



ANNUAL REPORT  
**2016**



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

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

**Stock Code: 8205**

*\*for identification purpose only*

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

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## CORPORATE PROFILE

Shanghai Jiaoda Withub Information Industrial Co., Ltd. founded on 4 May 1998. It is an incorporated company jointly invested by Shanghai Jiao Tong University, Shanghai Technology Investment Company, Shanghai Xinxuhui (Group) Co., Ltd.. On July 2002, the Company was listed on the Growth Enterprise Market of Hong Kong. The Company encompasses technology research, production and operation together. It is mainly engaged in computer network and internet security integration, application software development, building intelligent system integration as well as IT products sales agent, etc.

The Company relies on the rich resources provided by Shanghai Jiao Tong University, for example, transformation of scientific and technological achievements in high school, nurture and hatch high technology enterprise, high - tech park construction and services, etc.. Currently, the business of the Company covers fields such as government, the court, police, high school and enterprise. The Company treats the demands from society as the pursuit of own business development. The Company strictly follows the base of system innovation, operation innovation as the guide, technological innovation as back-up. Its enterprise strategies are combining production, study, research as the model. It emphasizes to talents' training, brand building, customer cultivation and market development. It keeps stable, healthy and fast growing in economic efficiency.

The Company takes advantages of the rich resources of Shanghai Jiao Tong University. It treats the demands from society as the pursuit of business development in depth. The Company strictly follows the base of system innovation, operation innovation as the guide, technological innovation as back-up. Its enterprise strategies are combining production, study, research as the model. It emphasizes to talents' training, brand building, customer cultivation and market development. It keeps stable, healthy and fast growing in economic efficiency.

## HIGHLIGHTS

*For the year ended 31 December 2016,*

- turnover of the Group amounted to RMB96,947,718.96 (2015: approximately RMB112,178,591.55) which represented a decrease of 13.58%;
- the loss attributable to owners of the Company was approximately RMB330,947.26 (2015: profit of approximately RMB2,618,688.49); and
- the Directors do not recommend the payment of a final dividend (2015: Nil).

*\* For identification purpose only*

**Executive Directors**

Mr. Liu Yuwen (*Chairman*)  
Mr. Shuai Ge (*Vice Chairman*)  
Mr. Shang Ling (*Chief Executive*)  
Mr. Zhou Re Qing  
Mr. Zhu Kaiyong  
Mr. Shen Zhimin

**Independent Non-executive Directors**

Mr. Yuan Shumin  
Dr. Ni Jing  
Dr. Chan Yan Chong

**Supervisors**

Mr. Yu Jiming (*Chairman*)  
Mr. Rong Yinsheng  
Ms. Dong Beihua  
Ms. Qin Yan  
Mr. Gu Wei

**Company Secretary**

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

**Audit Committee**

Mr. Yuan Shumin (*Chairman*)  
Dr. Ni Jing  
Dr. Chan Yan Chong

**Remuneration Committee**

Mr. Yuan Shumin (*Chairman*)  
Mr. Liu Yuwen  
Dr. Ni Jing  
Dr. Chan Yan Chong

**Nomination Committee**

Mr. Liu Yuwen (*Chairman*)  
Mr. Yuan Shumin  
Dr. Ni Jing

**Compliance Officer**

Mr. Liu Yuwen

**Legal Address**

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

**Principal Place of Business in Hong Kong**

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

**Principal Place of Business in the PRC**

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

**Authorised Representatives**

Mr. Liu Yuwen  
Ms. Ho Wing Yan

**Principal Bankers**

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

**Auditor**

ShineWing Certified Public Accountants  
(*Special General Partnership*)  
9/F., Block A, Fu Hua Mansion.  
No.8, Chao Yang Men Bei Da Jie,  
Dong Cheng District,  
Beijing, the PRC

**Hong Kong Share Registrar and Transfer Office**

Union Registrars Limited  
Suites 3301-04, 33/F.,  
Two Chinachem Exchange Square, 338 King's Road,  
North Point, Hong Kong

**Stock Code**

8205

**Company Website**

[www.withub.com.cn](http://www.withub.com.cn)

# Chairman's Statement

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To All Shareholders,

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

Looking back to 2016, various uncertainties still exist in the global economy, and along with the changing market environment and increasing market competition, the Company inevitably recorded a loss for the current year.

To cope with the future challenge and sustainable development, the Company will continue to set up objectives and plans according to the three-year development plan in 2017, and actively transform and expand its operating direction. For business, the major direction is to develop software development and system integration business; for management, along with the on-going business development, the operating management of various aspects will be further enhanced and improved.

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

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

By order of the Board

**Liu Yuwen**

*Chairman*

Shanghai, the PRC, 21 March 2017

## RESULTS

For the year ended 31 December 2016, the Group recorded a turnover of approximately RMB96,947,718.96 (2015: approximately RMB112,178,591.55), representing a decrease of RMB15,230,872.59 or 13.58% as compared to the last year. The Group recorded a loss of RMB330,947.26, while a profit for the year ended 31 December 2015 was RMB2,618,688.49.

## BUSINESS REVIEW AND FUTURE PROSPECTS

For the entire financial year under review ended 31 December 2016, the total revenue of the Group has decreased from RMB112,178,591.55 to RMB96,947,718.96. The decrease of RMB15,230,872.59 in revenue represents 13.58% decrease of the Group's sales as compared with that in 2015. The Group recorded a profit before tax of RMB2,618,688.49 for the previous year and a loss before tax of RMB330,947.26 during the year.

Revenue are mainly generated from the sales and distribution of computer and electronic products and accessories which made up of 58.07% of the total sales (or RMB56,297,842.53), and this is followed by 36.88% of total sales (or RMB35,749,610.79) for business application solutions and application software development, 4.42% (or RMB4,284,175.85) for installation and maintenance of network and data security products. These business segments remain the core services and products for the Company in the past and also for the future.

The sales and distribution of computer and electronic products and accessories has decreased by RMB21,337,425.14 in revenue as compared with RMB77,635,267.67 last year, representing a decrease of 27.48%.

Revenue in business application solutions and application software development has increased by RMB5,412,054.08 or 17.84% from RMB30,337,556.71 in the previous year.

Sales from installation and maintenance of network and data security products has increased by RMB373,531.47 from the previous year of RMB3,910,644.38, representing an increase of 9.55%.

The gross profit has increased from RMB16,094,669.13 to RMB16,153,678.22. This represents an increase of RMB59,009.09 or 0.37%. The gross profit margin has increased from 14.35% for the previous financial year to 16.66% for the current year.

Other revenue has increased by RMB147,477.88 or 7.64% to RMB2,076,935.62 for the current year from RMB1,929,177.74 for the previous year.

The share of profits of associates amounted to RMB1,443,384.03 for the current year as compared to the profit of RMB2,861,964.74 for the previous year, representing significant decrease of RMB1,418,580.71.

Distribution cost has decreased by RMB474,113.27 or 7.99% from RMB5,935,342.43 for the previous year to RMB5,461,229.16 for the current year.

During the past year of 2016, the Company recorded a loss for the year as a result of the decrease in segment revenue. The Company will continue to strengthen the core competitiveness, exert greater efforts in highlighted businesses, enhance the corporate competitiveness, and actively formulate assessment and revenue allocation system that is favourable for attracting and retaining high-calibre personnel.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2016, shareholders' funds of the Group amounted to approximately RMB71,335,227.97 (2015: RMB71,359,442.35). Current assets amounted to approximately RMB93,650,905.86 (2015: RMB92,896,101.23), of which approximately RMB60,673,332.66 (2015: RMB62,884,191.22) were cash and bank balances. The Group did not have non-current liabilities (2015: Nil) and its current liabilities amounted to approximately RMB36,316,629.43 (2015: RMB35,384,133.72), which mainly comprised of other payables and accrued expenses. The Group did not have any long-term debts.

## WORKING CAPITAL RATIO AND GEARING RATIO

As at 31 December 2016, the Group had a net cash position and its working capital ratio (current assets to current liabilities) was 2.58 (2015: 2.63); and gearing ratio (liabilities to total assets) was approximately 33.74% (2015: 33.15%).

## CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

The Group had no capital commitments and significant investments for the year ended 31 December 2016.

## MATERIAL ACQUISITIONS OR DISPOSALS

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies for the year ended 31 December 2016.

## SEGMENT INFORMATION

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

## EMPLOYEE INFORMATION

As at 31 December 2016, the Group had 132 full time employees (2015: 123), comprising 17 in management, finance and administration (2015: 18), 41 in research and development (2015: 33), 48 in application development and engineering (2015: 46), and 24 in sales and marketing (2015: 24). Also, the Group had 2 school staff (2015: 2).

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

Remuneration of employees including Directors' emoluments and all staff-related costs for the year ended 31 December 2016 was approximately RMB18,004,067.45 (2015: RMB15,560,322.07).

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

## CHARGES ON GROUP ASSETS

As at 31 December 2016, the Group did not have any charges on its assets (2015: Nil).



### **DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

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

### **FOREIGN EXCHANGE EXPOSURE**

During the year ended 31 December 2016, the Group's monetary assets and transactions are mainly denominated in RMB, HKD and USD. Though the exchange rates among RMB, HKD and USD are not pegged, there are relatively low level of fluctuation in exchange rates among RMB, HKD and USD. The management noted that the recent appreciation in the exchange rate of RMB to HKD and USD and is of the opinion that it does not currently have a material adverse impact on the Group's financial position. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

### **CONTINGENT LIABILITIES**

As at 31 December 2016, the Group did not have any significant contingent liabilities (2015: Nil).

# Biographical Details of Directors, Supervisors and Senior Management

## DIRECTORS

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

### Executive Directors

**Mr. Liu Yuwen** (“Mr. Liu”), aged 54, Ph.D., is a professorate senior engineer. He has engaged in technical management of Baosteel Corporation (寶鋼股份公司) since 1996 and served as the branch manager of Baosteel Pipe (寶鋼鋼管), deputy division manager of Baosteel Pipe (寶鋼鋼管), as well as chairman of 魯寶鋼管公司, 煙寶鋼管公司 and 寶通鋼鐵公司. He has acted as the chief executive of Shanghai Jiao Da Industrial Investment Management (Group) Co., Ltd (上海交大產業投資管理(集團)有限公司) and a director of Shanghai Jiao Tong University Science Park Company Limited (上海交大大學科技園有限公司) since December 2013. He was appointed as an executive Director and Chairman by the Company in 7 July 2014.

**Mr. Shuai Ge** (“Mr. Shuai”), aged 48, MA, is an engineer. He has long-term engagement in business management since 1993. He works at the research and development department of Shanghai Xianhe Optoelectronics Technology Company Limited (上海先河光電技術有限公司). He served as the manager of the import and export division of Shanghai Taiping International Container Co., Ltd (上海太平國際貨櫃有限公司), the general manager assistant of Shanghai Xinhua Power Station Control Co., Ltd (上海新華電站控制技術有限公司), the general manager of Shanghai International Program Controlled Company Limited (上海國際程序控制有限公司), the general manager assistant and deputy general manager of Shanghai Xin Xuhui (Group) Limited (上海新徐匯(集團)有限公司). He has been the deputy secretary of the Party Committee and the deputy general manager of Shanghai Xin Xuhui (Group) Limited (上海新徐匯(集團)有限公司) since October 2016. He has been the deputy secretary of the Party Committee and the general manager of Shanghai Xin Xuhui (Group) Limited (上海新徐匯(集團)有限公司) since November 2016. He was appointed as an executive Director and Vice Chairman by the Company in 7 July 2015.

**Mr. Shang Ling** (“Mr. Shang”), aged 46, MA, engineer. He has long-term engagement in corporate production and operational management after he graduated from his master degree in 2001. He served as a manager of 上海申聯資訊技術公司, an assistant officer of Shanghai Withub Hi-Tech Business Incubator (上海慧谷高科技創業中心), the general manager of Shanghai Withub Business Investment and Management Company Limited (上海慧谷創業投資管理有限公司), the general manager of Shanghai Jiaoda Withub Technology Street Company Limited (上海交大慧谷科技街有限公司) and the deputy general manager of Shanghai Xin Nanyang Company Limited (上海新南洋股份公司). He is appointed as the chief executive officer of the Company in 18 June 2014 and was appointed as an executive Director by the Company in 7 July 2014.

**Mr. Zhou Re Qing** (“Mr. Zhou”), aged 52, member of Chinese Communist Party, engineer, economist and a National Registered First-Class Construction Engineer with a master degree. He holds a bachelor degree of engineering in high molecular chemical engineering (高分子化工) from Zhejiang University and a master degree postgraduate in business administration from Shanghai Jiao Tong University. He served as the head of technology of the Shanghai Gaoqiao Petrochemical Company, the head of production of the Shanghai Qi Ba Gaoqiao (Joint Venture) Chemical Co., Ltd. (上海汽巴高橋(合資)化學有限公司), the manager of investment management department of the Shanghai Pudong Venture Investment Limited (上海浦東創業投資有限公司), the deputy general manager of Shanghai Jing Cheng Real Estate Development Co., Ltd. (上海京城房地產開發有限公司), the deputy general manager of Beijing Jiangnan Decoration Co., Ltd, the deputy manager of the Investment Department II of Shanghai Science and Technology Investment Company. He served as deputy manager of the project investment department of Shanghai Science and Technology Venture Investment (Group) Co., Ltd. from August 2014. He was appointed as an executive Director by the Company in 7 July 2016.

**Mr. Zhu Kaiyong** (“Mr. Zhu”), aged 44, obtained a master degree of business administration and is an economist. He has served as the deputy manager, board secretary, a representative of securities affairs, the deputy director of office of board secretary, the deputy manager of administration department and administrative manager of investment department of Shanghai Xin Nanyang Company Limited (上海新南洋股份公司), a supervisor of Shanghai Jiao Tong University Science Park Company Limited (上海交大大學科技園有限公司) and board secretary, deputy general manager of Shanghai Jiao Da Industrial Investment Management (Group) Co., Ltd.. He currently serves as a deputy manager Shanghai Xin Nanyang Company Limited (上海新南洋股份公司). He was appointed as an executive Director by the Company in 7 July 2014.

**Mr. Shen Zhimin** (“Mr. Shen”), aged 51, graduated with a Bachelor degree. He worked for Shanghai Baoshan District Finance Bureau from 1989 to 1992, and he has served as the head of accounting department for Shanghai Xuhui District Finance Bureau since 1992. He has acted as the director of Shanghai Huxin Investment Operation Company Limited since 2012. He was appointed as an executive Director by the Company in 7 July 2014.

### Independent Non-executive Directors

**Mr. Yuan Shumin** (“Mr. Yuan”), aged 66, was graduated from School of Accounting of Shanghai University of Finance and Economics in January 1983 with a bachelor degree in Economics, and taught there after graduation. In January 1985, he attended the part-time Postgraduate program in School of Accounting of Shanghai University of Finance and Economics, and graduated in June 1988 with a master degree in Economics. Mr. Yuan became associate professor in 1992, and promoted as professor in 1977. Since 1993, he has been supervisor of teaching department, assistant supervisor and assistant dean of School of Accounting, standing assistant dean and dean of School of Adult Education (成教學院) of Shanghai University of Finance and Economics. He studied in a part-time doctorate program of Management at School of Management of Fudan University from January 1995, and graduated from Fudan University in January 1998 with a doctorate degree in Science. In July 2001, he was appointed as tutor of accounting doctorate program in Shanghai University of Finance and Economics. He has served in School of Accounting in Shanghai Finance University since September 2005, and is currently serving as the president of School of Accounting. Mr. Yuan has written various thesis, studies, teaching material, and served as Chairman of Computerized Accountancy Association for Youth (中青年會計電算化分會) of PRC Accounting Association (中國會計學會). He was appointed as an independent non-executive Director by the Company in 22 June 2007.

**Dr. Ni Jing** (“Dr. Ni”), aged 36, is an associate professor and a supervisor for master students. She obtains both bachelor and master degrees in Law from Southern University of Political Science & Law in China, a master degree in EU Commercial Law from Aix-Marseille Université in France, a doctoral degree in Law from Xiamen University in China and a post-doctoral degree in Law from Chinese Academy of Social Sciences. Dr. Ni has extensive experience in law, and worked for Shenzhen Intermediate People's Court in China, J. Tongue Law Office GD and Beijing JunZeJun Law Offices respectively, and served as the legal consultant for various enterprises included, among other things, Shanghai Taikang Life Insurance Co., Ltd (上海泰康人壽公司), Shanghai Oriental Maritime Engineering Technology Co., Ltd (上海東方海事工程技術有限公司), Shanghai Kasha Blanca Garment Co., Ltd (上海卡莎布蘭卡服飾有限公司), Shanghai Weixin Company Limited (上海維信有限責任公司), Shanghai Yuexing Wealth Management Co., Ltd (上海悅星財富管理公司), and Beijing Mashi Food Production Co., Ltd (北京馬氏莊園食品有限公司). Dr. Ni also actively participates in social affairs and served as the secretary of alumni association for Southern University of Political Science & Law in Shanghai, China and the secretary of legal professional committee of the Sichuan Chamber of Commerce in Shanghai. Dr. Ni currently works in the International Law Faculty of East China University of Political Science and Law in China. She was appointed as an independent non executive Director by the Company in 7 July 2015.

## Biographical Details of Directors, Supervisors and Senior Management

**Dr. Chan Yan Chong** (“Dr. Chan”), aged 66, graduated from Nanyang University in Singapore with a degree in Mathematics. Then he obtained a Master degree in Operational Research at Lancaster University and Doctorate in Management Studies at Manchester University. Currently, Dr. Chan serves as the associate professor at the City University of Hong Kong, the group leader of Centa-City Index (now known as CCI) research group and the economic advisor of Ganzhou City Government in Jiangxi Province. He served as an advisor to the Central Policy Unit of Hong Kong and a council member of Sham Shui Po District Council of Hong Kong. In 2001, Dr. Chan was awarded the Best Commercial Application Research Prize of the City University of Hong Kong. He has published 20 professional books and more than 3,000 articles, and is also a feature column writer for many newspapers and magazines. He was appointed as an independent non executive Director by the Company in 7 July 2009.

