directors consider the claim is remote and no reliable estimate can be made of the amount of the obligation at current stage, and thus no provision is recognised in consolidated financial statements and the claim is disclosed as contingent liability (note 26).

5. CAPITAL RISK MANAGEMENT

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

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

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

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**86,797**	99,878
Financial liabilities		
At amortised cost	**14,107**	18,907

b. Financial risk management objectives and policies

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

(i) Interest rate risk

The Group's exposure to fair value interest rate risk is through the impact of rate changes on interest-bearing financial assets and liabilities. Interest bearing financial assets is mainly balances with banks which are all short-term in nature. There were no interest-bearing financial liabilities as at 31 December 2014 and 2013. The management monitors the movement in market interest rates and reviews such impact on the Group on a continuous basis to ensure that any future variations in interest rate will not have a significant adverse impact on the results of the Group.

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

6. FINANCIAL INSTRUMENTS (Cont'd)

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

(ii) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties" failure to perform their obligations as at 31 December 2014 and 2013 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group reviews the recoverable amount of each individual trade debt and other receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for location of new customers and enlargement of customer base, determination of credit limits and credits approvals of new customers.

The Group's concentration of credit risk by geographical location is solely in the PRC, which accounted for 100% of trade and other receivables as at 31 December 2014 and 2013. The Group has concentration of credit risk as 28% (2013: 17%) and 48% (2013: 51%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

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

(iii) Liquidity risk

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

c. Fair values of financial assets and financial liabilities

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

7. TURNOVER AND SEGMENT INFORMATION

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

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

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

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

(a) Segment revenues and results

For the year ended 31 December

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment turnover	**144**	100	**28,594**	33,221	**19,392**	28,089	**48,130**	61,410
Segment results	**(1,518)**	19	**195**	1,837	**(4,744)**	6,071	**(6,067)**	7,927
Unallocated revenue							**1,455**	236
Unallocated expenses							**(7,223)**	(8,880)
Loss before tax							**(11,835)**	(717)

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

Segment profit/loss represents the profit or loss from each segment without allocation of central administration costs, write back of/impairment loss on prepayments and other receivables, impairment loss on certain plant and equipment, directors' salaries, bank interest income and sundry income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

7. TURNOVER AND SEGMENT INFORMATION (Cont'd)

(b) Segment assets and liabilities

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

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
As at 31 December								
Segment assets	**94**	63	**6,385**	8,700	**4,021**	9,936	**10,500**	18,699
Unallocated assets							**82,115**	90,809
Total assets							**92,615**	109,508
Segment liabilities	**–**	–	**2,405**	3,893	**284**	265	**2,689**	4,158
Unallocated liabilities							**13,499**	17,088
Total liabilities							**16,188**	21,246

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

- all assets are allocated to reportable segments other than certain plant and equipment, bank balances and cash, restricted bank balance, balances with related parties and certain prepayments and other receivables which are unable to allocate into reportable segments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

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

7. TURNOVER AND SEGMENT INFORMATION (Cont'd)

(c) Other segment information:

For the year ended 31 December

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Unallocated		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Amounts included in the measure of segment profit or loss or segment assets:										
Addition to plant and equipment	**5**	–	**1**	2	**106**	470	**417**	–	**529**	472
Cost of inventories recognised as an expense	**–**	–	**26,657**	23,195	**–**	–	**–**	–	**26,657**	23,195
Depreciation	**284**	20	**105**	540	**562**	824	**285**	–	**1,236**	1,384
Write back of impairment loss on trade receivables	**–**	–	**(1)**	(507)	**–**	(105)	**–**	–	**(1)**	(612)
Impairment loss on trade receivables	**–**	–	**35**	657	**29**	8	**–**	–	**64**	665
Impairment loss on goodwill	**–**	–	**–**	–	**956**	–	**–**	–	**956**	–
Loss on disposal of plant and equipment	**–**	–	**1**	–	**–**	12	**47**	–	**48**	12
Impairment loss on plant and equipment	**813**	–	**175**	–	**208**	–	**145**	–	**1,341**	–
Government grants	**–**	–	**(120)**	–	**(580)**	(418)	**–**	–	**(700)**	(418)
Operating lease rental for office premises	**384**	21	**360**	392	**1,420**	1,728	**–**	–	**2,164**	2,141
Amortisation of intangible assets	**–**	38	**–**	–	**–**	–	**–**	–	**–**	38
Interest income	**–**	–	**–**	–	**–**	–	**(143)**	(33)	**(143)**	(33)