### SUPERVISORS

**Mr. Yu Jiming** (“Mr. Yu”), aged 58, is the chairman of Supervisory Committee of the Company and responsible for the supervision of the Company’s operation and financial activities. Mr. Yu graduated with Bachelor degree in University of Science and Technology Beijing and is a Senior Accountant and a registered accountant. Mr. Yu held various positions in 上海浦東鋼鐵公司 including Administrator, Supervisor and Section Chief of Cost Section of Finance Department (財務處成本科管理員、組長及科長), Deputy Head of Finance Department, Head of Foreign Economic and Trade Department (對外經濟貿易處) and Deputy Chief Accountant. He was also the General Manager of 三網國際貿易公司. Since 1999, Mr. Yu has acted as the Finance Director of Shanghai Science & Technology Venture Investment (Group) Company Limited (上海科技創業投資(集團)有限公司), the chairman of Supervisory Committee of 上海眾恒信息產業有限公司, deputy chairman of 上海申騰信息技術有限公司. He was appointed as a supervisor by the Company in 7 July 2005.

**Mr. Rong Yinsheng** (“Mr. Rong”), aged 31, is a supervisor of the Company, a member of Chinese Communist Party and an audit executive with a bachelor degree in management. He graduated from SHU-UTS SILC Business School. He had worked in auditing field at Ou Ke Meng CPA Ltd. (歐科盟會計師事務所) and Grant Thornton, Shanghai Branch (致同會計師事務所上海分所). He served as audit executive of Shanghai Xinxuhui (Group) Co. Ltd from December 2013. He was appointed as a supervisor by the Company in 7 July 2016.

**Ms. Dong Beihua** (“Ms. Dong”), aged 53, is a supervisor of the Company. She worked for Shanghai Xuhui District Taxation Bureau from 1983 to 1985, and she has served as the head of inspection department for Shanghai Xuhui District Finance Bureau since 1986. Ms. Dong has acted as the general manager of Shanghai Huxin Investment Operation Company Limited since 2012. She was appointed as a supervisor by the Company in 7 July 2014.

**Ms. Qin Yan** (“Ms. Qin”), aged 43, is the representative of the employees and is a supervisor of the Company, engineer. She graduated with Bachelor degree in 上海理工大學 (University of Shanghai for Science & Technology) specialized in complex machinery and subsequently obtained a master degree specialised in measurement techniques and instruments. Ms. Qin is the manager of the system integration department of the Company responsible for network integration design and wiring design. She was appointed as a supervisor by the Company in 7 July 2002.

**Mr. Gu Wei** (“Mr. Gu”), aged 46, is the representative of the employees and is a supervisor of the Company, engineer. He graduated from Adult Education Institute of Shanghai Jiao Tong University and also from Research Institute of Information Security Engineering of Shanghai Jiao Tong University. He is currently a professional engineer and serves as the deputy general manager of integration business. He has served as a technician for Shanghai Tenth Steel Mills since 1992 and as the deputy general manager of the system integration business of the Company since 1998. He is currently the general manager of the system integration business of the Company. He was appointed as a supervisor by the Company in 7 July 2014.

### SENIOR MANAGEMENT

**Ms. Cao Zhen** (“Ms. Cao”), aged 48, graduated from Shanghai Jiao Tong University. Ms. Cao is the vice president of the Company, in charge of the Company’s system integration business. Ms. Cao had worked in various positions including 上海交大科外系語言所 (Shanghai Jiaoda Ke Wai System Language Centre) as an engineer, 上海天明科技有限公司 as a manager, 上海瀚英實業發展有限公司 (Shanghai Han Ying Industrial Development Company Limited) as a manager, the general manager of Network Integration Centre (網絡集成中心) of the Company. Ms. Cao was appointed by the Company in May 2005.

**Mr. Zhang Yuanyuan** (“Mr. Zhang”), aged 44, graduated from Shanghai Jiao Tong University with an MBA. Mr. Zhang is the vice president of the Company, in charge of the Company’s software business department and product business department. Mr. Zhang had worked in various positions including Royton Technologies Co. Ltd. as a chief investment officer, 上海三九藥店有限責任公司 (Shanghai San Jiu Yao Dian Company Limited) as a managing director, 江蘇三九醫藥零售有限公司 (Jiangsu San Jiu Yi Yao Retail Company Limited) as a president, 杭州三九醫藥零售有限公司 (Hangzhou San Jiu Yi Yao Retail Company Limited) as a director, 上海三九醫藥有限公司 as a director, 上海價美醫藥零售連鎖有限公司 (Shanghai Jia Mei Yi Yao Retail Chain Company Limited) as a director. Mr. Zhang Yuanyuan was appointed by the Company in May 2005.

# Report of the Supervisory Committee

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To All Shareholders,

Shanghai Jiaoda Withub Information Industrial Company Limited has complied with the Company Law of the PRC during the year ended 31 December 2016, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company, exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principles of honesty and trustworthiness and worked cautiously and diligently.

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

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

We are satisfied with the various tasks achieved as well as the cost-effectiveness gained in 2016 and are confident about the prospects and future development of the Group.

On behalf of the Supervisory Committee

**Yu Jiming**

*Chairman of the Supervisory Committee*

Shanghai, the PRC, 21 March 2017

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

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY THE DIRECTORS**

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

## **BOARD OF DIRECTORS**

The Board comprises nine Directors, of whom six are executive Directors and three are independent non-executive Directors. Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the pages 8 to 11 of the annual report. The participation of independent non-executive Directors in the Board brings independent judgement on issues relating to the Group’s strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

The Company did not enter into any service contract with its executive Directors and independent non-executive Directors. However, according to article 96 of the Articles of Association of the Company, the terms of the Directors shall be three years. Upon the expiry of the term, the Directors shall be eligible for re-election at the shareholders’ general meeting of the Company. Therefore, terms of the executive Directors of (i) Mr. Liu Yuwen commenced from 7 July 2014 to 6 July 2017; (ii) Mr. Shuai Ge commenced from 7 July 2015 to 6 July 2018; and (iii) Mr. Shang Ling, Mr. Zhou Re Qing, Mr. Zhu Kaiyong and Mr. Shen Zhimin, commenced from 7 July 2016 to 6 July 2019. For the independent non-executive Directors, the term of (i) Mr. Yuan Shumin commenced from 22 June 2016 to 21 June 2019; (ii) Dr. Ni Jing commenced from 7 July 2015 to 6 July 2018 and (iii) Dr. Chan Yan Chong commenced from 7 July 2015 to 6 July 2018.

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

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

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

# Report of Corporate Governance

The Board held four board meetings during the year ended 31 December 2016. Details of the attendance of the Board are as follows:

<b>Board Meetings</b>	<b>Number of Attendance</b>
<b>Executive Directors</b>	
Mr. Liu Yuwen (Chairman)	4/4
Mr. Shuai Ge (Vice Chairman)	4/4
Mr. Shang Ling (Chief Executive)	4/4
Mr. Zhou Re Qing (appointed on 7 July 2016)	2/2
Mr. Zhu Kaiyong	4/4
Mr. Shen Zhimin	4/4
Mr. Chen Xin (Vice Chairman) (resigned on 7 July 2016)	2/2
<b>Independent Non-executive Directors</b>	
Mr. Yuan Shumin	4/4
Dr. Ni Jing	4/4
Dr. Chan Yan Chong	4/4

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

During the year ended 31 December 2016, the Company held one annual general meeting on 17 June 2016, being 2015 annual general meeting of the Company (the "2015 AGM").

<b>2015 AGM</b>	<b>Number of Attendance</b>
<b>Executive Directors</b>	
Mr. Liu Yuwen (Chairman)	1/1
Mr. Shuai Ge (Vice Chairman)	1/1
Mr. Shang Ling (Chief Executive)	1/1
Mr. Zhou Re Qing (appointed on 7 July 2016)	N/A
Mr. Zhu Kaiyong	1/1
Mr. Shen Zhimin	1/1
Mr. Chen Xin (Vice Chairman) (resigned on 7 July 2016)	1/1
<b>Independent Non-executive Directors</b>	
Mr. Yuan Shumin	1/1
Dr. Ni Jing	1/1
Dr. Chan Yan Chong	1/1

## DIRECTORS' TRAINING

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



For the year ended 31 December 2016, the Directors participated in the following continuous professional development:

<b>Name of Directors</b>	<b>Reading materials updating on new rules and regulations<sup>1</sup></b>
<b>Executive Directors</b>	
Mr. Liu Yuwen	✓
Mr. Shuai Ge	✓
Mr. Shang Ling	✓
Mr. Zhou Re Qing (appointed on 7 July 2016)	✓
Mr. Zhu Kaiyong	✓
Mr. Shen Zhimin	✓
Mr. Chen Xin (resigned on 7 July 2016)	
<b>Independent Non-executive Directors</b>	
Mr. Yuan Shumin	✓
Dr. Ni Jing	✓
Dr. Chan Yan Chong	✓

Notes:

1. "Guidelines for Directors" and "Guide for Independent Non-executive Directors" which issued by the Hong Kong Institute of Directors, were arranged by the Company to update the Directors' knowledge.
2. The Company received from each of the Directors the confirmations on taking continuous professional training.

## CHAIRMAN AND THE CHIEF EXECUTIVE

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

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## AUDIT COMMITTEE

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

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

The Audit Committee held four meetings during the year. The attendance records of the Audit Committee meetings during the year ended 31 December 2016 are as follows:

<b>Meetings of Audit Committee</b>	<b>Number of Attendance</b>
Mr. Yuan Shumin (Chairman)	4/4
Dr. Ni Jing	4/4
Dr. Chan Yan Chong	4/4

The Group's unaudited quarterly and interim results and audited annual results during the year ended 31 December 2016 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

## REMUNERATION COMMITTEE

The Remuneration Committee was established on 7 July 2005 with written terms of reference and comprising a total of four members, being one executive Director, namely, Mr. Liu Yuwen and three independent non-executive Directors, namely, Mr. Yuan Shumin (Chairman), Dr. Ni Jing and Dr. Chan Yan Chong.

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

The Remuneration Committee consults the Chairman and Chief Executive about its proposals related to the remuneration of the Directors and senior management of the Company. The Remuneration Committee held one meeting during the year. The attendance records of the Remuneration Committee meeting during the year ended 31 December 2016 are as follow:

<b>Meetings of Remuneration Committee</b>	<b>Number of Attendance</b>
Mr. Yuan Shumin (Chairman)	1/1
Mr. Liu Yuwen	1/1
Dr. Ni Jing	1/1
Dr. Chan Yan Chong	1/1

## NOMINATION COMMITTEE

On 20 March 2012, the Company established the Nomination Committee with clear written terms of reference as to its authority and duties. The Nomination Committee consists of three members, being one executive Director, namely, Mr. Liu Yuwen (Chairman), and two independent non-executive Directors, namely, Mr. Yuan Shumin and Dr. Ni Jing. Accordingly, a majority of the members are independent non-executive Directors.

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

The Nomination Committee held one meeting during the year. The attendance records of the Nomination Committee meeting during the year ended 31 December 2016 are as follow:

Meetings of Nomination Committee		Number of Attendance
Mr. Liu Yuwen	(Chairman)	1/1
Mr. Yuan Shuman		1/1
Dr. Ni Jing		1/1

## Board Diversity Policy

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

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

## Corporate Governance Functions

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

## AUDITOR'S REMUNERATION

An amount of RMB381,600.00 was charged to the Group's consolidated income statement and income statement for the year ended 31 December 2016 for the auditing services provided by ShineWing CPA, the existing auditor of the Company. During the year, the amount charged in respect of non-auditing services provided by ShineWing CPA was RMB190,800.00.

## **DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS**

### **Annual Report and Financial Statements**

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

### **Accounting Period**

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

### **Accounting Records**

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

### **Going Concern**

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

## **THE COMPANY SECRETARY**

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

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

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

## SHAREHOLDER'S RIGHTS

### *The Convening of an Extraordinary General Meeting*

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

- (1) Two (2) or more shareholders with an aggregate of more than 10% (including 10%) of shares with voting rights at the meeting to be convened may sign one or several written requests in the same format and with the same contents to the board of directors to convene an extraordinary general meeting or class meeting of shareholders and which shall also specify the meeting's agenda. After receiving the aforesaid written request, the board of directors shall promptly convene an extraordinary general meeting or class meeting of shareholders of shareholders. The aforesaid number of shares held by shareholders shall be calculated as at the date of the written request.
- (2) If the Board fails to issue notice for convening a meeting within thirty (30) days after receiving the aforesaid written request, the shareholders who raised the request may convene the meeting within four (4) months after the Board received that request. The procedures for convening such a meeting shall be, as much as possible, the same as the procedures for convening a general meeting by the Board.

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

### *Putting enquiries to the Board*

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

### *Putting forward a proposal at a general meeting*

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

## **INVESTOR RELATIONS**

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

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

There was no change on the Articles of Association during the year.

## **RISK MANAGEMENT AND INTERNAL CONTROL**

During the year, the Board complied with the code provisions on risk management and internal control as set out in the CG code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board has overseen the Company's risk management and internal control systems on an ongoing basis. A year end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate. The Company also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

The Group is committed to promoting sustainable development, which is extremely important to create long-term value for the Group's shareholders, clients, employees, other stakeholders, as well as general public. The Company cares about the impact of its daily operation on environment and society, strives to set a good example for the public, while conducting business operation, it makes effort to meet the interests of all stakeholders, economy, environment, society and corporate governance and does its best to achieve a fine balance.

## ENVIRONMENT

### A1. Policy on emission of exhaust gas and greenhouse gas, discharging pollution through water and land, producing hazardous and non-hazardous wastes

Protecting environment is one of our key concerns; we are committed to protecting environment and focusing on environmental protection in our operation, hoping that through rigorous supervision and control to reduce our long-term negative impact on environment.

#### 1. *Energy Management*

The indirect greenhouse gas emission, which generated from our daily electricity power consumption, is the main source of the Group's carbon footprint, we will keep monitoring and disclosing the Company's carbon footprint to find out and control the impact of our daily operation on environment. At the same time, we will implement the following energy-saving and energy efficiency measures at various office locations to reduce greenhouse gas emission:

- a. Install high-performance electrical equipments
- b. Purchasing department is required to purchase energy-efficient products
- c. Employ automatic lighting control system
- d. Deploy LED lighting on office floors
- e. The employees must turn off light and unnecessary energy device to reduce energy consumption and avoid unnecessary waste of energy
- f. Deploy natural light as much as possible on office floors
- g. Install auxiliary electricity meter to monitor electricity consumption
- h. Other energy-saving and energy efficiency measures

Our finance department should collect information about usage of electricity annually for the management to disclose in their ESG report in the financial year starts from 1 January 2017 or later.

#### 2. *Waste Management*

In order to lighten the load of landfills, we adopt a responsible waste management policy, including waste avoidance, reducing waste from its source and reuse, recycling and responsible disposal of waste. Our offices should post memos and notices everywhere, encouraging the employees to reduce the production of waste. We have introduced waste separation measures from the start:

- a. Waste paper (excluding paper cup, paper plate, etc.)
- b. Metal (aluminum can and other metal cans)
- c. Plastics (plastic bottle, container and packaging materials)
- d. Other recyclables (such as old cloth, electrical appliance, computer, magazine, etc.)

## **A2. Policy on effective use of resources (including energy, water and other raw materials)**

### **1. Reducing electricity consumption**

Comply with the Group's policy on emission of exhaust gas and greenhouse gas, discharging pollution through water and land, producing hazardous and non-hazardous wastes to reduce electricity consumption.

### **2. Paper reduction**

In order to reduce waste paper, we have developed the following measures:

- a. Deploy recycling bins to collect used paper products such as waste paper, poster, letter and envelope;
- b. Place waste paper recycling bin next to printer and set aside the papers that already printed once so that you can choose whether reuse it or put it into the bin;
- c. Saving paper by double-sided printing
- d. Writing on both sides of papers
- e. Bring your own cup and avoid using paper cup
- f. Reuse stationeries such as file folder and envelope
- g. Reuse packaging box
- h. Other than the waste paper that contains confidential information, waste paper should be shipped to paper mill or scrap paper company so as to be recycled into new paper.

Each year, our finance department shall collect information about the paper products the Company purchased and the waste paper that shipped to scrap paper company or paper mill for the management to disclose in their ESG report in the financial year starts from 1 January 2017 or later.

### **3. Water conservation**

In Hong Kong, fresh water is a precious resource, we should economize water, try to protect water resource, and for which we have developed the following measures:

- a. Repair dripping faucet or hose in a timely manner
- b. Adopt effective water-saving production methods and instruments
- c. Check water consumption regularly
- d. Minimize water pressure

### **4. Green procurement**

Green procurement is based on reducing environmental load. Quality, cost, delivery time are the main focuses when the Company procures goods or chooses supplier, but other than that, we give priority to environmentally friendly and energy-saving products.

- a. Give priority to energy-efficient products at the highest level
- b. Give priority to effective water-saving products
- c. We require the suppliers to reduce packaging material
- d. Send the message to suppliers that we value environmental protection, energy saving



## **A3. Policy on mitigating the Group's significant impact on environment and natural resources**

The Group manages and minimizes the impact it may cause environment, directly or indirectly, through the following methods:

1. Make sure its business operation comply with the environmental law in Hong Kong and its operating locations
2. Establish and improve environmental protection mechanism to ensure its operation does not pollute water and land
3. Monitor gas emission and use of resource, establish emission reduction target
4. Make sure that in our daily business operation, with all efforts, we conserve energy, water and other raw materials to reduce direct impact on environment
5. Whenever the Company holds banquet, shark fin is out of question and sustainable seafood should be served. Order reasonable quantity and reduce waste
6. Urge the employees to reduce paper usage and adopt other energy-saving measures
7. Cooperate with government agencies and support environmental organizations' activities

## **SOCIETY**

### **Employment and Labor convention**

Employee is an important asset of the Company, we care about their well-being, respect their personal traits, make sure that all employees are subject to legislative protection and have equal opportunity in their career path, also, we strive to increase their sense of belonging.

## **B1. Policy on salary, dismissal, recruitment, promotion, working hours, day off, equal opportunity, diversity, anti-discrimination and other benefits**

### **1. Salary**

We offer competitive pay and benefits to the employees according to their job requirement and individual performance. We will annually review the overall salary and benefits to ensure the Company's competitiveness in local market, we even refer to the relevant industries and similar organizations. Each year, KPIs will provide direction and guidance to the employees' individual work plan. We also assess the achievements and contributions of the employees to appraise and reward them.

## **2. Dismissal**

We ensure that all employees under the employment protection laws of Hong Kong, including:

- a. Whenever an employee offers to resign or being laid off, human resource should interview him or her before quitting to find out the reason of quitting;
- b. It is required to issue employment verification document to the dismissed employee;
- c. When the employer terminates employment contract, the dismissed employee shall be given due notice or wages in lieu of notice, and the notice should not be given during his or her annual leave and maternity leave;
- d. An employee cannot be dismissed when she has been confirmed pregnant or given notice of pregnancy;
- e. An employee cannot be dismissed when he or she takes a paid sick leave;
- f. An employee cannot be dismissed due to he or she gives evidence or information in any legal proceeding relating to enforcement of labor laws, industrial accident or breach of work safety regulation;
- g. An employee cannot be dismissed due to he or she joins in labor union or participates in labor union activities; and
- h. If an employee is injured on duty, if a compensation agreement has not yet been reached or the relevant evaluation certificate has not yet been issued, the employee cannot be dismissed.

## **3. Recruitment and promotion**

In the Company, recruitment and promotion should be fair and open for all employees, and cannot be affected by age, sex, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation and sexual orientation and other factors, the employees will be recognized and rewarded by their contribution, work performance and skills, the Company will do its best to provide them with good working environment and development opportunity.

## **4. Working hours and day-off**

The employees shall enjoy deserved days-off under the laws of Hong Kong or the location they work at Hong Kong employees are entitled to enjoy the following days-off:

- a. Each employee can take a day off in every 7 days;
- b. If the day-off falls on a statutory holiday, compensatory time off shall be offered on the following day;
- c. Manager can ask employee to work on the day off, but employee can choose not to. If the employee agrees, a day off can be arranged in other time, but the said day off shall be planned before the scheduled day off in the same month, or within 30 days after it;
- d. Statutory holidays;
- e. Paid annual leave prescribed by employment contract;
- f. Sick leave;
- g. Female employee can take maternity leave so long as she complies with the continuous contract to serve the employer and give notice of pregnancy before the leave; and
- h. Maternity leave cannot be substituted by wage.

## **5. Policy on equal opportunity, diversity, anti-discrimination and other benefits**

Sex Discrimination Ordinance, Disability Discrimination Ordinance, Family Status Discrimination Ordinance must be complied with, equal opportunity must be provided on recruitment, training, promotion, transfer, remuneration, benefits and termination of contract. Such opportunities shall not be affected by factors such as age, gender, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation and sexual orientation.

## **B2. Policy on safe working environment and safeguarding the employees from occupational hazards**

We are committed to protecting the health and safety of the employees and the community, we require all employees to comply with all relevant occupational health and safety regulations, and do our utmost to provide them with safe and healthy working environment, as a result, we have implemented the following methods:

1. Develop internal guidelines to ensure that office and work environment is in line with or higher than the requirements of relevant laws;
2. Establish safety procedures for the recognized dangerous work;
3. Provide necessary protective equipment and medical insurance to the employees;
4. Ensure that office and working environment is healthy and safe, regularly check machinery and equipment;
5. Establish emergency measures such as fire or explosion emergency plan;
6. Regularly arrange rescue, fire and evacuation drills;
7. Establish mechanism to record industrial injury and analyze the cause;
8. Provide and maintain an environmental, healthy and safe working condition;
9. Unless prior approval, purchasing alcoholic beverage and illegal drugs is prohibited in the workplace;
10. Actively promote environmental protection, health and safety awareness of the employees, and support development of environmental protection, health and safety in the industry; and
11. Provide all employees with needed job information, guidance, training and supervision.

## **B3. Policy on improving the employees' knowledge and skills to perform their responsibilities**

Talent development is an important part of our human resource strategy. We understand that the employees' knowledge and skills are essential to the Company's operation and business growth, good development plan lays a good foundation for the employees to face business challenge in the future, it also helps them to grasp promotion opportunities, fulfill their career aspirations. We provide the employees with effective training and develop a clear promotion ladder, ensuring that the employees have the required skills; we also nurture outstanding successors for the Group and breed academic atmosphere. The Group conducts performance evaluation annually, and based on the assessment result to provide the staff with appropriate training, and offer job, development and promotion opportunities for outstanding employees. Under the Group's Human Resource Management System requirements, HR manager is responsible for carrying out related assessment and training.

## **B4. Policy on preventing child labor or forced labor**

The Group firmly adopts a zero-tolerance policy on child labor and forced labor, such conduct is prohibited by international standard and relevant domestic legislation and shall never be tolerated in here. In any part of the business process (including our subcontractors or suppliers), child labor or forced labor is not allowed. We see child labor or forced labor as a serious crime. The following is the policy on preventing child labor or forced labor:

1. Child labor refers to employment of people under 16 years of age, if any country or region in which the Company or its subsidiary operates has a more stringent definition of child labor, the definition shall prevail;
2. Forced labor refers to people who provide labor or service against their will and under the threat of punishment;
3. The hired employees must be at least 16 years of age, the Group shall never recruit child labor and forced labor, and if it knows child labor or forced labor exists in its suppliers or subcontractors, the Group will not conduct business with them anymore;
4. The employees under 18 may not engage in any possible hazardous work and prohibited to work at night, because it might affect their education;
5. Before hiring any job applicant, HR should take effective procedures to verify their age. HR should check documents that prove the age of the applicant, including government-issued photo identification and birth certificate, driver's license, household register, academic certificates or any other credentials that prove the date of birth. And HR must ensure that the applicant's looks is consistent with the photograph on the ID card;
6. HR department should carry out prevention training about child labor and forced labor, especially those responsible for recruitment;
7. If employment of child labor under the legal minimum age is found in the Group, we will see to the best interests of the child, and take the following measures in line with relevant legislations:
  - a. Take the child away from workplace immediately, ensure the safety of the child;
  - b. Immediately notify the person in charge of HR to verify all relevant information, confirm whether the child under 16 years of age, sever labor relations with the child, notify the local social welfare institution, and take remedial measures to protect the child's best interest;
  - c. Send the child to a special occupational health labor inspection institution to do medical check-up, it is required to confirm the child's physical and mental health, and conduct investigation to fully understand the child's situation;
  - d. When the child reaches legal minimum age for employment, we will provide the child with re-employment opportunity; and
  - e. Immediately find out the problems exist in the hiring process of the operating location and take improvement measures within 90 working days.

8. If forced labor is found in the Group, we will take the following measures in accordance with the requirements of the relevant legislation:
  - a. Take the labor away from workplace immediately, ensure the safety of the labor;
  - b. Immediately notify the person in charge of HR to verify all relevant information, confirm whether the person is subject to compulsory labor;
  - c. Send the labor to a special occupational health labor inspection institution to do medical check-up, it is required to confirm the labor's physical and mental health, and conduct investigation to fully understand the labor's situation; and
  - d. Immediately find out the problems exist in the hiring process of the operating location and take improvement measures within 90 working days.

## OPERATING PRACTICE

### B5. Policy on controlling environmental and social risk in supply chain

We attach importance to developing and maintaining long-term relationships with our suppliers, looking forward to forming long-term partnerships with them. We will take a fair and open principle on procurement of materials and services. We will only cooperate with the suppliers that share common moral values and standards with us, the Company also supports and encourages the suppliers to promote efficient use of resources and environmental protection and fulfill corporate social responsibility:

1. We advocate the principle of fair and open competition, and based on mutual trust, we develop and maintain long-term relationships with the suppliers and contractors;
2. We have strict ethical standards in procurement of materials and services to ensure the quality of the finished products and maintain the continued confidence of the clients, suppliers and general public;
3. We review our suppliers, assess them based on price, quality, suitability and demands, only those being rated as qualified are our approved suppliers, we only purchase from the approved suppliers;
4. We conduct follow-up assessment on the suppliers, and, if necessary, review them through a third party organization. When a supplier is found to be inconsistent with the Company's policy or contractual requirements, the Company will terminate future cooperation until the situation has been improved;
5. In an unprejudiced way, we choose appropriate, responsible and capable suppliers;
6. Support and encourage the suppliers to improve their environmental products and services, and their employees' benefits and protection;
7. The suppliers must comply with the relevant laws, regulations and contractual obligations; and
8. We shall adopt effective monitoring and management system to detect and prevent bribery, fraud or other misconducts in procurement and bidding processes.

## **B6. Policy on health, safety, advertising, labeling, privacy and remedies of the products and services**

### *Health and safety of products and services*

We are committed to providing the customers with high-quality products and services and settling customer complaints effectively, continuously improving service level and ensuring customer satisfaction.

1. Make sure that the products and services comply with related laws and guidelines;
2. Provide the customers with accurate product information and high-quality products, and develop recovery policy and after-sale service for related products;
3. If there is a problem with a product, we will take the initiative to explain the problem and find a mutually satisfactory solution for the customers; and
4. After handling a customer complaint, a document should be archived properly, and the relevant department shall review the complaint and develop measures to prevent the recurrence of similar complaints, so that the Company's service quality keeps improving.

### *Advertising, labeling and protection of customer information*

Customer information will only be used for business purpose, not for other unrelated purposes. All employees should handle and use customer information with extreme caution, protect customer information, and comply with statutory requirements in privacy law.

## **B7. Policy on preventing bribery, extortion, fraud and money laundering**

Ethics and integrity is the cornerstone of the Company's success, we adopts a Zero Tolerance approach to bribery, extortion, fraud and money laundering, in their daily work, the directors, management and staff must comply with related national and local government laws and regulations on prevention of bribery, extortion, fraud and money laundering. All employees not only have responsibility to understand and comply with the above regulations, but also have obligation to report violation to the fit and appropriate person. Any person, who contravenes the regulations, will be subject to disciplinary sanction. We will make every effort to protect the informer and received information. However, if an informer's intention is to harm others, they may be subject to disciplinary punishment.

### **1. Soliciting or accepting benefit**

Any employee (including the directors, management and all full-time, part-time, hourly, temporary workers) cannot directly, indirectly, or in any form, solicit or accept any form of benefits or do anything that might be seen as bribe from a third party, including, but not limited to, money, gift, excessive entertainment and hospitality, subsidized travel and accommodation, loan, pledging as guarantor, extending preferential credit terms, fee, reward, position, employment, contract, service, privilege, exemption of all or part of the responsibilities that ought to be fulfilled. The employees should reject any direct or indirect interests and benefits relating to the Group's business, should such benefits being accepted, their objective attitude would hamper, or the interests of the Company would be harmed or invaded, or causing bias or misconduct.

In social events such as festivals, activities, entertainments and other daily routine, refusing to accept a modest gift may be considered impolite or lack of social grace, with that in mind, under the following principles, the employees may consider accepting benefits on a voluntary basis:

- a. Receiving related benefits will not affect performance and decision of the employee;
- b. The employee will not feel the need to reciprocate;
- c. The employee can openly discuss the benefits;
- d. Holiday or banquet gift, prize or souvenir, its value shall not more than HKD 500.

For gift, prize or souvenir worth more than HKD 500, the employee shall file a declaration form, if the employee has questions about admissibility of the related benefits, he or she could consult HR manager or general manager.

If the Company finds out any employee's inappropriate behavior of soliciting or accepting benefits, it will call the police and terminate labor relations with the employee.

## **2. Providing benefits**

In any case, any employee shall not provide bribe or improper benefits to any person or organization in order to seek personal gain or group interests. If the Company finds out any employee has conducted bribery, it will call the police and terminate labor relations with the employee.

## **3. Extortion**

Any person who seeks for benefit for his own or another person, or with intent to cause loss to another person, and makes any unwarranted demand by extortion, such conduct shall be considered as extortion. All employees shall not participate in, assist, cover up any kind of extortion, if the Company finds out any employee has conducted extortion, it will call the police and terminate labor relations with the employee.

## **4. Fraud**

Any person, who uses any means of deception to benefit himself or another person, or with intent to cause loss to another person, such conduct shall be considered fraud, the common employee fraud includes embezzlement, wage fraud and stealing company assets. All employees shall not participate in, assist, cover up any fraud, if the Company finds out any employee has conducted fraud, it will call the police and terminate labor relations with the employee.

## 5. **Money Laundering**

Money laundering refers to an individual or institution attempts to conceal the source of illicit money, or makes such money look legitimate in any way. The Company will not tolerate any employee conduct, support, and assist any form of money laundering.

The Company should establish an antimoney laundering team, general manager should be the team leader and responsible for organizing the antimoney laundering team. The team's main responsibilities include organizing, implementing antimoney laundering task, investigating reported money laundering, arranging antimoney laundering training, working with regulatory and judiciary authorities to investigate suspicious transactions of funds, as well as paying attention to requirements and updates in antimoney laundering laws and regulations.

Anti money laundering procedures include identifying clients, keeping transaction record, reporting and follow-up investigating of suspicious transaction, and anti money laundering training.

### *a. Identifying clients*

In the development of clients, sales people must establish a high degree of awareness of antimoney laundering, through communication with prospective clients to comprehensively grasp the clients' information, running the first check on the clients. After successful client acquisition, regular contact is required to grasp the clients' updates. If an abnormal situation occurs, the sales person needs to timely communicate with the relevant departments.

### *b. Keeping transaction record*

Sales people and accounting personnel should keep customer identification information, including registering customer identification and related information, all sorts of records and information reflecting payment authority's customer identification process, and keep transaction records such as each transaction's information, business voucher, ledger and documents reflecting real situation of each transaction and other relevant information to ensure that each transaction is traceable.

### *c. Reporting and follow-up investigating of suspicious transaction*

Sales people and accounting staff, should they find out a suspicious transaction, need to report it immediately to the corporate headquarter. The headquarter analyzes and investigates all suspicious transaction reported, if there are reasonable grounds to believe that the transaction or the customer has ties with money-laundering, terrorism and other criminal activities, the HKSAR Government JFIU should be notified.

### *d. Anti money laundering training*

All employees should join in antimoney laundering training at least once a year, the training includes learning the danger of money laundering, antimoney laundering regulations, the role of the employees in anti-money laundering, how to identify suspicious transactions, ways to report suspicious transaction, the consequences if one fails to comply with antimoney laundering regulations.



## COMMUNITY

### **B8. Policy on finding out the needs of the community, at which the Company operates, by means of community involvement, and ensuring that its business activities will take into account the interests of the community**

For the Company's long-term development, community participation is important, we are committed to promoting development and construction activities of the community, at which we operate. We benefit the community through a variety of actions, such as investment, contributing money, time, products, services, influence, management knowledge and other resources.

We participate in community building through three main ways:

1. Organize, facilitate and support the staff to take part in volunteer services, such as regularly visiting people who need help, arranging outdoor activities for disadvantaged groups, holding Blood Donation Day.
2. By means of donation, we donate money, goods or services, directly supporting or funding projects of various social service agencies. In addition to donation itself, we also appeal to the Company's stakeholders (including the employees and customers) to donate.
3. We endeavor to provide employment opportunities for the disadvantaged and create a win-win situation. The Company is willing to hire the disabled people who have completed retraining courses, and give priority to purchasing from the suppliers who hired the said disabled people, or participate in a variety of mentorship programs.

The Board of Directors is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

## **Principal Activities**

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

## **Business Review**

The business review of the Group for the year is set out in the sections of Chairman's Statement, Management Discussion and Analysis, Environmental, Social and Governance Report, Five-year Financial Summary and the paragraphs below.

The Group complies with the requirements under the Companies Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Securities and Futures Ordinance (the "SFO") for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group. No important event affecting the Group has occurred since the end of the financial year under review.

## **Key Risk Factors**

The following lists out the key risks and uncertainties facing the Group.

### *Impact of Local and International Regulations*

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

### *Third-Party Risks*

The Group has been relying on third-party service providers in parts of business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realizes that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputed third-party providers and closely monitors their performance.

## **Key Relationships with Employees, Customers and Suppliers**

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analysis on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

## Major Customers and Suppliers

During the year under review, the Group's sales to the five largest customers accounted for 16.51% of the Group's turnover for the year, of which the largest customer accounted for 4.71% of the Group's turnover for the year.

Purchases from major suppliers accounted for the following percentages:

The largest supplier:	19.28%
Total percentage of the five largest suppliers:	62.81%

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

## Results

The Group's results and financial position for the year ended 31 December 2016 are set out in the annual report on pages 39 to 123.

## Dividends

The directors do not recommend the payment of any dividends in respect of the year ended 31 December 2016.

## Financial Summary

A summary of the results and assets and liabilities of the Group for each of the five years ended 31 December 2016 is set out on page 124 of the annual report.

## Plant and Equipment

Details of the movements in the plant and equipment of the Group during the year are set out in note 6.10 to the notes to the financial statements.

## Share Capital

Details of movements in the share capital of the Company during the year ended 31 December 2016 are set out in note 6.18 to the notes to the financial statements.

## EQUITY-LINKED AGREEMENT

Details of the equity-linked agreement entered into during the financial year or subsisting at the end of the year are set out below:

### Share Option Scheme

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

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

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

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

### Reserves

Details of movements in the reserves of the Company during the year are set out on pages 52 to 55 and in notes 6.19 to 6.23 to the notes to the financial statements.

## RETIREMENT BENEFITS

Details of the retirement benefit scheme of the Group are set out in note 6.15 to the notes to the financial statements.

## DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company during the year and up to the date of this report were:

### Executive Directors

Mr. Liu Yuwen	<i>(Chairman)</i>
Mr. Shuai Ge	<i>(Vice Chairman)</i>
Mr. Shang Ling	<i>(Chief Executive)</i>
Mr. Zhou Re Qing	<i>(appointed on 7 July 2016)</i>
Mr. Zhu Kaiyong	
Mr. Shen Zhimin	
Mr. Chen Xin	<i>(Vice Chairman) (resigned on 7 July 2016)*</i>

### Independent Non-executive Directors

Mr. Yuan Shumin  
Dr. Ni Jing  
Dr. Chan Yan Chong

### Supervisors

Mr. Yu Jiming  
Mr. Rong Yinsheng *(appointed on 7 July 2016)*  
Ms. Dong Beihua  
Ms. Qin Yan  
Mr. Gu Wei  
Mr. Yao Benqiang *(resigned on 7 July 2016)\**

\* Mr. Chen Xin and Mr. Yao Benqiang resigned as an executive Director and a Supervisor respectively due to other business development.

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

## DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

None of the Directors or supervisors of the Company has or is proposed to have a service contract with the Company (other than contracts expiring or determinable by any member of the Company within one year without payment of compensation, other than statutory compensation).

## INDEMNITY OF DIRECTORS

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

### Directors', Supervisors' and Senior Executives' Emoluments

Details of the Directors', Supervisors' and senior executives' emoluments and the highest paid individuals are set out in note 9.2(3) to the financial statements.

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

As at 31 December 2016, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

## Arrangement for Directors, Supervisors' and Chief Executives to Purchase Shares or Debentures

At no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director, supervisors' and chief executives of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors, supervisors' and chief executives of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

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

### A. Substantial shareholders

As at 31 December 2016, the following shareholders (other than the Directors and the Supervisors (as if the requirements applicable to the Directors under the SFO had applied to the Supervisors) of the Company) had an interest or a short position in the Shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO and were directly or indirectly interested in 10 percent or more of the Shares:

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

Notes:

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

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

As at 31 December 2016, save for the persons/entities disclosed in sub-section A above, the following persons/entities had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

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

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

Save as disclosed above, as at 31 December 2016, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

**Board Practices and Procedures**

Throughout the year ended 31 December 2016, the Company was in compliance with the Board Practices and Procedures as set out in Rule 5.34 of the GEM Listing Rules.

**DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Save as disclosed in the annual report, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director, a supervisor and any of their connected entity had a material interest, subsisted at the end of the year or at any time during the year.

**Management Contracts**

Save as disclosed herein, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

**Closure of Register of Members**

The register of members of the Company will be closed from 19 May 2017 to 20 June 2017 (both days inclusive), during which no transfer of shares will be effected. The holders of shares whose name appears on the register of members of the Company on 20 June 2017 will be entitled to attend and vote at the annual general meeting. In order to qualify for attending and voting at the above meeting, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H share registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not later than 4:00 p.m. on 18 May 2017.

## **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 2016.

## **Competing Interests**

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

## **Pre-Emptive Rights**

Pursuant to the Articles of Association of the Company and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to propose new issues to its existing shareholders in proportion to their shareholdings.

## **Public Float**

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

## **Audit Committee**

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

The Company's consolidated financial statements for the year ended 31 December 2016 have been reviewed by the audit committee, who gave advice on such statements to the Board. The financial reporting process and internal control of the Company have also been reviewed by the audit committee, who were of the opinion that no further improvement was required for the time being. During the year, the audit committee has held four formal meetings.

## **Auditor**

The consolidated financial statements for the year ended 31 December 2014 were audited by SHINEWING (HK) CPA Limited. The consolidated financial statements for the years ended 31 December 2015 and 2016 were audited by ShineWing Certified Public Accountants (Special General Partnership) ("ShineWing CPA").

ShineWing CPA will retire at the forthcoming annual general meeting of the Company and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of ShineWing CPA as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

**Liu Yuwen**

*Chairman*

Shanghai, the PRC, 21 March 2017





信永中和會計師事務所

**ShineWing**  
certified public accountants

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**XYZH/2017SHA20065**

*To shareholders of Shanghai Jiaoda Withub Information Industrial Company Limited:*

## **I. AUDITORS' OPINIONS**

We have audited the financial statements of Shanghai Jiaoda Withub Information Industrial Co., Ltd. (hereinafter as the "Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2016, the consolidated and the Company's income statements, cash flow statements and statements of changes in shareholders' equity for 2016 and the related notes to these financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2016, the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

## **II. BASIS OF OPINIONS**

We conducted our audit in accordance with China Standards on Auditing for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company's in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities of the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

## **III. KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our audit opinion thereon, we do not express a separate opinion on these matters.

## 1. Revenue

Details	Application for auditing
<p>As at 31 December 2016, the realized operating income of the Company amounted to RMB96,947,718.96, in which income of integration was RMB26,871,566.79 (27.72%) and income of software was RMB13,162,219.85 (13.58%). According to the Revenue Recognition Principles of the Company (See Financial Statement Notes 4.18), the Company recognizes the two types of revenue based upon the percentage of contract completion.</p> <p>We regard the revenue recognition upon the percentage of contract completion as one of the key audit matters. Revenue of integration and software play a significant role to the performance of the Company and it involves estimations and judgment from the management. It can cause uncertainties and risks if the two types of revenue is recognized in the wrong accounting period or being manipulated.</p>	<p>(1) We assessed the design and execution of the internal control of the Company relating to the revenue recognition.</p> <p>(2) We assessed the project that accounts to more than 50% of the completed projects during the period. We checked the budgeted income against the actual income, compared the budgeted cost to actual cost. We obtained the contracts, payment records and documents for construction budgeting. We sent confirmation to confirm the transaction volume and the balance and progress of its intercourse fund.</p> <p>(3) We assessed the project that accounts to more than 60% of the uncompleted projects during the period. We checked the budgeted income against the actual income, compared the budgeted cost to actual cost. We obtained the contracts, payment records and documents for construction budgeting. We assessed the confirmation of the progress of constructions on both parties and verified the progress of contract completion.</p>

## IV. OTHER INFORMATION

The management of the Company (hereinafter referred to as the "Management") is responsible for the other information. The other information comprises the information included in the Company's 2016 annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

## **V. RESPONSIBILITIES OF THE MANAGEMENT AND GOVERNING BODIES FOR THE FINANCIAL STATEMENTS**

The Management is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Company's or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible to overseeing the Company's financial reporting process.

## **VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

During the course of audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. We also carry out the following works the following works:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit 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 its internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

## Independent Auditor's Report

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- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance audit of the group. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings etc., including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with those relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and related safeguards, where applicable.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation prohibited public disclosure about the matter or when, in rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**ShineWing Certified Public Accountants LLP**

**CICPA :** *(Audit Partner)*

**CICAP :**

Beijing, China

21 March 2017

# Consolidated Balance Sheet

As at 31 December 2016

Unit: RMB (Yuan)

Item	Note	31 December 2016	31 December 2015
<b>Current assets:</b>			
Cash and bank balances	6.1	60,673,332.66	62,884,191.22
Financial assets at fair value through profit or loss			
Derivative financial assets			
Bills receivable			
Accounts receivables	6.2	16,651,741.09	13,226,125.17
Prepayments	6.3	605,358.02	1,016,022.48
Interest receivable	6.4	732,122.55	2,221,721.25
Dividends receivable			
Other receivables	6.5	6,121,809.89	6,290,441.90
Inventories	6.6	8,834,461.74	7,244,598.71
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	6.7	32,079.91	13,000.50
<b>Total current assets</b>		<b>93,650,905.86</b>	92,896,101.23
<b>Non-current assets:</b>			
Available-for-sale financial assets	6.8	1,916,154.00	1,916,154.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	6.9	10,991,593.67	10,308,209.64
Investment properties			
Fixed assets	6.10	621,177.54	855,667.49
Construction in progress			
Construction supplies			
Clearance of fixed asset			
Biological assets for production			
Fuel assets			
Intangible assets	6.11	450,000.00	750,000.00
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets	6.12		
Other non-current assets			
<b>Total non-current assets</b>		<b>13,978,925.21</b>	13,830,031.13
<b>Total assets</b>		<b>107,629,831.07</b>	106,726,132.36

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Consolidated Balance Sheet (Continued)

As at 31 December 2016

Unit: RMB (Yuan)

Item	Note	31 December 2016	31 December 2015
<b>Current liabilities:</b>			
Short-term loans			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Bills payable			
Accounts payables	6.13	18,834,058.07	26,322,388.95
Advanced from customers	6.14	12,966,974.50	4,763,564.54
Payroll payable	6.15	1,506,255.90	1,134,390.08
Taxes payable	6.16	313,746.26	485,125.26
Interest payable			
Dividends payable			
Other payables	6.17	2,695,594.70	2,678,664.89
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities			
<b>Total current liabilities</b>		<b>36,316,629.43</b>	<b>35,384,133.72</b>
<b>Non-current liabilities:</b>			
Long-term loans			
Bonds payable			
Including: Premium			
Perpetual			
Long-term payable			
Long-term payroll payable			
Specific payables			
Accrued liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>36,316,629.43</b>	<b>35,384,133.72</b>
<b>Shareholders' equity:</b>			
Share capital	6.18	48,000,000.00	48,000,000.00
Other equity instruments			
Including: Premium			
Perpetual			
Capital reserve	6.19	77,068,451.89	77,068,451.89
Less: treasury stock			
Other comprehensive income	6.20	1,574,320.29	1,267,587.41
Special reserve			
Surplus reserve	6.21	222,962.29	222,962.29
General risk reserve			
Undistributed profits	6.22	-55,530,506.50	-55,199,559.24
Total owners' equity attributable to the parent company		71,335,227.97	71,359,442.35
Minority interests	6.23	-22,026.33	-17,443.71
<b>Total shareholders' equity</b>		<b>71,313,201.64</b>	<b>71,341,998.64</b>
<b>Total liabilities and shareholders' equity</b>		<b>107,629,831.07</b>	<b>106,726,132.36</b>

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Balance Sheet of the Parent Company

As at 31 December 2016

Unit: RMB (Yuan)

Item	Note	31 December 2016	31 December 2015
<b>Current assets:</b>			
Cash and bank balances	14.1	<b>55,955,340.81</b>	58,235,457.85
Financial assets at fair value through profit or loss			
Derivative financial assets			
Bills receivable			
Accounts receivables		<b>16,651,741.09</b>	13,226,125.17
Prepayments		<b>605,358.02</b>	1,016,022.48
Interest receivable		<b>732,122.55</b>	2,221,721.25
Dividends receivable			
Other receivables	14.2	<b>6,120,554.76</b>	6,289,158.67
Inventories		<b>8,834,461.74</b>	7,244,598.71
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		<b>32,079.91</b>	13,000.50
<b>Total current assets</b>		<b>88,931,658.88</b>	88,246,084.63
<b>Non-current assets:</b>			
Available-for-sale financial assets	14.3	<b>1,916,154.00</b>	1,916,154.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	14.4	<b>10,991,593.67</b>	10,308,209.64
Investment properties			
Fixed assets		<b>621,177.54</b>	855,667.49
Construction in progress			
Construction supplies			
Clearance of fixed asset			
Biological assets for production			
Fuel assets			
Intangible assets		<b>450,000.00</b>	750,000.00
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			
<b>Total non-current assets</b>		<b>13,978,925.21</b>	13,830,031.13
<b>Total assets</b>		<b>102,910,584.09</b>	102,076,115.76

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Balance Sheet of the Parent Company (Continued)

As at 31 December 2016

Unit: RMB (Yuan)

Item	Note	31 December 2016	31 December 2015
<b>Current liabilities:</b>			
Short-term loans			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Bills payable			
Accounts payables		18,729,701.75	26,212,902.23
Advanced from customers		12,966,974.50	4,763,564.54
Payroll payable		1,397,211.32	1,025,345.50
Taxes payable		313,746.26	495,584.26
Interest payable			
Dividends payable			
Other payables		2,490,468.45	2,473,538.64
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities			
<b>Total current liabilities</b>		<b>35,898,102.28</b>	34,970,935.17
<b>Non-current liabilities:</b>			
Long-term loans			
Bonds payable			
Including: Premium			
Perpetual			
Long-term payable			
Long-term payroll payable			
Specific payables			
Accrued liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		-	-
<b>Total liabilities</b>		<b>35,898,102.28</b>	34,970,935.17
<b>Shareholders' equity:</b>			
Share capital	14.5	48,000,000.00	48,000,000.00
Other equity instruments			
Including: Premium			
Perpetual			
Capital reserve	14.6	77,068,451.89	77,068,451.89
Less: treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve	14.7	222,962.29	222,962.29
Undistributed profits	14.8	-58,278,932.37	-58,186,233.59
<b>Total owners' equity attributable to the parent company</b>		<b>67,012,481.81</b>	67,105,180.59
<b>Total liabilities and shareholders' equity</b>		<b>102,910,584.09</b>	102,076,115.76

Legal Representative:

Chief Financial Officer:

Head of Financial Department:



# Consolidated Income Statement

2016

Unit: RMB (Yuan)

Item	Note	2016	2015
<b>I. Total operating income</b>		<b>96,947,718.96</b>	112,178,591.55
Including: Operating income	6.26	<b>96,947,718.96</b>	112,178,591.55
Interest revenue			
Earned Premium			
Charges and commission income			
<b>II. Total operating costs</b>		<b>99,108,159.44</b>	113,087,129.33
Including: Operating cost	6.26	<b>80,794,040.74</b>	96,083,922.42
Interest expenses			
Bank charges and commission fee			
Surrender charge fee			
Net payments for insurance claims			
Net reserves from insurance contract			
Bond insurance expense			
Reinsurance costs			
Tax and surcharges	6.27	<b>216,044.92</b>	551,504.10
Selling expenses	6.28	<b>5,461,229.16</b>	5,935,342.43
Administrative expenses	6.29	<b>14,082,281.83</b>	12,129,565.87
Financial expenses	6.30	<b>-760,701.20</b>	-1,208,841.54
Loss on assets impairment	6.31	<b>-684,736.01</b>	-404,363.95
Add: Gain from change in fair value (losses are represented by "-")			
Investment income (losses are represented by "-")	6.32	<b>1,443,384.03</b>	2,861,964.74
Including: Income from investment in associates and joint ventures		<b>1,323,384.03</b>	1,008,662.74
Exchange gain (losses are represented by "-")			
<b>III. Operating profit (losses are represented by "-")</b>		<b>-717,056.45</b>	1,953,426.96
Add: Non-operating income	6.33	<b>451,030.37</b>	720,889.77
Including: Profit from the disposal of non-current assets		<b>367,766.22</b>	
Less: Non-operating expenses	6.34	<b>69,503.80</b>	58,328.89
Including: Loss from the disposal of non-current assets		<b>67,749.08</b>	16,442.08
<b>IV. Total profit (losses are represented by "-")</b>		<b>-335,529.88</b>	2,615,987.84
Less: Income tax expenses			
<b>V. Net Profit (losses are represented by "-")</b>		<b>-335,529.88</b>	2,615,987.84
Net profit attributable to the equity holders of the parent company		<b>-330,947.26</b>	2,618,688.49
Minority interests		<b>-4,582.62</b>	-2,700.65

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Consolidated Income Statement (Continued)

2016

Unit: RMB (Yuan)

Item	Note	2016	2015
<b>VI. Other comprehensive income, net of tax</b>	6.40	<b>306,732.88</b>	335,740.29
(1) Other comprehensive income that will not be reclassified subsequently to profit or loss		-	-
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income (that will not be reclassified subsequently to profit or loss) of investees accounted for using equity method			
(2) Other comprehensive income that may be reclassified subsequently to profit or loss	6.40	<b>306,732.88</b>	335,740.29
1. Shares of other comprehensive income of investees that may be reclassified to profit or loss under the equity method subsequently			
2. Gains or losses from changes in fair value of available-for-sale financial assets			
3. Gains or losses from reclassifying held-to maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow adjusted for hedging gains or losses			
5. Exchange differences from retranslation of financial statements	6.40	<b>306,732.88</b>	335,740.29
6. Others			
Other comprehensive income attributable to minority shareholders, net of tax			
<b>VII. Total comprehensive income</b>		<b>-28,797.00</b>	2,951,728.13
Total comprehensive income attributable to the shareholders of the parent company		<b>-24,214.38</b>	2,954,428.78
Total comprehensive income attributable to the minority shareholders		<b>-4,582.62</b>	-2,700.65
<b>VIII. Earnings per share:</b>	6.39		
(1) Basic earnings per share	6.39	<b>-0.0007</b>	0.0055
(2) Diluted earnings per share	6.39	<b>-0.0007</b>	0.0055

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Income Statement of the Parent Company

2016

Unit: RMB (Yuan)

Item	Note	2016	2015
<b>I. Operating income</b>		<b>96,947,718.96</b>	112,178,591.55
<b>Including: Operating cost</b>		<b>80,783,581.74</b>	96,083,922.42
Taxes and surcharges		216,044.92	551,504.10
Selling expenses		5,461,229.16	5,935,342.43
Administrative expenses		14,085,152.17	12,081,541.15
Financial expenses		-761,887.14	-1,209,471.59
Loss on assets impairment		-918,792.51	-1,239,906.76
Add: Gain from change in fair value (losses are represented by-)			
Investment income (losses are represented by "-")		1,443,384.03	2,861,964.74
Including: Income from investment in associates and joint ventures Exchange gain (losses are represented by "-")		1,323,384.03	1,008,662.74
<b>II. Operating profit (losses are represented by "-")</b>		<b>-474,225.35</b>	2,837,624.54
Add: Non-operating income		451,030.37	720,889.77
Including: Profit from the disposal of non-current assets		367,766.22	
Less: Non-operating expenses		69,503.80	58,328.89
Including: Loss from the disposal of non-current assets		67,749.08	16,442.08
<b>III. Total profit (losses are represented by "-")</b>		<b>-92,698.78</b>	3,500,185.42
Less: Income tax expenses			
<b>IV. Net Profit (losses are represented by "-")</b>		<b>-92,698.78</b>	3,500,185.42
<b>V. Other comprehensive income, net of tax</b>		-	-
(1) Other comprehensive income that will not be reclassified subsequently to profit or loss		-	-
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income (that will not be reclassified subsequently to profit or loss) of investees accounted for using equity method			
(2) Share of other comprehensive income (that will not be reclassified subsequently to profit or loss) of investees accounted for using equity method		-	-
1. Shares of other comprehensive income of investee that may be reclassified to profit or loss under the equity method subsequently			
2. Gains or losses from changes in fair value of available-for-sale financial assets			
3. Gains or losses from reclassifying held-to maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow adjusted for hedging gains or losses			
5. Exchange differences from retranslation of financial statements			
6. Others			
<b>VI. Total comprehensive income</b>		<b>-92,698.78</b>	3,500,185.42
<b>VII. Earnings per share:</b>			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Consolidated Cash Flow Statement

2016

Unit: RMB (Yuan)

Item	Note	2016	2015
<b>I. Cash flows from operating activities</b>		<b>115,033,767.13</b>	129,036,678.57
Refund of taxes and surcharges			
Cash received relating to other operating activities		<b>568,732.45</b>	2,018,602.64
<b>Sub-total of cash inflows from operating activities</b>		<b>115,602,499.58</b>	131,055,281.21
Cash paid for goods and services		<b>95,818,288.90</b>	99,737,888.02
Cash paid to and on behalf of employees		<b>17,632,201.62</b>	15,413,792.56
Payments of tax charges		<b>1,318,473.32</b>	2,322,290.04
Cash paid relating to other operating activities		<b>6,170,834.27</b>	5,303,327.23
<b>Sub-total of cash outflows from operating activities</b>		<b>120,939,798.11</b>	122,777,297.85
<b>Net cash flows from operating activities</b>		<b>-5,337,298.53</b>	8,277,983.36
<b>II. Cash flows from investing activities</b>			
Cash received from disposal of investments			
Cash received from returns on investments		<b>760,000.00</b>	2,371,868.32
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>672,104.00</b>	14,200.00
Net cash received from disposal of subsidiaries and other operating entities			2,203,302.00
Cash received relating to other investing activities		<b>5,997,293.13</b>	1,418,708.52
<b>Sub-total of cash inflows from investing activities</b>		<b>7,429,397.13</b>	6,008,078.84
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>391,657.75</b>	188,073.10
Cash paid to acquire investments			
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities			
<b>Sub-total of cash outflows from investing activities</b>		<b>391,657.75</b>	188,073.10
<b>Net cash flows from investing activities</b>		<b>7,037,739.38</b>	5,820,005.74
<b>III. Cash flows from financing activities</b>			
Cash received from capital contributions			
Cash received from borrowings			
Cash received from issuing of bonds			
Cash received from other financing activities			
<b>Sub-total of cash inflows from financing activities</b>		<b>-</b>	-
Cash repayments of borrowings			
Cash payments for distribution of dividends or profits and interest expenses			
Cash paid to other financing activities			
<b>Sub-total of cash outflows from financing activities</b>		<b>-</b>	-
<b>Net cash flows from financing activities</b>		<b>-</b>	-
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>281,107.35</b>	323,191.16
<b>V. Net increase in cash and cash equivalents</b>		<b>1,981,548.20</b>	14,421,180.26
Add: Cash and cash equivalents at beginning of period		<b>25,578,899.74</b>	11,157,719.48
<b>VI. Cash and cash equivalent at end of period</b>		<b>27,560,447.94</b>	25,578,899.74