For the year ended 31 December

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Unallocated		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:										
Income tax expense	**–**	–	**–**	–	**–**	–	**–**	305	**–**	305
Impairment loss on prepayments and other receivables	**–**	–	**–**	–	**–**	–	**285**	1,125	**285**	1,125
Research and development recognised as expenses							**13**	1,417	**13**	1,417
Write back of impairment loss on prepayments and other receivables	**–**	–	**–**	–	**–**	–	**(1,210)**	(184)	**(1,210)**	(184)

Note: Non-current assets excluded goodwill

(d) Geographical information

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

7. TURNOVER AND SEGMENT INFORMATION (Cont'd)

(e) Information about major customers

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

	2014 RMB'000	2013 RMB'000
Customer A[1]	5,466	11,155
Customer B[1]	4,978	N/A

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

8. OTHER OPERATING INCOME

	2014 RMB'000	2013 RMB'000
Write back of impairment loss on trade receivables	1	612
Write back of impairment loss on prepayments and other receivables	1,210	184
Government grants	700	418
Interest income	143	33
Others	102	19
	2,156	1,266

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

The details of emoluments of each of nine (2013: nine) directors, including chief executive, and five (2013: five) supervisors for the years ended 31 December 2014 and 2013 are set out below:

For the year ended 31 December 2014

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive directors:				
Mr. Chen Ping	–	95	–	95
Mr. Chao Hong Bo	–	22	–	22
Mr. Xia Zhen Hai	–	22	–	22
Mr. Xie Fei	–	22	–	22
Mr.Wang Linhua	–	219	43	262
Mr. Wang Yong Gui	–	122	18	140
Independent non-executive directors:				
Mr. Cai Xiao Fu	22	–	–	22
Mr. Zhang De Xin	22	–	–	22
Mr. Gu Yu Lin	22	–	–	22
Supervisors				
Mr. Xie Jian Ping	–	–	–	
Mr. Wang Li Jun	–	114	17	131
Ms. Liu Chun Fang	–	3	–	3
Ms. Wang Xiao Li	–	–	–	–
Mr. Feng Pei Xian	–	3	–	3
Total	66	622	78	766

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

For the year ended 31 December 2013

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

None of the directors or supervisors waived or agreed to waive any emoluments paid by the Group for the years ended 31 December 2014 and 2013.

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

No emoluments were paid or payable to any directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2014 and 2013.

10. EMPLOYEES' EMOLUMENTS

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

During the year, the five highest paid individuals include two directors (2013: two) of the Company, whose emoluments have been included in note 9 above. The emoluments of the remaining three (2013: three) individuals were as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other benefits	529	512
Contributions to retirement benefits scheme	34	28
	563	540

The emoluments of each of these individuals for both years were less than HK$1,000,000 or equivalent to approximately RMB789,000 (2013: RMB791,000).

No emoluments were paid or payable to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2014 and 2013.

11. INCOME TAX

	2014 RMB'000	2013 RMB'000
The tax charge comprises:		
PRC Enterprise Income Tax ("EIT")		
– current year	–	430
– over-provision in prior years	–	(125)
	–	305

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC enterprises is 25% for the years ended 31 December 2014 and 2013.

No provision for Enterprise Income Tax for the Company for the years ended 31 December 2014 and 2013 as there was no assessable profit derived by the Company for both years. Certain subsidiaries were subject to EIT at a rate of 15% (2013: 15%) as they were classified as Advanced and New Technology Enterprise.

No provision for Hong Kong Profits Tax has been made for the subsidiary established in Hong Kong as the subsidiary did not have any assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2014 and 2013.

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

	2014 RMB'000	2013 RMB'000
Loss before taxation	(11,835)	(717)
Tax at the domestic income tax rate of 15% (2013: 15%) (Note)	(1,775)	(108)
Tax effect of different tax rates of subsidiaries	(1,157)	(394)
Tax effect of expenses not deductible for tax purpose	1,403	542
Tax effect of income not taxable for tax purpose	(303)	(401)
Tax effect of tax losses not recognised	1,925	1,279
Utilisation of previous unrecognised tax losses	(93)	(488)
Over-provision in prior years	–	(125)
Tax charge for the year	–	305

Note: The PRC EIT of 15% is used as it is the domestic tax rate where the results and operation of the Group is substantially derived from.

12. LOSS FOR THE YEAR

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

	2014 RMB'000	2013 RMB'000
Salaries and other benefits (including directors', chief executive's and supervisors' emoluments)	**7,931**	8,087
Contributions to retirement benefits scheme	**689**	817
Total staff costs	**8,620**	8,904
Amortisation of intangible assets (included in general and administrative expenses)	**–**	38
Auditors' remuneration	**612**	569
Depreciation of plant and equipment	**1,236**	1,384
Impairment loss on plant and equipment	**1,341**	–
Impairment loss on trade receivables	**64**	665
Impairment loss on prepayments and other receivables	**285**	1,125
Impairment loss on goodwill	**956**	–
Loss on disposal of plant and equipment (included in general and administrative expenses)	**48**	12
Operating lease rental for office premises	**2,164**	2,141
Research and development recognised as expenses	**13**	1,417
Bank interest income	**(143)**	(33)
Government grants (Note)	**(700)**	(418)
Write back of impairment loss on trade receivables (included in other operating income)	**(1)**	(612)
Write back of impairment loss on prepayments and other receivables (included in other operating income)	**(1,210)**	(184)
Cost of inventories recognised as an expense	**26,657**	23,195

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

13. 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).

14. LOSS PER SHARE

The calculations of the basic loss per share are based on loss for the year attributable to owners of the Company of approximately RMB11,237,000 (2013: RMB758,000) and on the weighted average number of 356,546,000 (2013: 356,546,000) shares in issue during the year ended 31 December 2014.

Diluted loss per share was the same as basic loss per share for the years ended 31 December 2014 and 2013 as there were no diluting events existed during both years.

15. PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office furniture, fixtures and other equipment RMB'000	Total RMB'000
COST				
At 1 January 2013	3,798	1,789	10,853	16,440
Additions	18	–	454	472
Disposals	–	(457)	(1,616)	(2,073)
At 31 December 2013	3,816	1,332	9,691	14,839
Additions	14	417	98	529
Disposals	–	(487)	(28)	(515)
At 31 December 2014	**3,830**	**1,262**	**9,761**	**14,853**
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2013	3,632	399	7,125	11,156
Provided for the year	152	277	955	1,384
Eliminated on disposals	–	(440)	(1,580)	(2,020)
At 31 December 2013	3,784	236	6,500	10,520
Provided for the year	34	285	917	1,236
Impairment loss	–	145	1,196	1,341
Eliminated on disposals	–	(162)	(27)	(189)
At 31 December 2014	**3,818**	**504**	**8,586**	**12,908**
CARRYING VALUES				
At 31 December 2014	**12**	**758**	**1,175**	**1,945**
At 31 December 2013	32	1,096	3,191	4,319

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

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

The Group has reported continuing losses and its future profitability remains uncertain giving rise to an indication that the value of the Group's plant and equipment may be impaired. The Group assessed the recoverable amounts of plant and equipment and as a result the carrying amounts of motor vehicles and office furniture, fixtures and other equipment were written down by approximately RMB145,000 (2013: nil) and RMB1,196,000 (2013: nil) respectively during year ended 31 December 2014. The estimates of recoverable amounts of plant and equipment were based on the respective assets' fair value less costs of disposal. The fair values less costs of disposal were determined according to the valuation performed by an independent firm of surveyors, using market approach and cost approach. The market approach has taken into account recent sales price of similar assets within the same industry, adjusting differences such as condition and timing of transaction, while the cost approach has taken into account recent purchase price of similar assets, adjusting for differences such as condition, utility and age.