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Cash Flow Statement of the Parent Company

2016

Unit:RMB(Yuan)

Item	Note	2016	2015
<b>1. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering of services		115,033,767.13	129,036,678.57
Refund of taxes and surcharges			
Cash received relating to other operating activities		568,732.45	2,018,602.64
<b>Sub-total of cash inflows from operating activities</b>		<b>115,602,499.58</b>	131,055,281.21
Sub-total of cash inflows from operating activities		95,818,072.30	99,737,888.02
Cash paid to and on behalf of employees		17,632,201.62	15,413,792.56
Payments of tax charges		1,318,473.32	2,322,290.04
Cash paid relating to other operating activities		5,959,235.97	4,433,198.21
<b>Sub-total of cash outflows from operating activities</b>		<b>120,727,983.21</b>	121,907,168.83
<b>Net cash flows from operating activities</b>		<b>-5,125,483.63</b>	9,148,112.38
<b>II. Cash flows from investing activities</b>			
Cash received from disposal of investments			
Cash received from returns on investments		760,000.00	2,371,868.32
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		672,104.00	14,200.00
Net cash received from disposal of subsidiaries and other operating entities			2,203,302.00
Cash received relating to other investing activities		5,997,293.13	1,418,708.52
<b>Sub-total of cash inflows from investing activities</b>		<b>7,429,397.13</b>	6,008,078.84
Cash paid to acquire fixed assets, intangible assets and other long-term assets		391,657.75	188,073.10
Cash paid to acquire investments			
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities			
<b>Sub-total of cash outflows from investing activities</b>		<b>391,657.75</b>	188,073.10
<b>Net cash flows from investing activities</b>		<b>7,037,739.38</b>	5,820,005.74
<b>III. Cash flows from financing activities</b>			
Cash received from capital contributions			
Cash received from borrowings			
Cash received from issuing of bonds			
Cash received from other financing activities			
<b>Sub-total of cash inflows from financing activities</b>		<b>-</b>	-
Cash repayments of borrowings			
Cash payments for distribution of dividends or profits and interest expenses			
Cash paid to other financing activities			
<b>Sub-total of cash outflows from financing activities</b>		<b>-</b>	-
<b>Net cash flows from financing activities</b>		<b>-</b>	-
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>33.97</b>	1,019.11
<b>V. Net increase in cash and cash equivalents</b>		<b>1,912,289.72</b>	14,969,137.23
Add: Cash and cash equivalents at beginning of period		20,930,166.37	5,961,029.14
<b>VI. Cash and cash equivalent at end of period</b>		<b>22,842,456.09</b>	20,930,166.37

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Consolidated Statement of Changes in Equity

2016

Unit: RMB Yuan)

Item	Current Year							Total shareholders' equity							
	Share Capital	Preferred shares	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Other Comprehensive Income								
<b>I. Ending balance of previous year</b>	48,000,000.00	-	-	-	77,068,451.89	-	1,267,587.41	222,982.29	-	-	-	-	-	-	71,341,998.64
Add: changes in accounting policies															
Correction of prior period errors															
Others															
<b>II. Beginning balance of current year</b>	48,000,000.00	-	-	-	77,068,451.89	-	1,267,587.41	222,982.29	-	-	-	-	-	-	71,341,998.64
<b>III. Change through current year ("+" for losses)</b>															
(1) Total comprehensive income							306,732.88	-	-	-	-	-	-	-	-
(2) Contribution and withdrawal of capital by shareholders															
1. Ordinary shares contributed by shareholders															
2. Capital contributed by other equity instruments holders															
3. Amounts of share-based payments recognized in shareholder's equity															
4. Others															
(3) Profit distribution															
1. Appropriation of surplus Reserve															
2. Appropriation of general risk reserve															
3. Distribution to shareholders															
4. Others															
(4) Internal carry-over of shareholders' equity															
1. Capitalized capital reserve															
2. Capitalized surplus reserve															
3. Surplus reserve for covering up losses															
4. Others															
(5) Special reserve															
1. Current year appropriation															
2. Current year usage															
6) Others															
<b>IV. Ending balance of current year</b>	48,000,000.00	-	-	-	77,068,451.89	-	1,574,320.29	222,982.29	-	-	-	-	-	-	71,313,201.64

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Consolidated Statement of Changes in Equity (Continued)

2015

Item	Previous Year												
	Share Capital	Preferred shares	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Reserve for general risks	Undistributed profits	Minority interests	Total shareholders' equity
<b>I. Ending balance of previous year</b>	48,000,000.00	-	-	-	77,068,451.89	-	931,847.12	-	222,962.29	-	-57,818,247.73	-14,743.06	68,390,270.51
Add: changes in accounting policies													
Correction of prior period errors													
Others													
<b>II. Beginning balance of current year</b>	48,000,000.00	-	-	-	77,068,451.89	-	931,847.12	-	222,962.29	-	-57,818,247.73	-14,743.06	68,390,270.51
<b>III. Change through current year ("+" for losses)</b>													
(1) Total comprehensive income							335,740.29				2,618,688.49	-2,700.65	2,951,728.13
(2) Contribution and withdrawal of capital by shareholders													
1. Ordinary shares contributed by shareholders													
2. Capital contributed by other equity instruments holders													
3. Amounts of share-based payments recognized in shareholder's equity													
4. Others													
(3) Profit distribution													
1. Appropriation of surplus Reserve													
2. Appropriation of general risk reserve													
3. Distribution to shareholders													
4. Others													
(4) Internal carry-over of shareholders' equity													
1. Capitalized capital reserve													
2. Capitalized surplus reserve													
3. Surplus reserve for covering up losses													
4. Others													
(5) Special reserve													
1. Current year appropriation													
2. Current year usage													
6) Others													
<b>IV. Ending balance of current year</b>	48,000,000.00	-	-	-	77,068,451.89	-	1,267,587.41	-	222,962.29	-	-55,199,559.24	-17,443.71	71,341,998.64

Unit: RMB ('000)

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Statement of Changes in Equity of the Parent Company

2016

Item	Current Year										
	Share Capital	Other equity instrument	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
<b>I. Ending balance of previous year</b>	48,000,000.00				77,088,451.89				222,962.29	-58,186,233.59	67,105,180.59
Add: changes in accounting policies											
Correction of prior period errors											
Others											
<b>II. Beginning balance of current year</b>	48,000,000.00				77,088,451.89				222,962.29	-58,186,233.59	67,105,180.59
<b>III. Change through current year ("+" for losses)</b>											
(1) Total comprehensive income										-92,698.78	-92,698.78
(2) Contribution and withdrawal of capital by shareholders											
1. Ordinary shares contributed by shareholders											
2. Capital contributed by other equity instruments holders											
3. Amounts of share-based payments recognized in shareholder's equity											
4. Others											
(3) Profit distribution											
1. Appropriation of surplus Reserve											
2. Distribution to shareholders											
3. Others											
(4) Internal carry-over of shareholders' equity											
1. Capitalized capital reserve											
2. Capitalized surplus reserve											
3. Surplus reserve for covering up losses											
4. Others											
(5) Special reserve											
1. Current year appropriation											
2. Current year usage											
6) Others											
<b>IV. Ending balance of current year</b>	48,000,000.00	-	-	-	77,088,451.89	-	-	-	222,962.29	-58,278,932.37	67,012,481.81

Unit: RMB (Yuan)

Legal Representative:

Chief Financial Officer:

Head of Financial Department:



# Statement of Changes in Equity of the Parent Company (Continued)

2015

Item	Other equity instrument				Previous Year						
	Share Capital	Preferred shares	Perpetual bond	Others	Capital Reserve	Less Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
<b>I. Ending balance of previous year</b>	48,000,000.00	-	-	-	77,068,451.89	-	-	-	222,962.29	-61,686,419.01	63,604,995.17
Add: changes in accounting policies											
Correction of prior period errors											
Others											
<b>II. Beginning balance of current year</b>	48,000,000.00	-	-	-	77,068,451.89	-	-	-	222,962.29	-61,686,419.01	63,604,995.17
<b>III. Change through current year ("for losses")</b>	-	-	-	-	-	-	-	-	-	3,500,185.42	3,500,185.42
(1) Total comprehensive income										3,500,185.42	3,500,185.42
(2) Contribution and withdrawal of capital by shareholders											
1. Ordinary shares contributed by shareholders											
2. Capital contributed by other equity instruments holders											
3. Amounts of share-based payments recognized in shareholder's equity											
4. Others											
(3) Profit distribution											
1. Appropriation of surplus Reserve											
2. Distribution to shareholders											
3. Others											
(4) Internal carry-over of shareholders' equity											
1. Capitalized capital reserve											
2. Capitalized surplus reserve											
3. Surplus reserve for covering up losses											
4. Others											
(5) Special reserve											
1. Current year appropriation											
2. Current year usage											
(6) Others											
<b>IV. Ending balance of current year</b>	48,000,000.00	-	-	-	77,068,451.89	-	-	-	222,962.29	-58,186,233.59	67,105,180.59

Unit: RMB ('000)

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

## 1. BASIC CORPORATE INFORMATION

Shanghai Jiaoda Withub Information Industrial Co., Ltd. (hereinafter referred to as the “Company”) is an incorporated company jointly invested by Shanghai Jiao Tong University, Shanghai Techonolgh Investment Company, Shanghai Xinxuhui (Group) Co., Ltd., Shanghai Huixin Investment Management Co., Ltd., and Shanghai Jiaoda Onily Co., Ltd. after Shanghai Municipal Government issuing the approval document “Ti Gai Shen (1998) No. 040”. The Company received the Business Licens with No. 310000400192903 from Shanghai Administration for Industry & Commerce on 4 May 1998. The registered capital on establishment was RMB 10 million.

On 26 October 1999, the Company increased the registered capital by RMB 20 million. On 31 August 2001, the Company raised a total of RMB 6 million from 6 natural person through private placement. After the replenishment, the Company’s total registered capital is RMB 36 million.

On 7 July 2002, the board of directors approved a 1 to 10 stock split plan. Stock price decreased from RMB 1 to RMB 0.1.

On 31 July 2002, the Company was listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, and issued 132 million foreign shares with a par value of RMB 0.1 per share and total value of RMB 13.2 million, and meanwhile, some of the original shareholders filed a share placement of 12 million with a total value of RMB 1.2 million. Upon the issuance, the registered capital and share capital of the Company increased to RMB 48 million, and total capital shares increased to 480 million.

By the end of 31 December 2016, the total equity of the Company was 480 million shares, including 348 million unlisted shares, representing 72.5% of the equity, and 132 million outstanding public H shares, representing 27.5% of the equity.

The registered address of the Company: Floor 2, 471-7 Guiping Rd. Shanghai; the legal representative: Liu Yuwen.

The Company’s business scope mainly includes: development of electronic products, technical service and maintenance, sales and maintenance of computer software and hardware, intelligent integration of computer internet, software development, real estate development, server room decoration, property management, education investment, designing and installment of safety and prevention system, and sale and manufacture of safety and prevention system.

The Company is mainly engaged in the sales of computer hardware and software products, business solution and application software development, and installment and maintenance of internet and data safety product.

## 2. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The scope of the Company's consolidated financial statements during the reporting period includes Jiaoda Withub (Hong Kong) Limited, Shanghai Withub Zhirui Hi-Tech Co., Ltd., and Shanghai Withub Information and Professional Training School. Shanghai Withub Zhirui Hi-Tech Co., Ltd. and Shanghai Withub Information and Professional Training School suspended their operations during the reporting period. See "7. Interests in Other Entities" for the details on changes in the scope of consolidation during the reporting period.

## 3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### 3.1 Basis for preparation

The Company's financial statements are prepared on a going concern basis and based on actual transactions and events, in accordance with the Accounting Standards other related rules for Business Enterprises promulgated by the Ministry of Finance (hereinafter referred to as "ASBEs"), and the disclosure requirements are in according to the "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" (revised in 2014) of China Securities Regulatory Commission, and are in according to Hong Kong "Company Ordinance" and Hongkong Stock Exchange's "GEM Listing Rules", and are prepared as described in this notes "4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES".

### 3.2 Going concern

There is no facts or circumstances comprising a material uncertainty about the Company's going concern basis within 12 months since the end of the reporting period.

The Company has a record of continuing operation recently and adequate financial resource to support its operation, thus the Company has the ability to continue as a going concern in 12 months from the end of the reporting period, and it is reasonable to prepare the financial statements on a going concern basis.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The specific accounting policies and accounting estimation prepared by the Company based on actual production and operation characteristics include recognition and measurement on: bad debt provisions of receivables, measurement of inventories transferred out, classification and depreciation method of fixed assets, amortization of intangible assets, recognition and measurement of revenues, etc.

### 4.1 Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company comply with the Accounting Standards for Business Enterprises and give a true and fair view of the financial position, operating results, cash flows and other relevant information of the Company.

### 4.2 Accounting period

The accounting period of the Company is from 1 January to 31 December of the calendar year.

### 4.3 Operating cycle

Ordinary operating cycle refers to the period from acquisition of assets used for processing by the Company until their realisation in cash or cash equivalents. The operating cycle of the Company lasts for 12 months, and acts as an indicator for classification of liquidity of assets and liabilities.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 4.4 Reporting currency

The reporting currency of the Company and its domestic subsidiaries is RMB. The reporting currency for the overseas business is the currency of the place where they are located.

The overseas subsidiaries use the reporting currency of the country where they are located. When preparing the consolidated financial statements of the Company, the statements in foreign currency of overseas subsidiaries were translated in according to the translation method as described in this notes 4.8 (2).

### 4.5 Accounting treatment of business combinations under common control and not under common control

The assets and liabilities obtained by the Company (as the acquirer) by business combination under common control are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combinations is adjusted to share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

For identifiable assets, liabilities and contingent liabilities of the acquiree obtained on the acquisition date through business combination not under common control are measured at fair value. The cost of business combination is the fair value of consideration paid including cash and non-cash assets, liabilities issued or undertaken, debts and equity securities issued for the controlling interest of the acquiree at the acquisition date and the sum of all expenses incurred during the business combination (For business combination achieved in stages, the cost of combination is the sum of cost for each single transaction). Goodwill is recognized by the difference between the costs of business combination over the fair value of net identifiable assets acquired. In case the cost of business combination is lesser than the fair value of net identifiable assets of the acquiree acquired, firstly, fair values of each identifiable assets, liabilities and contingent liabilities obtained during combination, and fair values of those non-cash assets or equity securities have to be reviewed. The excess of the fair value of net identifiable assets of the acquirer acquired over the cost of business combination will be recognized in the consolidated non-operating income of the current period after review.

### 4.6 Preparation of consolidated financial statements

The scope of the consolidated financial statements includes all of its subsidiaries.

The scope of consolidation of the consolidated financial statements is determined on the basis of control. The term "control" refers to the fact that the Company has power over the investee and is entitled to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns. A subsidiary is an entity controlled by the Company. The Company shall conduct reassessment in the event there are changes in actual condition and situation causing changes in relevant elements involved in the definition of control above.

When preparing the consolidated financial statements, the accounting policy and the accounting period that subsidiaries adopted are inconsistent with the Company, necessary adjustments are made to the financial statements of those subsidiaries in according to the accounting policies or accounting period of the Company.

**4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** (Continued)**4.6 Preparation of consolidated financial statements** (Continued)

When preparing consolidated financial statements, all significant internal transactions, balances and unrealized profits within the scope of combination shall be offset. Proportion of shareholder's equity of the subsidiaries which do not belong to the parent company, and proportion of profit or loss for the current period, other comprehensive income and total comprehensive income which belong to the equity of minority shareholders, which shall be listed under "equity of minority shareholders, profit or loss of minority shareholders, other comprehensive income attributable to minor shareholders and total comprehensive income attributable to the minority shareholders".

For subsidiaries acquired through business combination under common control, its operating results and cash flows shall be included in the consolidated financial statement since the beginning of combination. When preparing comparative consolidated financial statements, adjustment shall be made to the related items in the financial statements for the last year, regarding as the reporting subject which was formed after combination has existing since the final controller started control.

For subsidiaries acquired through business combination not under common control, its operating results and cash flows shall be included in the consolidated financial statement since the Company obtained its control. When preparing consolidated financial statements, adjustment shall be made to financial statements of the subsidiaries using the fair values of each identifiable assets, liabilities and contingent liabilities as basis, which were determined on date of acquisition.

When the Company disposes of equity investment in a subsidiary by a stage-up approach with several transactions until the control over the subsidiary is lost, it shall determine whether these several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to "transactions in a basket". Usually, these several transactions related to the disposal of equity investment in a subsidiary are accounted for as transactions in a basket when the terms, conditions and economic impacts of these several transactions meet the following one or more conditions: (1) these transactions are entered into at the same time or after considering their impacts on each other; (2) these transactions as a whole can reach complete business results; (3) the occurrence of a transaction depends on at least the occurrence of another transaction; (4) an individual transaction is not deemed as economic, but is deemed as economic when considered with other transactions. If they are not transactions in a basket, each of which are accounted for in accordance with applicable rules in "partial disposal of long-term equity investment of a subsidiary without losing control over a subsidiary" separately, and "the control over a subsidiary is lost due to partial disposal of equity investment or other reasons". When several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to transactions in a basket, each of which is accounted for as disposal of a subsidiary with a transaction until the control over a subsidiary is lost; however, the difference between the amount of disposal prior to the loss of control and the net assets of a subsidiary attributable to the disposal investment shall be recognised as other comprehensive income in consolidated financial statements and transferred to profit or loss at the time when the control is lost.

Proceeds from disposal of part of the equity investment in the subsidiaries without losing control and the disposal of long-term equity investment should enjoy the difference between the proportion of net assets calculated from the date of acquisition or date of combination, and adjust the share premium. In case the capital reserve is insufficient for offset, retained earnings will be adjusted

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 4.6 Preparation of consolidated financial statements (Continued)

When the Company loses control in the acquiree due to reasons such as disposal of part of the equity investment, remaining shareholding will be remeasured based on the fair value on the date of loss of control when preparing the consolidated financial statements. The sum of proceeds obtained from the disposal of equity and fair value of the remaining shareholding, and less the difference of the proportion of net assets calculated from the date of acquisition or combination according to the original shareholding proportion, and included into the investment profit or loss of loss of control for the current period, and also goodwill will be written off. Other comprehensive income related to the original equity investment in the subsidiary, will be changed to investment profit or loss for the current period upon loss of control.

For loss of control by the Company through different transactions and disposed shareholding in subsidiaries in stages, in case when each transaction that the Company loses control through disposal of shareholding in subsidiaries belongs to package deal, accounting treatment for each transaction shall be treated as one transaction which involves disposal of subsidiary with loss of control. However, the difference between the proceeds for each disposal before loss of control and the proportion of net assets corresponding to the disposal of such subsidiary shall be recognized as other comprehensive income in the consolidated financial statements, and transfer to investment profit or loss of loss of control for the current period upon loss of control.

### 4.7 Cash and cash equivalents

Cash in the cash flow statement of the Company indicates the cash on hand and the deposit in bank available for payment at any time. Cash equivalents in the cash flow statement are terms which are less than three months, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

### 4.8 Foreign currency

#### (1) Foreign currency transaction

Transactions by foreign currency are translated into RMB at the spot exchange rate of the transaction date.

On the balance sheet date, monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance sheet date. Except for the exchange difference caused by specific foreign currency loans made to purchase or manufacture assets which will be capitalized, the exchange difference is accounted into profit and loss for the period. For non-monetary items measured in foreign currency under historical cost method, the foreign currency is translated into reporting currency at the spot exchange rate. For non-monetary items in foreign currency measured at fair value, the foreign currency is translated into RMB at the exchange rate on the date when the fair value is recognized which is applied and the exchange difference is accounted into profit and loss for the period as a result of fair value change, or recognized as other comprehensive income and charged into capital reserves.

#### (2) Foreign Currency Translation of Financial Statements

The asset and liability items in the balance sheets prepared in foreign currency are translated at a spot exchange rate as at the balance sheet date. The owner's equity items, except for those classified as "retained earnings", are translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit or loss statements are translated at the average exchange rate approximate to the spot exchange rate of the date when the transaction occurred. The difference in the foreign currency statements arisen from the above translation's are presented under the other comprehensive income. Foreign currency cash flow is translated using the average exchange rate approximate to the spot exchange rate of the date when the cash flow occurred. The impact of exchange rate fluctuations on cash and cash equivalents is separately presented in the statement of cash flow.

**4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** (Continued)**4.9 Financial assets and financial liabilities**

When the Company becomes a party in the financial instrument contract, a financial asset or financial liability will be recognized.

**(1) Financial assets****1) Classification of financial assets, basis of recognition and method of measurement**

The Company classified financial assets into financial assets at fair value through profit or loss, held-to-maturity investments, receivables and financial assets available for sale according to the investment purpose and the economic stance.

Financial assets at fair value through profit or loss include trading financial assets and financial assets designated into financial assets at profit or loss at initial recognition. Financial asset is classified as held for trading if one of the following conditions is satisfied: It has been acquired principally for the purpose of selling in the near term; or on initial recognition it is a part of a portfolio of identifiable financial instruments that the group manages together and there is objective evidence that the group recently manages the portfolio through the approach of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured. A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognizing the gains or losses on them on different bases; or the financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; hybrid instruments which contain one or more embedded derivatives, unless the embedded derivatives does not have a substantial effect on the cash flows of the hybrid instruments, or the embedded derivatives obviously should not be separated from the relevant hybrid instruments; hybrid instruments that have to be separated but cannot be individually measured after it has been obtained or the balance sheet date afterwards. Such kind of financial assets designated by the Company mainly includes forward exchange settlement business. The Group applies subsequent measurement based on fair value in respect of such kind of financial assets. Changes in fair values include in the fair value profit or loss; interests or cash dividends obtained during the period of holding assets, shall be recognized as investment income; difference between the fair value and the amount initial record, recognized as investment income on disposal, and the profit or loss from changes of fair value will be adjusted at the same time.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity when the Company has the positive intention and ability to hold to maturity.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 4.9 Financial assets and financial liabilities (Continued)

#### (1) *Financial assets* (Continued)

##### 1) *Classification of financial assets, basis of recognition and method of measurement* (Continued)

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available-for-sale and other financial assets which do not fall into any of the above categories. For equity instruments which do not have quotations in active market and the fair values of which cannot be reliably measured and linked to that equity instrument, and derivatives linked to such equity instrument and settled through delivery of such equity instrument, will be measured at cost. Except for exchange of impairment loss and exchange gain or loss arising from foreign currency monetary financial assets, changes in fair value of available-for-sale financial assets are directly recorded in shareholders' equity. Until such financial assets are derecognized, the accumulated change in the amount of fair value previous recorded in equity is transferred to the profit and loss account for the period. Interests for the period in which the assets are held are calculated using the effective interest method is charged to profit or loss for the period as 'Investment income'. Cash dividends declared by the investee company relating to available-for-sale equity instruments are charged to profit or loss for the period as 'Investment income'. As for instruments that do not have quotation in active market and the fair values of which cannot be reliably measured, they are measured subsequently at cost.

##### 2) *Recognition basis of transfer of financial assets and measure method*

A financial asset is derecognized when any one of the following conditions is satisfied: (1) the rights to receive cash flows from the asset expire, (2) the financial asset has been transferred and the group transfers substantially all risks and rewards relating to the financial assets to the transferee, (3) the financial asset has been transferred to the transferee, and the Group has given up its control of the financial asset although the group neither transfers nor retains all risks and rewards of the financial asset.

Where an enterprise neither transfers nor retains substantially all risks and rewards of financial asset and does not give up the control over such financial asset, then the entity recognizes such financial asset to the extent of its continuous involvement and recognizes the corresponding liabilities.

In the case where the financial asset as a whole qualifies for the de-recognition conditions, the difference between the carrying value of transferred financial asset and the sum of the amount received for transfer and the accumulated amount of changes in fair value that was previously recorded under other comprehensive income is charged into profit or loss for the period.

In the case where only part of the financial asset meets the criteria for de-recognition, the carrying amount of financial asset being transferred is allocated between the portions that to be derecognized and the portion that continued to be recognized according to their relative fair value. The difference between the amount of consideration received for the transfer and the accumulated amount of changes in fair value that was previously recorded in other comprehensive income of the part qualifies for de-recognition and the above-mentioned allocated carrying amount is charged to profit or loss for the period.



**4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** (Continued)**4.9 Financial assets and financial liabilities** (Continued)**(1) Financial assets** (Continued)3) *Testing of impairment of financial assets and accounting method*

The Company assesses the carrying amount of financial assets, other than those at fair value through profit and loss, at the balance sheet date. Impairment of financial assets is provided for when there is objective evidence that a financial asset is impaired.

When an impairment of financial assets carried at amortized cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit loss that have not been incurred). If there is objective evidence indicating that the value of the financial asset is recovered and recovery is related objectively to events occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profit and loss for the period.

Where an available-for-sale financial asset is impaired, the cumulative loss generated from decline of fair value that had been recognized directly in shareholder's equity shall be reversed and included in the impairment loss. For the available for sale debt instruments investment of which impairment loss has been recognized, if, in a subsequent period, the fair value of which increases and it can be objectively related to events occurring after the impairment loss was recognized, the previously recognized impairment loss shall be reversed. For the available for sale equity instruments investment of which impairment loss has been recognized, the increase in fair value in a subsequent period shall be directly included in shareholder's equity.

**(2) Financial Liabilities**1) *Classification of financial liabilities, recognition basis and measure method*

Financial liabilities of the Company are classified as financial liabilities at fair value through profit or loss and other financial liabilities on initial recognition.

Financial liabilities at fair value through profit or loss include trading financial liabilities and financial liabilities held-for-trading and those designated as fair value through profit or loss on initial recognition. They are subsequently measured at fair value. The net gain or loss arising from changes in fair value; dividends and Interest expenditure related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 4.9 Financial assets and financial liabilities (Continued)

#### (2) *Financial Liabilities* (Continued)

##### 2) *Conditions of de-recognition of financial liabilities*

A financial liability or a part of financial liability is derecognized when and only when the obligation specified in the contract is discharged or cancelled. An agreement between the Company and a lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. As for substantive changes made to the contract terms (whole or in part) of the existing financial liabilities, the existing financial liabilities (or part of it) will be derecognized. And financial liabilities after term revision will be recognized as a new financial liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss for the period.

#### (3) *Method for determination of fair values of financial assets and financial liabilities*

Fair values of financial assets and financial liabilities of the Company are measured at the prices in principal market. In case there is no principal market, fair values of financial assets and financial liabilities are calculated using the price which is the most beneficial to the market, and using valuation technology which is the most appropriate at that time and with sufficient available data and other information. The inputs which are used to measure the fair value have been divided into 3 levels by the Company: Level 1-inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities. Level 2-inputs are quoted prices for the asset or liability (other than those included in Level 1) that are either directly or indirectly observable. Level 3-inputs are unobservable inputs to the related assets or liabilities. The Level 1 inputs are the first priority to use by the Group, and level 3 inputs will be the last one to use. The level to which the results of measurement of fair value belong is subject to the lowest level to which the inputs having great significance to the measurement of fair value as whole belong.

### 4.10 Bad debt provision for receivables

Receivables include accounts receivable and other receivables, etc. The Company's accounts receivable from selling products and providing services are initially recorded at fair value of consideration of contract value from buyer or service receiver.

The Company adopts the following criteria for recognition of bad debt provision on receivables: When the debtors are dissolved, bankrupt, insolvent and in significant financial difficulty, or suspended its business due to natural disaster and unable to settle the debts in the foreseeable period; fails to perform its obligations of debt repayment by the debtors over 5 years; when there are other objective evidences indicating the debts are not recovered or not likely to be recoverable.

Bad debt provision is made using allowance account method. At the end of the period, receivables are assessed for impairment on individual or group basis and the bad debt provision is recognized in the profit or loss for the current period. When there are objective evidences indicating the receivable cannot be collected, it is written off against the bad debt provision as a loss of bad debts according to the required procedures of approval of the Company.

Individual and portfolio methods are applied to estimate impairment loss on accounts receivable.

**4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** (Continued)**4.10 Bad debt provision for receivables** (Continued)**(1) Accounts receivable that are individually significant and are provided for bad debts on individual basis**

The basis or standard for determining the significant level of individual receivable	Consider individual receivables above RMB1,000,000 as significant receivables
Provision-making method on individual receivables above significant level	The bad debt provision is made according to the difference between the present value of future cash flows and the book value of receivables

**(2) Receivables for which provision of bad debts made by portfolio of credit risk characteristics**  
**Basis of defining portfolio**

Portfolio of ageing	Consider ageing of receivables as credit risk characteristics
Portfolio of nature of amounts	Consider nature of receivables as credit risk characteristics
Portfolio of relationship with counterparties	Consider relationship with counterparties as credit risk characteristics

**Method of provision of bad debts based on portfolio**

Portfolio of ageing	Ageing analysis method
Portfolio of nature of amounts	No provision of bad debts is made for guaranteed amounts
Portfolio of relationship with counterparties	No provision of bad debts is made for subsidiaries

1) *The rate of bad debts provision according to ageing analysis is as follows*

Ageing	Provision Percentage for account receivables (%)	Provision percentage for other receivables (%)
Within 1 year	0%	0%
Over 1 year	100%	100%

**(3) Accounts receivable that are individually insignificant but are provided for bad debts on individual basis**

Reason for making bad debt provision individually	Individual receivables below significant level whereby the portfolio method does not reflect its risk characteristics
Method for bad debt provision	Bad debt provision is made by using the difference between the present value of future cash flows and the book value of receivables

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 4.11. Inventories

The inventories of the Company include merchandises, low-valued consumables and constructions, etc.

The Company maintains a perpetual inventory system. Inventories are recorded at cost of purchase when received. Actual cost is calculated using weighted average method when the inventories are acquired or sent out. The low-valued consumables are amortized by one time transfer method.

Labor contract is determined based on the actual cost and the contract costs shall consist of the direct and indirect costs incurred and related to a contract during the period from the date of the contract signed to the date of the contract completed. Travel expense, cost of tendering and other expense related to the signing of the contract which could be distinguished and reliably measured should be considered as part of the contract cost if the contract is likely to be signed. Otherwise, the contract cost should be expensed in the current year.

The aggregate amount of costs incurred and aggregate gross profits (or loss) should be offsetted with the settlement amount of the contract, and balance sheet should present their net amount. Any excess of the aggregate amount of costs incurred and aggregate gross profits (or loss) over the settlement amount of the contract should be disclosed as the inventory (construction).

The net realizable value of merchandise inventory which are directly used for sale such as merchandise and materials for sale, is determined based on the estimated selling price of such inventories after deducting its estimated selling costs and related taxes.

### 4.12. Long-term equity investment

Long-term investment of the Company is the investment in subsidiaries, investment in associates and investment in joint ventures.

Basis for determination in respect of common control is that all participated parties or a group of participated parties control such arrangement, and that policies of such related business of such arrangement have to obtain unanimous agreement by all parties that are control such arrangement.

The Company directly or indirectly through its subsidiaries owns 20% (inclusive) or more but less than 50% shares with voting rights in the invested company, usually representing having significant influence on the invested company. For voting rights of less than 20% in the invested company, the Board or representative in similar authority in the invested company or the implementation processes of financial or operation policies of invested company have also been taken into account, or significant transaction with the invested company, or management personnel send to the invested company, or key technology information provided to the invested company which have significant influence to the invested company.

The Company's subsidiaries are invested companies which form control. For long-term investment obtained through business combination under common control, proportion of carrying value of net assets obtained on the date of acquisition in the consolidated financial statements of the final controller shall be accounted as the initial investment cost of the long-term investment. For carrying value of net assets of the acquiree is negative, investment cost of long term equity investment is calculated as zero.

#### 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

##### 4.12. Long-term equity investment (Continued)

For shareholding which obtained by different transactions in stages and become business combination finally, if it belongs to package transaction, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to package transaction, according to proportion of fair value of net assets of acquiree after the combination in the consolidated financial statements, and accounted as the initial investment cost of long-term investment. Difference between initial investment cost and the carrying value of long-term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

For long-term equity investment acquired through business combination not under common control, cost of combination will be treated as the initial investment cost.

For shareholding which obtained by different transactions in stages and become business combination finally, if it belongs to package transaction, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to package transaction, Initial investment cost will be the sum of the carrying value of the equity investment which it originally holds, and initial investment cost will change to cost method. For shareholding which it holds before the date of acquisition which uses equity method, other related comprehensive income which use equity method for accounting shall not be adjusted, such investment shall use the same accounting basis as the invested company when it directly dispose related assets or liabilities upon disposal. For shareholding which it holds before acquisition and accounted for under fair value method in the available-for-sale financial assets, the accumulated change in fair value which is originally included in other comprehensive income shall be change to profit or loss for the current period on the date of combination.

Apart from the long-term equity investments acquired through business combination mentioned above, the long-term equity investments acquired by cash payment is expensed as the cost of investment based on the actual amount of cash paid for the purchase. For long-term equity investments acquired by issuing equity securities, the cost of investment is the fair value of the equity securities issued. For long-term equity investments invested in the Group by the investor, the investment cost is the agreed consideration as specified in the investment contract or agreement.

Investments in subsidiaries are accounted for the Company using cost method, while investments in the associates and joint ventures are accounted for under equity method.

For long-term equity investments for which the subsequent measure is accounted for using cost method, when making additional investment, carrying value of the long-term equity investments will be added according to the fair value of cost of additional investment and the related expenses incurred by related transactions. For cash dividend or profit paid by the invested company, it shall be recognized as investment income for the current period using the amount which it entitles.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 4.12. Long-term equity investment (Continued)

For long-term equity investment for which the subsequent measurement is accounted for under equity method, carrying value of long-term equity investment shall be increased or decreased accordingly according to the change in the shareholders equity of the invested company. When determining the amount of proportion of net profit or loss in the invested company which it entitles, fair value of each identifiable assets of the invested company at the time when the investment is obtained shall be used as basis, and according to the accounting policies and accounting period of the Group, and after offsetting profit or loss incurred in internal transaction between associates and joint ventures, and calculate the proportion which is attributable to the investing company according to the shareholding, and recognized after adjustment is made to the net profit of the invested company.

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognized as investment income for the period. For long-term investments accounted for under equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

When the Company ceases to have control or significant influence on the invested company due to the reasons such as disposal of part of its equity investment, the remaining shareholding after disposal shall be accounted for under available-for-sale financial assets, and the difference between fair value and the carry value on the date of loss of common control or significant influence will be included in the profit or loss for the current period. Other comprehensive income recognized in the original equity investment which is accounted for using equity method, upon it will no longer be accounted for under equity method it shall be using the same accounting basis as the invested company directly disposing related assets or liabilities.

For loss of control in the invested company due to partly disposed long-term equity investment, for remaining shareholding which can apply common control or impose significant influence to the invested company after disposal, shall be accounted for under equity method. Difference between the carrying value of equity disposal and the disposal consideration shall be included as investment income. Such remaining shareholding shall be treated as accounting for under equity method since the shareholding is obtained and make adjustment. For remaining shareholding which cannot apply common control or impose significant influence after disposal, it can be accounted as under available-for sale financial assets, and difference between carrying value of equity disposal and the disposal consideration shall be included as investment income, difference between fair value and the carrying value of remaining shareholding on the date loss of control shall be included in the investment profit or loss for such period.

For each transaction which equity are disposed in stages until loss of control, which does not belong to package transaction, the accounting for each transaction shall be conducted separately. For the package transaction, the accounting for each transaction shall be treated as disposing subsidiary and loss of its control. However, the difference between each disposal price before loss of control and the carrying value of the corresponding long-term investment of the equity disposed, shall be recognized as other comprehensive income, and shall be transfer to the profit or loss for the current period upon loss of control.

**4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** (Continued)**4.13. Fixed assets**

The Company's fixed assets are tangible assets that are held for the production of goods and/or the rendering of services, leasing to others, or for administrative purposes. Such assets have a useful life of over one accounting year.