15. PLANT AND EQUIPMENT (Cont'd)

The fair value less costs of disposal of the relevant plant and equipment are determined as follow:

	Recoverable amount RMB'000	Fair value hierarchy	Valuation technique and key assumptions
Motor vehicles	758	Level 1	Open market value adjusted for condition and timing of transaction
Office furniture, fixtures and other equipment	1,175	Level 2	Recent purchase price of similar assets adjusted for condition, utility and age

16. INTANGIBLE ASSETS

	Patents RMB'000	Computer software RMB'000	Self-developed software RMB'000	Total RMB'000
COST				
At 1 January 2013, 31 December 2013 and 31 December 2014	250	11,774	11,360	23,384
AMORTISATION AND IMPAIRMENT				
At 1 January 2013	212	11,774	11,360	23,346
Provided for the year	38	–	–	38
At 31 December 2013 and 31 December 2014	**250**	**11,774**	**11,360**	**23,384**
CARRYING VALUES				
At 31 December 2014	**–**	**–**	**–**	**–**
At 31 December 2013	–	–	–	–

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

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

17. GOODWILL

	RMB'000
COST	
At 1 January 2013, 31 December 2013 and 31 December 2014	956
IMPAIRMENT	
At 1 January 2013 and 31 December 2013	–
Impairment loss recognised during the year	956
At 31 December 2014	956
CARRYING AMOUNTS	
At 31 December 2014	–
At 31 December 2013	956

For the purpose of impairment testing, goodwill arising from the acquisition of subsidiaries has been allocated to cash generating unit (the "CGU") in the provision of telecommunication value-added services segment.

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

The recoverable amount of the CGUs is zero and has been determined on the basis of value in use calculations, which uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 10.24% (2013: 13.88%). Cash flow projections during the budget period are based on the budgeted sales, expected gross margins and the general price inflation which affects general expenses during the budget period. Budgeted sales have been estimated for the first two years with annual growth rates ranging from 5% (2013: 5%). The forecasted sales beyond the second year are constant with zero growth rate (2013: zero). The growth rates and expected cash inflow/outflows which include budgeted sales and gross margin and general expenses have been determined based on industry growth forecasts, past performance of respective subsidiary and the telecommunication value-added services segment of the Group and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the goodwill to exceed its aggregate recoverable amount.

During the year ended 31 December 2014, impairment loss on goodwill of approximately RMB956,000 (2013: Nil) was recognised.

18. INVENTORIES

	2014 **RMB'000**	2013 RMB'000
Computer software and hardware	**2,286**	1,572

19. TRADE RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	**11,656**	14,919
Less: Impairment losses	**(4,932)**	(5,749)
	6,724	9,170

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

	2014 RMB'000	2013 RMB'000
0 to 60 days	**5,517**	8,331
61 to 90 days	**465**	467
91 days to 180 days	**724**	343
Over 180 days	**18**	29
	6,724	9,170

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

The ageing analysis of trade receivables which are past due but not impaired based on the due date:

	2014 RMB'000	2013 RMB'000
Less than 3 months	**465**	467
More than 3 months but less than 1 year	**724**	343
More than 1 year but less than 2 years	**18**	29
	1,207	839

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB1,207,000 (2013: RMB839,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss.

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

19. TRADE RECEIVABLES (Cont'd)

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

	2014 RMB'000	2013 RMB'000
Balance at beginning of the year	5,749	5,696
Impairment loss recognised during the year	64	665
Amounts written off as uncollectible	(880)	–
Amounts recovered during the year	(1)	(612)
Balance at end of the year	4,932	5,749

Before accepting any new customer, the Group will apply an internal credit assessment policy to assess the potential customer's credit quality and define credit limits by customer. Included in the impairment losses are individually impaired trade receivables with an aggregate balance of approximately RMB4,932,000 (2013: RMB5,749,000) which were long outstanding.

20. PREPAYMENTS AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Other receivables	56,471	78,067
Less: Impairment losses	(6,025)	(9,217)
	50,446	68,850
Prepayments to suppliers	1,990	2,900
Less: Impairment losses	(403)	(117)
	1,587	2,783
Advance to employees	380	4,398
	52,413	76,031

20. PREPAYMENTS AND OTHER RECEIVABLES (Cont'd)

Impairment losses in respect of prepayments and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts receivable directly.

Movement in the impairment losses of prepayments and other receivables:

	2014 RMB'000	2013 RMB'000
Balance at beginning of the year	9,334	8,393
Impairment loss recognised during the year	285	1,125
Amounts written off as uncollectible	(1,981)	–
Amounts recovered during the year	(1,210)	(184)
Balance at the end of the year	6,428	9,334

At 31 December 2014, included in other receivables are balance due from related parties (note 28 (a)) and independent third parties of RMB17,160,000 (2013: RMB26,525,000) and RMB39,311,000 (2013: RMB51,542,000) respectively. Accumulated impairment losses of approximately RMB1,354,000 (2013: RMB1,354,000) and RMB4,671,000 (2013: RMB7,863,000) are provided in respect of such balances respectively.

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

Included in the impairment losses are individually impaired prepayments and other receivables with an aggregate balance of approximately RMB6,428,000 (2013: RMB9,334,000) which were long outstanding. Management considers the unimpaired balances are fully recoverable as the recoverable amounts of the relevant debtors as at years ended 31 December 2014 and 2013 are not less than the carrying amounts of such balances. The Group did not hold any collateral over these balances.

21. BANK BALANCES AND CASH AND RESTRICTED BANK BALANCE

Bank balances comprise short-term deposits of RMB2,029,000 (2013: nil) with an original maturity of more than three months. The bank balances and deposits carry interest at average market rate which range from 0.35% to 2.86% per annum (2013: 0.35%).

As at 31 December 2014, bank balance of approximately RMB1,378,000 (2013: RMB1,378,000) was frozen by the Hangzhou Arbitration Commission. Details are set out in note 26.

	2014 RMB'000	2013 RMB'000 (restated)
Bank balances and cash	27,869	16,082
Time deposits with an original maturity of more than three months when acquired	(2,029)	–
Cash and cash equivalents for the purpose of the consolidated statements of cash flows	25,840	16,082

22. TRADE AND OTHER PAYABLES

	2014 RMB'000	2013 RMB'000
Trade payables	1,684	2,115
Other payables and accruals	12,423	16,792
	14,107	18,907

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

	2014 RMB'000	2013 RMB'000
Less than one year	1,386	1,907
Over one year but less than two years	90	55
Over two years but less than three years	55	31
More than three years	153	122
	1,684	2,115

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

As at 31 December 2014, included in other payables and accruals amounting to approximately RMB5,799,000 (2013: RMB9,382,000) are balances due to related parties (note 28 (a)). Remaining balances included accrued charges, staff costs payables and payables to miscellaneous creditors.

23. PAID-IN CAPITAL

	Number of shares		Amount	
	2014 '000	2013 '000	2014 RMB'000	2013 RMB'000
Registered, issued and fully paid:				
Domestic shares with par value of RMB0.1 each				
At 1 January and at 31 December	244,421	244,421	24,442	24,442
Overseas public shares ("H shares") with par value of RMB0.1 each				
At 1 January and at 31 December	112,125	112,125	11,213	11,213
Total	356,546	356,546	35,655	35,655

24. RESERVES

Statutory surplus reserve

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

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

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

25. UNPROVIDED DEFERRED TAX

At 31 December 2014, the Group had unused tax losses amounted to approximately RMB54,891,000 (2013: RMB45,150,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses can be carried forward for five years from the respective years in which the loss arose.

26. CONTINGENT LIABILITY

On 22 November 2013, 杭州華光計算機工程有限公司 ("Hangzhou Huaguang"), a wholly-owned subsidiary of the Company, received a hearing notice from Hangzhou Arbitration Commission (the "Commission") for the case in relation to the dispute arising from the sales and purchase contract entered into between 寧波中科國泰信息技術有限公司 ("Ningbo Zhongke") and Hangzhou Huaguang (the "Contract"), which the Commission confirmed its acceptance to administer on 17 October 2013 and held a hearing on 23 December 2013. Since 16 October 2013 and as at 31 December 2013 and 2014, bank balance of Hangzhou Huaguang amounted to RMB1,378,000 (note 21) was frozen by the Commission. As at 31 December 2014 and up to the date of these consolidated financial statements, the arbitration is still in progress.

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

In respect to the Arbitration Application, Hangzhou Huaguang had filed a counter-arbitration application to the Commission on 5 November 2013 in order to demand Ningbo Zhongke to make payments for the outstanding amount and overdue interests amounted to approximately RMB685,000. Such balance had been included in trade receivables and was fully impaired as at 31 December 2014 and 2013.