Fixed assets are recognised only if the Company is very likely to receive economic benefits from the asset and its cost can be measured reliably. A fixed asset shall be initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use. The company's fixed assets include transportation, office equipment and electronic equipment, etc.

The subsequent expense related to the fixed asset, such as fixing expense and renovation expense, should be capitalized if the expense meet the requirement of capitalization. If part of the fixed asset is replaced, the face value of that part of the fixed asset should be derecognized. All other expenses which could not meet the requirement of capitalization should be expense in the current period.

Apart from fixed assets which are provided in full and continue to use, the Company made depreciation for all the fixed assets. The Company made depreciation by using the straight-line method. The useful life, estimated rate of salvage value and depreciation rate of fixed assets of the Company are as below:

Classification	Estimated rate of salvage value (%)	Useful life (years)	Annual depreciation rate (%)
Transportation equipment	0	5	20.00
Office equipment and electronic equipment	0	3 or 5	20.00 – 33.33

The Company makes the assessment on the estimated useful life, estimated rate of salvage value and the depreciation method of fixed assets at each financial year-end. If any changes occur, they will be regarded as changes on accounting estimates.

**4.14. Intangible assets**

The intangible assets of the Company include the purchased trade name and development cost, and are measured at actual cost on acquisition. The cost of intangible assets purchased from outsiders includes purchase prices and other relevant expenditure. The cost of intangible assets injected by investors to the Company is measured at the consideration as specified in the investment contracts or agreements. In the case where the consideration of the contracts or agreements is not a fair value, the actual cost of assets is determined based on its fair value.

Purchased trade names are amortized over 20 years by straight-line method since is the date they are acquired. Other intangible assets are amortized on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. The amortization amount is accounted into related assets and current profit and loss according to its beneficiaries. The Company makes the assessment on the estimated useful life and amortization method of intangible assets with limited useful life at each financial year-end and makes adjustment if needed. If any changes occur, they will be regarded as changes on accounting estimates.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 4.14. Intangible assets (Continued)

Internal research and development expenses of the Company is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the research phase is recognized in profit or loss for the period as incurred; Expenditure on the development phase will be recognized as intangible assets while satisfying the following conditions:

- 1) It is technically feasible that the intangible asset can be used or sold upon completion;
- 2) There is intention to complete the intangible asset for use or sale;
- 3) The products produced using the intangible asset have a market or the intangible asset itself has a market;
- 4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- 5) The expenses attributable to the development stage of the intangible asset can be measured reliably. Other expenditures that do not meet the above conditions are expensed in the period as incurred. Development expenditure previously expensed in prior periods is not recognized as an asset in subsequent period.

### 4.15. Long-term assets impairment

The Company would assess long-term equity investment, fixed assets, and intangible assets with limited useful lives at each balance sheet date. When there is indication that there is impairment, the Company would perform impairment test. Impairment test should be made for goodwill and intangible assets with uncertain useful life, at the year-end regardless of whether there is indication of impairment loss. For the asset which could not be tested individually, the asset group where the asset belongs should be tested as a whole.

After the impairment test, if the carrying value of such assets is higher than its recoverable amount, the difference is recognized as impairment loss. The above assets impairment loss once is recognized, it cannot be reversed in subsequent accounting period.



#### **4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** (Continued)

##### **4.16. Employee remuneration**

Employee remuneration of the Company includes short-term compensation, post-employment benefits and termination benefits.

Short-term compensation include salaries, bonus, allowances and subsidies, medical insurance, industrial injury insurance, birth insurance and housing accumulation fund, worker welfare funds, union funds and employee education funds. Short-term compensation actually incurred shall be recognised as liabilities during the accounting period which the labor provided services, and included into the profit or loss or related assets cost of the current period of beneficiary.

Post-employment benefits including the endowment insurance, and unemployment insurance, and classified into defined contribution plan and defined benefit plan according to the risks and liabilities assumed by the Company. As for defined contribution plan under which the group consumed obligation of making payment to independent funds, in order to exchange for staff services to be provide during the accounting period, shall be recognized as liabilities, and included into the profit or loss or related assets cost of the current period of the beneficiary.

Termination benefits are incurred when the Company terminates the employment relationship with employee before the expiry of the employment contracts or provides compensation as an offer to encourage employee to accept voluntary redundancy. If the Company has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and the Company cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees is recognized with a corresponding charge to the profit or loss for the period.

##### **4.17. Estimated liabilities**

When an external warranty, commercial acceptance discount, pending legal proceedings or arbitration, warranty on quality of goods or other contingent matters meet the following requirements, the Company will recognize them as liabilities. The requirements mentioned above are as follows: the assumed responsibilities are actual and real; the fulfillment of obligations will probably to cause the outflow of economic benefit from the Company; the amount of liabilities can be measured reliably.

Estimated liabilities are initially recognized at the most appropriate estimation of performing relevant obligations by considering relative risks, uncertainties and time value related to contingent events. If the effect from time value of currency is significant, the best estimation will be determined by discounting relevant future cash flow. The Company assesses the book value of estimated liabilities on each balance sheet date and adjustments will be made if there are changes to reflect the current best estimation.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 4.18. Recognition and measurement of revenue

The revenue of the Company is mainly on sales of goods, services income and delivered asset income. Revenue recognition principles are as follows:

#### (1) *Sales of goods*

Revenue recognition principle of sales of goods by the Company is as follows: The revenue from selling goods shall be realized, when main risks and rewards related to the ownership of goods have been transferred to buyers, and the Company doesn't hold continuing management rights or effective control rights of goods, the amount of relevant revenue can be measured reliably and relevant economic benefits may flow into the Group, and related cost incurred or to be incurred can be measured in a reliable way.

Time of recognition of revenues from sales of goods: When the goods are in delivery of cargo from storage and related evidence for signature confirmation has been obtained from customers.

#### (2) *Services income*

When the service is started and completed in the same accounting period, revenue rendering of services is recognized upon completion. When the service is started and completed in different accounting period and the outcome of a transaction involving the rendering of services can be estimated reliably on the balance sheet date, revenue rendering of services is recognized by percentage of completion method. The percentage of completion of contract is calculated by the cost of contract actually incurred in proportion to the estimated total contract cost or the process actually measured.

When the outcome of services cannot be estimated reliably on the balance sheet date, different accounting treatments will be adopted depending on the circumstances: if the costs of rendering of services are expected to be recoverable, the service revenue will be recognized to the extent of the costs incurred and service costs will be carried forward with the same amount. If the costs of rendering of services are not expected to be recoverable, the costs incurred are charged to the current profit or loss, and revenues are not recognized.

#### (3) *Delivered asset income*

The revenue from transference of right to use assets shall be recognized when the economic benefits related to transactions may flow into the Company and the amount of relevant revenue can be measured reliably.

Time of recognition on leasing income: on a time proportion basis over leasing period.

**4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** (Continued)**4.19. Government grants**

The Company classifies government grants into grants pertinent to assets and grants pertinent to incomes.

If a government grant is a monetary asset, it is measured at actual received amount; For the grants being allocated in accordance with fixed quotas, or if there is sufficient evidence at end of the period to show that the entity complies with the conditions of financial policies and is expected to receive supporting funds, the grants shall be measured at receivable amount; If a government grant is a non-monetary asset, it is measured at its fair value, and in the event the fair value cannot be acquired in a reliable way, it is measured at its nominal amount (RMB1).

The government grants pertinent to assets are recognized as deferred revenue, and equally accounted into current profit and loss within the useful life. The government grants pertinent to incomes and used to compensate the related expenses or losses in subsequent periods are recognized as deferred income, and accounted into profit and loss during the period when the related expenses are recognized; the government grants used to compensate the related expenses or losses already incurred are directly recognized in current profit or loss.

**4.20. Deferred tax assets and deferred tax liabilities**

The Company's deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

The Company recognizes the deferred tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which is most likely to acquire and can be deducted from the deductible temporary difference.

**4.21. Lease**

Lease of the Company is operating lease.

The Company, as the lessee under operational lease, rental during the leasing term in each of the period, shall be included in the cost of related assets or profit or loss for the period using straight-line method directly.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 4.22. Other significant accounting policies and estimates

#### (1) Segment information

The Company divided operation segment based on the internal organization structure, management regulation and internal reporting policy. The operation segment is satisfied the following conditions.

- (a) The segment will generate income and lead expenditure;
- (b) The Company will review the business performance of the segment, in order to decide to allocate resources and valueate its performance; and
- (c) The Company can review the segment's information of financial conditions, operation performance and cash flow.

The Company set segment report based on the operation segment. Income of transactions between segments is measured as the actual transaction.

### 4.23. Significant changes in accounting policies and changes in accounting estimates

#### (1) Significant changes in accounting policies

None.

#### (2) Significant changes in accounting estimates

None.

## 5. TAXATION

### 5.1. Main categories of tax and tax rate

Category	Tax base	Tax rate
Value-added Tax	Income of sales of goods and technical service	17%/6%
Urban Construction & Maintenance Tax	Taxable value-added tax	7%
Education Surcharges	Taxable value-added tax	5%
Riverside Management fee	Taxable value-added tax	1%
Enterprise Income Tax	Taxable Enterprise Income	25%

Different rate of enterprise income tax:

Subject of taxation	Enterprise Income Tax Rate
The Company	15%

**5. TAXATION** (Continued)**5.2. Tax preference and approval documentation****(1) Enterprise Income Tax**

On November 24, 2016, the Company obtained the certificate of high-tech enterprise (certificate number GR201631002008) issued by Shanghai Science and Technology Department, Shanghai Municipal Bureau of Finance, Shanghai State Taxation Bureau and Shanghai Local Taxation Bureau, and was identified as high-tech enterprise, which valid for 3 years. Pursuant to the Enterprise Income Tax Law of the People's Republic of China, the applicable corporate income tax rate for the year 2016 is 15%.

**(2) VAT**

According to the "Notice of the Ministry of Finance and the State Administration of Taxation on the full implementation of the VAT reform pilot program, which replaced the business tax with value-added tax" (Cai Shui [2016] No. 36) and the "Rules of business tax VAT pilot transition policy" item (twenty six) of Article 1, the taxpayer shall be exempted from value-added tax on the income of technical development and related technical consulting and services.

The Company applied the above VAT preferential policy during 2016.

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**

For the financial statement data disclosed below, unless specifically indicated, "Beginning Balance" refers to January 1, 2016; and "Ending Balance" refers to December 31, 2016. "Current Year" refers to the period from January 1, 2016 to December 31, 2016; and "Last Year" refers to the period from January 1, 2015 to December 31, 2015.

**6.1 Cash and cash equivalents**

Item	Ending Balance	Beginning Balance
Cash	6,548.43	8,793.56
Cash at bank	60,666,784.23	62,875,397.66
Total	60,673,332.66	62,884,191.22
Including: total amount deposited overseas	4,717,991.85	4,648,516.77

Note 1: Among the cash at bank of the Company, RMB 33,112,884.72 was fixed-term deposit, and RMB 17,717,776.13 was seven-day call deposits (2015: RMB 37,305,291.48 was fixed-term deposit and RMB 17,000,000.00 was seven-day call deposits).

The interest rate of deposits is according to the market rate, which was from 0.30% to 3.22% (2015: from 0.35% to 3.75%).

**6.2 Account Receivables**

Item	Ending Balance	Beginning Balance
Account receivables	20,672,965.81	18,100,992.71
Less: provision for bad debts	4,021,224.72	4,874,867.54
Net Amount	16,651,741.09	13,226,125.17

# Notes to the Financial Statements

For the year ended 31 December 2016

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

### 6.2 Account Receivables (Continued)

#### (1) Aging analysis

The company awarded their customers credit period for an average from 90 to 180 days. For customers with good credit record and good financial support, their credit period is more than 180 days. According to the delivery date of products or the date providing services (estimated confirmed date), the aging analysis of account receivables (less provision for bad debts) as follows:

Age	Ending Balance	Beginning Balance
3 months (inclusive)	<b>11,220,371.20</b>	7,821,154.29
3 months to 6 months (inclusive)	<b>305,773.90</b>	379,414.40
7 months to 12 months (inclusive)	<b>841,651.95</b>	2,850,866.13
Over 1 year	<b>4,283,944.04</b>	2,174,690.35
Total	<b>16,651,741.09</b>	13,226,125.17

#### (2) Classification by risks

Item	Ending Balance					Beginning Balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percent %	Amount	Percent %		Amount	Percent %	Amount	Percent %	
Accounts receivable that are individually significant and are made bad debt provision on individual basis										
Accounts receivable that are made bad debt provision by portfolio of credit risk characteristics	20,672,965.81	100.00	4,021,224.72	19.45	16,651,741.09	18,100,992.71	100.00	4,874,867.54	26.93	13,226,125.17
Accounts receivable that are individually insignificant but are made bad debt provision on individual basis										
Total	20,672,965.81	100.00	4,021,224.72	19.45	16,651,741.09	18,100,992.71	100.00	4,874,867.54	26.93	13,226,125.17

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT** (Continued)**6.2 Account Receivables** (Continued)**(2) Classification by risks** (Continued)1) *Accounts receivable in portfolio of which provision was made by using ageing analysis method:*

	Ending Balance		
	Accounts receivables	Bad debt provision	Ratio (%)
Aging			
3 months (inclusive)	11,220,371.20		
3 months to 6 months (inclusive)	305,773.90		
7 months to 12 months (inclusive)	686,321.55		
Over 1 year	4,021,224.72	4,021,224.72	100.00
Total	16,233,691.37	4,021,224.72	25.18

	Beginning Balance		
	Accounts receivables	Bad debt provision	Ratio (%)
Aging			
3 months (inclusive)	7,274,254.29		
3 months to 6 months (inclusive)	379,414.40		
7 months to 12 months (inclusive)	2,850,866.13		
Over 1 year	4,874,867.54	4,874,867.54	100.00
Total	15,379,402.36	4,874,867.54	31.70

2) *Accounts receivable in portfolio of which provision was made by using other method:*

	Ending Balance		
	Book balance	Bad debt provision	Ratio(%)
Aging			
Guarantee deposit and project payment within credit period	2,309,090.03		
Guaranteed recovery	1,974,854.01		
Related party with regular transactions	155,330.40		
Total	4,439,274.44		

# Notes to the Financial Statements

For the year ended 31 December 2016

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

### 6.2 Account Receivables (Continued)

#### (2) Classification by risks (Continued)

##### 2) Accounts receivable in portfolio of which provision was made by using other method: (Continued)

Aging	Beginning Balance		
	Book balance	Bad debt provision	Ratio(%)
Guarantee deposit and project payment within credit period	1,731,830.35		
Guaranteed recovery	442,860.00		
Related party with regular transactions	546,900.00		
Total	2,721,590.35		

##### 3) Analysis of overdue receivables but not be impaired at balance date

Aging	Ending Balance	Beginning Balance
Not overdue and no impairment	<b>11,681,475.50</b>	8,200,568.69
Overdue but no impairment		
7 months to 12 months (inclusive)	<b>686,321.55</b>	2,850,866.13
Over 1 year	<b>4,283,944.04</b>	2,174,690.35
Total	<b>16,651,741.09</b>	13,226,125.17

Note 1: The account receivables, which are not overdue and not be impaired, are mainly the customers currently without defaulted records.

Note 2: The account receivables, which are overdue but not be impaired, are mainly the customers with good payment records. According to previous experiences, management believes provision for bad debts are not needed, because there is no change in credit quality and the balance of total accounts receivables are recoverable.

##### 4) The movement of bad debt provision

Aging	Ending Balance	Beginning Balance
At 1st January	<b>4,874,867.54</b>	5,503,894.09
Additional bad debt provision	<b>411,375.74</b>	95,973.45
Deductible bad debt provision	<b>1,265,018.56</b>	725,000.00
At 31st December	<b>4,021,224.72</b>	4,874,867.54

The significant amounts of deductible bad debt provision:

Company Name	Amounts reversed (or received)	The way of receiving funds	Reasons for amounts reversed (or received)
Hainan High People's Court	1,198,354.01	Cash	Returned funds
Total	1,198,354.01		



**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT** (Continued)**6.2 Account Receivables** (Continued)**(2) Classification by risks** (Continued)5) *The accounts receivable is actually written off during this year*

Item	Amounts
Actually written off	14,100.00

6) *The top 5 of accounts receivable*

Company	Ending Balance	Aging	Percentage of total ending balance of accounts receivables (%)	Ending balance of bad debt provision
No.1	2,096,241.90	0-3 months	10.14	
No.2	1,328,856.01	0-1 year	6.43	
No.3	1,221,800.00	More than 3 years	5.91	1,221,800.00
No.4	1,157,155.00	More than 3 years	5.60	
No.5	1,034,346.00	0-3 months	5.00	
Total	6,838,398.91		33.08	1,221,800.00

**6.3 Prepayments****(1) Aging analysis**

Items	Ending Balance		Beginning Balance	
	Amounts	Ratio (%)	Amounts	Ratio (%)
Within 1 year	<b>492,124.50</b>	<b>81.29</b>	853,810.18	84.03
1-2 years	<b>46,668.48</b>	<b>7.71</b>	141,422.00	13.92
2-3 years	<b>56,000.00</b>	<b>9.25</b>	20,790.30	2.05
More than 3 years	<b>10,565.04</b>	<b>1.75</b>		
Total	<b>605,358.02</b>	<b>100.00</b>	1,016,022.48	100.00

**(2) The top 5 of prepayments:**

Company name	Ending Balance	Aging	Percentage of total ending balance of prepayments (%)
No.1	<b>150,000.00</b>	Within 1 year	24.78
No.2	<b>64,213.83</b>	Within 1 year	10.61
No.3	<b>46,000.00</b>	Within 1 year	7.60
No.4	<b>44,260.00</b>	Within 1 year	7.31
No.5	<b>32,200.00</b>	2-3 years	5.32
Total	<b>336,673.83</b>		55.62

# Notes to the Financial Statements

For the year ended 31 December 2016

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

### 6.4 Interest receivable

#### (1) Classification of interest receivable

Item	Ending Balance	Beginning Balance
Term deposit	<b>732,122.55</b>	2,221,721.25
Total	<b>732,122.55</b>	2,221,721.25

### 6.5 Other receivable

Item	Ending Balance	Beginning Balance
Other receivable	<b>6,717,105.59</b>	6,885,737.60
Less : Bad debt provision	<b>595,295.70</b>	595,295.70
Net amount	<b>6,121,809.89</b>	6,290,441.90

#### (1) Classification of other receivables

Items	Ending Balance					Beginning Balance				
	Book Balance		Bad debt provision		Book Value	Book Balance		Bad debt provision		Book Value
	Amounts	Ratio %	Amounts	Ratio %		Amounts	Ratio %	Amounts	Ratio %	
Other receivable that are individually significant and are made bad debt provision on individual basis										
Other receivable that are made bad debt provision by portfolio of credit risk characteristics	<b>6,717,105.59</b>	<b>100.00</b>	<b>595,295.70</b>	<b>8.86</b>	<b>6,121,809.89</b>	6,885,737.60	100.00	595,295.70	8.65	6,290,441.90
Other receivable that are individually insignificant but are made bad debt provision on individual basis										
Total	<b>6,717,105.59</b>	<b>100.00</b>	<b>595,295.70</b>	<b>8.86</b>	<b>6,121,809.89</b>	6,885,737.60	100.00	595,295.70	8.65	6,290,441.90

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT** (Continued)**6.5 Other receivable** (Continued)**(1) Classification of other receivables** (Continued)1) *Other receivables in portfolio of which provision was made by using ageing analysis method:*

	Ending Balance		
	Other receivable	Bad debt provision	Ratio(%)
Aging			
Within 1 year	595,295.70	595,295.70	100.00
Total	595,295.70	595,295.70	100.00

	Beginning Balance		
	Other receivable	Bad debt provision	Ratio(%)
Aging			
Within 1 year	352,329.23		
More than 1 year	595,295.70	595,295.70	100
Total	947,624.93	595,295.70	

2) *Other receivable in portfolio of which provision was made by using other method*

Nature	Ending Balance	Beginning Balance
Bid bond and performance bond	2,723,803.59	2,506,448.69
Guaranteed recovery	2,787,706.01	3,149,269.68
Petty cash, deposit	366,420.99	142,465.00
Related party with regular transactions	243,879.30	139,929.30
Total	6,121,809.89	5,938,112.67

**(2) The movement of bad debt provision during this year**

Aging	Ending Balance	Beginning Balance
At 1 January	595,295.70	595,295.70
Additional bad debt provision		
Deductible bad debts provision		
At 31 December	595,295.70	595,295.70

Note: As at 31 December 2016, the bad debt provision of other receivables is RMB 595,295.70 (2015: RMB 595,295.70), which has a long aging. The Company does not have any collateral for this bad debt provision.