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

27. OPERATING LEASE COMMITMENTS

The Group as lessee

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

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

	2014 RMB'000	2013 RMB'000
Within one year	**1,111**	992
In the second to fifth year inclusive	**1,773**	1,773
Over five years	**–**	443
	2,884	3,208

28. RELATED AND CONNECTED PARTY TRANSACTIONS

(a) Balances with related parties

Amounts due from (to) related parties included in prepayments and other receivables, trade and other payables as detailed in notes 20 and 22 respectively are set out below:

Name of related party	Maximum amount owed to the Group during the year RMB'000	**2014 RMB'000**	Maximum amount owed to the Group during the year RMB'000	2013 RMB'000
Insigma Technology Co. Ltd.[1]	N/A	**(5,799)**	N/A	(6,242)
浙江元幸信息科技有限公司[2]	8,814	**5,534**	11,414	6,414
浙江元幸信息科技有限公司[2]	N/A	**–**	N/A	(500)
杭州弈翰科技有限公司[3]	18,900	**5,260**	21,074	13,800
浙江浩天信息科技有限公司[4]	9,000	**4,800**	9,000	4,200
杭州賽爾網絡技術有限公司[4]	1,354	**– (Note)**	1,354	– (Note)
Mr. Wang Li Jun[5]	N/A	**–**	1,950	(2,640)
Mr. Xie Jian Ping[6]	200	**200**	200	200
Mr. Wang Yong Gui[7]	25	**12**	50	25
Minority shareholder of a subsidiary	532	**–**	532	532

1 It is the immediate holding company of the Company. During the year ended 31 December 2014, the Group paid rental and related expenses of approximately RMB474,000 (2013: RMB493,000) to this related company for leasing of the office premises.
2 Mr. Xie Jian Ping is the common supervisor.
3 Mr. Luo Xiao, the accounting manager of the Company, is the supervisor of the company.
4 Mr. Chen Ping is the common director.
5 Mr. Wang Li Jun is the supervisor of the Company.
6 Mr. Xie Jian Ping is the supervisor of the Company.
7 Mr Wang Yong Gui is the director of the Company.

Note: The balance of RMB1,354,000 was impaired in full as at 31 December 2014 and 2013.

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

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

(b) The Group entered into an acquisition agreement dated 14 November 2013 with Shanghai Trasin Information Technology Co., Ltd., a company established in the PRC and a wholly-owned subsidiary of Shanghai Aifusheng Information Technology Co., Ltd. ("Shanghai Aifusheng"), which was in turn owned as to 90% by Mr. Chen Ping, a shareholder/director of the Company, to acquire the 75% equity interest of Hangzhou Saijing Technology Co., Ltd (the "Proposed Acquisition") at an aggregate consideration of RMB45,000,000. 75% of consideration would be settled within five business days upon completion of the acquisition and the remaining would be subjected to a profit guarantee. The Proposed Acquisition was subjected to approval in an extraordinary general meeting. The details were set out in the announcements of the Company dated 14 November 2013, 30 December 2013, 21 January 2014 and 28 February 2014.

As set out in the Company's announcement dated 1 August 2014, the Group had entered into a termination agreement on the same date with Shanghai Aifusheng, an entity established in the PRC, pursuant to which the Group and Shanghai Aifusheng agreed to terminate an equity transfer agreements entered into on 14 November 2013 in respect of the Proposed Acquisition.

(c) Compensation of key management personnel

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

	2014 **RMB'000**	2013 RMB'000
Short-term benefits	**1,307**	1,100
Post-employment benefits	**116**	86
	1,423	1,186

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

29. RETIREMENT BENEFIT SCHEMES

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

The total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB689,000 (2013: RMB817,000) represents contributions payable to this scheme by the Group in respect of the current accounting period.

30. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, as disclosed in a circular dated 6 March 2014 in relation to the proposed placing of new H shares ("Placing"), pursuant to a placing agreement dated 22 January 2014 ("Placing Agreement"), in the event that any of the condition to the Placing are not fulfilled on or before 21 January 2015 or such later date as the parties may agree in writing, the Placing will lapse.

The Company has obtained the grant of specific mandate to issue up to 150,000,000 new H shares ("Specific Mandate") by the shareholders to the Board at the extraordinary general meeting ("EGM") and class meetings and the approval of the proposed issue of the new H Shares pursuant to the Specific Mandate by the China Securities Regulatory Commission ("CSRC"). The Company and a placing agent ("Placing Agent") are still in the process of identifying potential investors for the Placing. In order to allow sufficient time for the Company and the Placing Agent to locate potential placees who will be independent third parties ("Placees") and complete the Placing before 1 September 2015 ("Placing Period"), the Company and the Placing Agent entered into the supplemental agreement on 20 January 2015 to extend the long stop date to 31 March 2015. The details are set out in the announcement and circular of the Company dated 20 January 2015.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	**2014 RMB'000**	2013 RMB'000
Non-current assets			
Plant and equipment		**127**	1,387
Interests in subsidiaries	(a)	**13,635**	19,880
		13,762	21,267
Current assets			
Trade receivables		**–**	1,514
Prepayments and other receivables		**42,759**	63,402
Amounts due from subsidiaries	(b)	**3,000**	4,403
Bank balances and cash		**16,213**	347
		61,972	69,666
Current liabilities			
Trade and other payables		**6,218**	8,932
Amounts due to subsidiaries	(c)	**3,853**	3,889
Current tax liabilities		**20**	20
		10,091	12,841
Net current assets		**51,881**	56,825
NET ASSETS		**65,643**	78,092
Capital and reserves			
Paid-in capital		**35,655**	35,655
Reserves	(d)	**29,988**	42,437
TOTAL EQUITY		**65,643**	78,092

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

Notes:

(a) Interests in subsidiaries

	NOTE	2014 RMB'000	2013 RMB'000
Unlisted investments, at cost		**19,880**	19,880
Accumulated impairment loss		**(6,245)**	–
		13,635	19,880

(b) Amounts due from subsidiaries

	NOTE	2014 RMB'000	2013 RMB'000
Amounts due from subsidiaries – current		**4,403**	4,403
Accumulated impairment losses		**(1,403)**	–
		3,000	4,403

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

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

(d) Reserves

	Attributable to owners of the Company			
	Share premium RMB'000	Statutory surplus reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	76,570	7,934	(38,256)	46,248
Loss and total comprehensive expense for the year	–	–	(3,811)	(3,811)
At 31 December 2013	76,570	7,934	(42,067)	42,437
Loss and total comprehensive expense for the year	–	–	(12,449)	(12,449)
At 31 December 2014	76,570	7,934	(54,516)	29,988

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2014 and 2013 are as follows:

Name	Form of business	Place of establishment/ operations	Issued share capital/Paid up issued registered share capital	Proportion of ownership interest held by Company Directly	Proportion of ownership interest held by Company Indirectly	Principal activities
Hangzhou Trust Communication Service Company Limited 杭州群思特通信服務有限公司	Private Limited	PRC	Registered capital of RMB1,000,000	55%	–	Provision of telecommunication related services
浙江蘭創通信有限公司	Private Limited	PRC	Registered capital of RMB10,000,000	85%	–	Provision of telecommunication related services
杭州華光計算機工程有限公司	Private Limited	PRC	Registered capital of RMB10,000,000	100%	–	Trading of hardware and computer software
杭州華光軟件有限公司	Private Limited	PRC	Registered capital of RMB500,000	–	70%	Trading of hardware and computer software

All subsidiaries are limited liability companies.

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

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

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

Principal activities	Incorporation place	Note	Number of subsidiaries 2014	Number of subsidiaries 2013
Provision of internet image packaging	The PRC	i	**–**	1
Inactive	The PRC/Hong Kong		**2**	1
			2	2

Notes:

i) The subsidiary became inactive during the year ended 31 December 2014.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

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

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interest	
		2014	2013	**2014**	2013	**2014**	2013
				RMB'000	RMB'000	**RMB'000**	RMB'000
浙江蘭創通信有限公司	The PRC	**15%**	15%	**(1,032)**	449	**3,359**	4,391
杭州群思特通信服務有限公司	The PRC	**45%**	45%	**492**	(624)	**1,622**	1,130
Individually immaterial subsidiaries with non-controlling interests						**(576)**	(518)
						4,405	5,003

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

浙江蘭創通信有限公司	**2014** **RMB'000**	2013 RMB'000
Non-current assets	**1,611**	2,508
Current assets	**21,167**	30,185
Current liabilities	**(378)**	(3,413)
Equity attributable to owners of the Company	**19,041**	24,889
Non-controlling interests	**3,359**	4,391
Revenue	**19,376**	27,711
Other income	**712**	544
Expenses	**(26,968)**	(25,261)
(Loss) profit and total comprehensive (expense) income for the year	**(6,880)**	2,994
(Loss) profit and total comprehensive (expense) income attributable to owners of the Company	**(5,848)**	2,545
(Loss) profit and total comprehensive (expense) income attributable to non-controlling interests	**(1,032)**	449
(Loss) profit and total comprehensive (expense) income for the year	**(6,880)**	2,994
Dividends paid to non-controlling interests	**–**	–
Net cash (outflow) inflow from operating activities	**(5,130)**	6,506
Net cash outflow from investing activities	**(1,782)**	(3,427)
Net cash (outflow) inflow	**(6,912)**	3,079

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

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

杭州群思特通信服務有限公司	**2014 RMB'000**	2013 RMB'000
Non-current assets	**1**	1
Current assets	**4,093**	2,999
Current liabilities	**(489)**	(489)
Equity attributable to owners of the Company	**1,983**	1,381
Non-controlling interests	**1,622**	1,130
Revenue	**15**	56
Other income	**1,100**	18
Expenses	**(22)**	(1,461)
Profit (loss) and total comprehensive income (expense) for the year	**1,093**	(1,387)
Profit (loss) and total comprehensive income (expense) attributable to owners of the Company	**601**	(763)
Profit (loss) and total comprehensive income (expense) attributable to non-controlling interests	**492**	(624)
Profit (loss) and total comprehensive income (expense) for the year	**1,093**	(1,387)
Dividends paid to non-controlling interests	**–**	–
Net cash outflow from operating activities	**(8)**	(525)
Net cash inflow from investing activities	**1**	26
Net cash outflow	**(7)**	(499)

33. COMPARATIVES

Bank balances and cash presented in the consolidated statement of financial position previously included restricted bank balance and bank balances and cash. To conform to current year's presentation, restricted bank balance as at 31 December 2013 has been reclassified from bank balances and cash to be separately presented in consolidated statement of financial position to facilitate a better presentation.

Financial Summary

CONSOLIDATED RESULTS

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**48,130**	61,410	57,421	62,918	141,427
Cost of sales	**(29,914)**	(30,155)	(27,418)	(39,767)	(111,499)
Gross profit	**18,216**	31,255	30,003	23,151	29,928
Other operating income	**2,156**	1,266	14,044	7,638	17,215
Distribution and selling expenses	**(12,352)**	(10,334)	(8,907)	(7,244)	(6,139)
General and administrative expenses	**(19,855)**	(22,904)	(26,535)	(27,919)	(42,368)
Share of results of associates	**–**	–	1,433	426	492
Loss on disposal of an associate	**–**	–	(700)	–	–
(Loss) profit before tax	**(11,835)**	(717)	9,338	(3,948)	(872)
Income tax	**–**	(305)	(317)	(27)	(232)
(Loss) profit and total comprehensive (expense) income for the year	**(11,835)**	(1,022)	9,021	(3,975)	(1,104)
Attributable to:					
– Owners of the Company	**(11,237)**	(758)	8,327	(3,582)	(874)
– Non-controlling interests	**(598)**	(264)	694	(393)	(230)
	(11,835)	(1,022)	9,021	(3,975)	(1,104)
(Loss) earnings per share – Basic and diluted (RMB cents)	**(3.15)**	(0.21)	2.34	(1.00)	(0.25)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**92,615**	109,508	106,078	97,887	114,484
Total liabilities	**(16,188)**	(21,246)	(16,794)	(17,624)	(30,246)
Non-controlling interests	**(4,405)**	(5,003)	(5,267)	(4,573)	(4,966)
Shareholders' equity	**72,022**	83,259	84,017	75,690	79,272