# Notes to the Financial Statements

For the year ended 31 December 2016

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

### 6.5 Other receivable (Continued)

#### (3) Other receivables by nature

Nature	Ending Balance	Beginning Balance
Bond, petty cash, deposit	<b>3,090,224.58</b>	2,648,913.69
Current account	<b>3,626,881.01</b>	4,236,823.91
Total	<b>6,717,105.59</b>	6,885,737.60

#### (4) The top 5 of other receivables

Company	Nature	Ending Balance	Aging	Percentage of total ending balance of other receivable (%)	Ending balance of bad debt provision
No.1	Current account	1,092,770.33	Within 1 year	16.27	
No.2	Current account	1,009,231.04	Within 1 year	15.02	
No.3	Quality guarantee deposit	4,055.00	Within 1 year	13.70	
		916,215.90	More than 1 year		
No.4	Performance bond	152,500.00	Within 1 year	7.32	
		339,445.00	More than 1 year		
No.5	Current account	407,980.00	0-3 months	6.07	
Total		3,922,197.27		58.38	

#### (5) Receivables of employees' borrowing

Department	Administration and Management Department	Software department	Total
Purpose	Petty cash	Petty cash / Deposit	
Amount			
Current year	57,181.10	81,985.00	139,166.10
Last year	64,188.7	103,112.00	167,300.7
Bad debt provision	24,835.7		24,835.7

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT** (Continued)**6.6 Inventories****(1) Classification**

Item	Ending Balance			Beginning Balance		
	Book Balance	Inventory Impairment	Book Value	Book Balance	Inventory Impairment	Book Value
Merchandises	2,333,697.82	452,054.82	1,881,643.00	3,850,475.30	815,871.90	3,034,603.40
Engineering construction	6,952,818.74		6,952,818.74	4,209,995.31		4,209,995.31
Total	9,286,516.56	452,054.82	8,834,461.74	8,060,470.61	815,871.90	7,244,598.71

**(2) Inventory Impairment**

Item	Beginning Balance	Addition	Deduction		Ending Balance
			Reversal	Transferred out	
Merchandises	815,871.90	154,806.81		518,623.89	452,054.82
Total	815,871.90	154,806.81	-	518,623.89	452,054.82

Note: The reversals were actually sold.

**(3) Provisions of inventory impairment**

Item	Basis of determination on net realisable value	Reasons for reversal or write-off
Merchandises	The net realizable value is determined by the estimated selling price of merchandise deducting its estimated sales expenses and relevant taxes	No reversal during current year
Total		

**(4) Completed without settlement assets from service contract at the end of the year**

Item	Ending Balance	Beginning Balance
Cost of contract Add: confirmed profits Less: confirmed losses	74,355,345.88	62,230,357.34
Less : Settlement amounts	67,402,527.14	58,020,362.03
Completed without settlement assets from construction contract	6,952,818.74	4,209,995.31

**6.7 Other current asset**

Item	Ending Balance	Beginning Balance
Prepaid expense -- rental	32,079.91	13,000.50
Total	32,079.91	13,000.50

# Notes to the Financial Statements

For the year ended 31 December 2016

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

### 6.8 Available-for-sale financial assets

#### (1) The information of the available-for-sale financial assets

Item	Ending Balance			Beginning Balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available-for-sale equity instrument						
Measured at cost	<b>1,916,154.00</b>		<b>1,916,154.00</b>	1,916,154.00		1,916,154.00
Total	<b>1,916,154.00</b>		<b>1,916,154.00</b>	1,916,154.00		1,916,154.00

Note: As the range of variables on fair value valuation is significant and the directors of the Company believed such fair values were not reliable calculations, such assets were measured at cost after being impaired at the ending balance.

#### (2) The analysis of available-for-sale financial assets

Item	Ending Balance	Beginning Balance
Listed		
Unlisted	<b>1,916,154.00</b>	1,916,154.00
Total	<b>1,916,154.00</b>	1,916,154.00

#### (3) Available-for-sale financial assets measured at cost

Investee	Book Balance				Provision of impairment				Shareholding ratio investee (%)	Cash dividend for current year
	Beginning	Increase during the year	Decrease during the year	Ending	Beginning	Increase during the year	Decrease during the year	Ending		
Shanghai Jiaoda Withub Technological Street Limited	1,500,000.00			1,500,000.00					3.00%	120,000.00
Shanghai Huikang Information Limited (Note 1)	266,154.00			266,154.00					7.02%	
Shanghai United Property Rights Exchange (Note 2)	150,000.00			150,000.00						
Total	1,916,154.00			1,916,154.00						120,000.00

Note 1: At 24 August 2016, the resolution has been adopted by the Board of Directors: using 30 June 2016 as the base date, the Company was to transfer 7.02% equity (investment cost of RMB 400,000) of Shanghai Huikang Information Limited. The Company has been reported to the Ministry of Education in according with the relevant procedures. As at 31 December 2016, the resolution has not yet approved by the Ministry of Education.

Note 2: The Company has acquire the transferable membership of Shanghai United Property Rights Exchange and is allowed to purchase and sell technology. This kind of membership has no open price in the market. Therefore, there is no reliable fair value to be measured on such asset.

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT** (Continued)**6.9 Long-term equity investment****(1) Classification of long-term equity investment**

Item	Ending Balance	Beginning Balance
Under equity method	<b>52,317,000.00</b>	52,317,000.00
Proportion of takeover loss and other comprehensive (deduct received dividend)	<b>-28,701,406.33</b>	-29,384,790.36
Total of long-term equity investment	<b>23,615,593.67</b>	22,932,209.64
Less : Impairment of the long-term equity investment	<b>12,624,000.00</b>	12,624,000.00
Value of long-term equity investment	<b>10,991,593.67</b>	10,308,209.64

Note: As at 31 December 2016, the investment costs, coming from associated companies, include goodwill amounted to RMB 2,699,000.00 (31 December 2015: RMB 2,699,000.00). The related investment value with associated companies has been impaired gradually.

**(2) Long-term equity investment computed under equity method**

Investee	Beginning Balance	Increase/Decrease for the year								Ending Balance	Ending Balance of provision for impairment
		Additional Investment	Reduction of Investment	Investment Gain or Loss recognized under equity method	Other comprehensive income adjustment	Changes in other equity	Announced cash dividends or profit	Provision for impairment	Others		
Under equity method											
Shanghai Jiada Withub Technological Street Limited	255,964.08			1,077,077.34						1,333,041.42	
Shanghai Jiada Technology Park and information technology (Shangrao) Limited	10,000,000.00									10,000,000.00	10,000,000.00
Shanghai Tongchuang Information and technology Limited	7,014,990.39			24,522.09			640,000.00			6,399,512.48	
Shanghai Huigu Duogao Information Engineer Limited	3,037,255.17			221,784.60						3,259,039.77	
Subsidiary holds	22,932,209.64			1,323,384.03			640,000.00			23,615,593.67	12,624,000.00
Union Genesis Limited	2,624,000.00									2,624,000.00	2,624,000.00
Total	22,932,209.64			1,323,384.03			640,000.00			23,615,593.67	12,624,000.00

# Notes to the Financial Statements

For the year ended 31 December 2016

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

### 6.10 Fixed Asset

#### (1) Breakdown of fixed assets

Item	Lease Improvement Project	Transportation Equipment	Office Equipment and others	Total
<b>1. Original book value</b>				
1. Balance as at 31 December 2015	1,555,466.00	1,262,296.30	651,384.04	3,469,146.34
2. Increase for the period		215,313.18	186,720.89	402,034.07
(1) Purchase		215,313.18	186,720.89	402,034.07
3. Decrease for the period		575,721.00	32,767.08	608,488.08
(1) Disposal or scrapped		575,721.00	32,767.08	608,488.08
4. Balance as at 31 December 2016	1,555,466.00	901,888.48	805,337.85	3,262,692.33
<b>2. Accumulated depreciation</b>				
1. Balance as at 31 December 2015	1,555,466.00	649,738.84	408,274.01	2,613,478.85
2. Increase for the period		103,630.87	151,344.07	254,974.94
(1) Depreciation		103,630.87	151,344.07	254,974.94
3. Decrease for the period		195,457.28	31,481.72	226,939.00
(1) Disposal or scrapped		195,457.28	31,481.72	226,939.00
4. Balance as at 31 December 2016	1,555,466.00	557,912.43	528,136.36	2,641,514.79
<b>3. Impairment</b>				
1. Balance as at 31 December 2015				
2. Increase for the period				
3. Decrease for the period				
4. Balance as at 31 December 2016				
<b>4. Net Value</b>				
1. Balance as at 31 December 2015		612,557.46	243,110.03	855,667.49
2. Balance as at 31 December 2016		343,976.05	277,201.49	621,177.54



**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT** (Continued)**6.11 Intangible assets****(1) Breakdown of intangible assets**

Item	Acquired trade name	Development costs	Total
1. Original book value			
1. Beginning Balance	6,000,000.00	3,679,082.63	9,679,082.63
2. Increase for the year			
3. Decrease for the year			
4. Ending Balance	6,000,000.00	3,679,082.63	9,679,082.63
2. Accumulated amortization			
1. Beginning Balance	5,250,000.00	3,679,082.63	8,929,082.63
2. Increase for the year	300,000.00		300,000.00
(1) Amortization	300,000.00		300,000.00
3. Decrease for the year			
4. Ending Balance	5,550,000.00	3,679,082.63	9,229,082.63
3. Impairment provision			
1. Beginning Balance			
2. Increase for the year			
3. Decrease for the year			
4. Ending Balance			
4. Net value			
1. Ending book value	750,000.00		750,000.00
2. Beginning book value	450,000.00		450,000.00

Note 1: Acquired trade name represents an one-off fee paid to Shanghai Jiao Tong University (上海交通大學) for using the name “交大” and the right to engage the Electronic Information Institute of Shanghai Jiao Tong University to provide research and development support on a recovery cost basis. The total fee paid for the above contractual rights is RMB6, 000,000. The contract term is 10 years and is renewable for a further term of 10 years at the discretion of the Company.

Note 2: Development costs represent internally-generated assets relating to the development of an information sharing platform project. Meanwhile, the relevant project was completed in 2014, and the remaining development costs was fully amortised during the year.

Note 3: The above intangible asset has limited useful life. Such intangible asset is amortised on a straight-line basis over the following periods:

Acquired trade name	20 years
Development costs	over the project period

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT** (Continued)**6.12 Deferred tax assets and deferred tax liabilities****(1) Deferred tax assets without taking into consideration**

Item	Ending Balance	Beginning Balance
Deductible temporary differences		
Bad debt provision	<b>4,616,520.42</b>	5,470,163.24
Inventories impairment	<b>452,054.82</b>	815,871.90
Impairment of long-term equity investment	<b>12,624,000.00</b>	12,624,000.00
Deductible loss	<b>23,295,025.46</b>	16,693,338.90
Total	<b>40,987,600.70</b>	35,603,374.04

Note: Due to the uncertainty of acquiring enough taxable income in the near futures, deductible temporary difference and deductible accumulated loss are not recognized as deferred tax assets.

**(2) Deductible loss of unrecognized deferred tax assets expire in following period**

Item	Ending Balance	Beginning Balance
2016 and following years		16,693,338.90
2017 and following years	<b>23,295,025.46</b>	
Total	<b>23,295,025.46</b>	16,693,338.90

**6.13 Trade Payable****(1) Trade payable**

Item	Ending Balance	Beginning Balance
Projects	<b>13,858,254.24</b>	17,965,560.83
Goods	<b>4,975,803.83</b>	8,356,828.12
Total	<b>18,834,058.07</b>	26,322,388.95

**(2) Aged analysis of trade payables**

As at 31 December 2016, the aging analysis based on the invoice date of trade payables presented as follows:

Item	Ending Balance	Beginning Balance
Within 1 year	<b>14,920,318.66</b>	23,452,577.87
More than 1 year	<b>3,913,739.41</b>	2,869,811.08
Total	<b>18,834,058.07</b>	26,322,388.95

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT** (Continued)**6.14 Advanced from customers****(1) Advanced from customers**

Item	Ending Balance	Beginning Balance
Total	<b>12,966,974.50</b>	4,763,564.54
Including : More than 1 year	<b>1,177,884.61</b>	3,240,655.04

Note: The ending balance of advanced from customers increased compared with the beginning balance was mainly due to the increase on the pre-payment of those projects not implemented.

**(2) Significant advanced from customers with aging period more than 1 year**

Company name	Ending Balance	Reasons for not returned or reversed
Guangxia Construction Group Limited Company	<b>555,611.00</b>	Not yet settled
Shanghai Hansikai Indoor Environment Technology Limited Company	<b>592,699.65</b>	Not yet settled
Total	<b>1,148,310.65</b>	

**6.15 Payroll Payable****(1) Classification of payroll payable**

Item	Beginning Balance	Increasing during current year	Decreasing during current year	Ending Balance
Short-term payroll	959,294.51	16,031,149.35	15,668,458.45	1,321,985.41
Post-employment benefits – Defined contribution plan	175,095.57	1,972,918.10	1,963,743.18	184,270.49
Total	1,134,390.08	18,004,067.45	17,632,201.63	1,506,255.90

**(2) Short-term payroll**

Item	Beginning Balance	Increasing during current year	Decreasing during current year	Ending Balance
Wages (including bonuses, allowances and subsidies)	695,360.37	14,367,713.36	14,043,182.42	1,019,891.31
Staff welfare	109,044.58	112,147.63	112,147.63	109,044.58
Social insurance	88,659.63	881,245.00	883,212.45	86,692.18
Including: Medical insurance	75,116.39	776,654.03	781,121.67	70,648.75
Work-related injury insurance	3,611.23	25,627.65	26,015.91	3,222.97
Maternity insurance	9,932.01	78,963.32	76,074.87	12,820.46
Housing fund	66,229.93	646,643.30	609,002.89	103,870.34
Labor union expenditure and employee education fund		23,400.06	20,913.06	2,487.00
Total	959,294.51	16,031,149.35	15,668,458.45	1,321,985.41

# Notes to the Financial Statements

For the year ended 31 December 2016

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

### 6.15 Payroll Payable (Continued)

#### (3) Defined contribution plan

Item	Beginning Balance	Increasing during current year	Decreasing during current year	Ending Balance
Basic pension insurance	163,305.22	1,874,838.55	1,859,847.34	178,296.43
Unemployment insurance	11,790.35	98,079.55	103,895.84	5,974.06
Total	175,095.57	1,972,918.10	1,963,743.18	184,270.49

### 6.16 Tax payable

Item	Ending Balance	Beginning Balance
Value-Added Tax	<b>204,662.17</b>	352,199.79
Business Tax		4,729.70
Individual Income Tax	<b>85,337.51</b>	59,839.42
Urban Construction & Maintenance Tax	<b>12,786.62</b>	32,664.74
Education Surcharge	<b>5,479.98</b>	10,343.71
Local Education Surcharge	<b>3,653.32</b>	6,895.82
Others	<b>1,826.66</b>	18,452.08
Total	<b>313,746.26</b>	485,125.26

### 6.17 Other payables

#### 1) Other payables by nature

Nature	Ending Balance	Beginning Balance
Estimated expenses	<b>626,073.82</b>	578,608.10
Others	<b>2,069,520.88</b>	2,100,056.79
Total	<b>2,695,594.70</b>	2,678,664.89

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT** (Continued)**6.18 Share capital**

The movement of authorized, issued and paid-in share capital are set out as follows. All shares of the Company are the ordinary shares of nominal value of RMB 0.1 each.

Item	Beginning Balance	Changes during the year (+,-)					Ending Balance
		Issue of new shares	Stock dividends	Converted from public reserve	Others	Subtotal	
Total shares	48,000,000.00						48,000,000.00
Domestic shares	34,800,000.00						34,800,000.00
Overseas listed foreign shares	13,200,000.00						13,200,000.00

Note: Domestic shares and H shares are the ordinary shares of the company. However, H share can only subscribed or traded in HKD by legal entity or natural person of Hong Kong, Macau, Taiwan or other countries, except for China, and domestic shares must be subscribed or traded in RMB by legal entity and nature person of China. All dividends of H share should be paid in HKD, and all dividends of domestic shares should be paid in RMB. Besides, all of domestic shares or H shares have equal rights, and declaration of dividends, distribution shares or dividends distribution have the equal status.

**6.19 Capital reserve**

Item	Beginning Balance	Increasing during current year	Decreasing during current year	Ending Balance
Share capital premium	61,068,451.89			61,068,451.89
Other capital reserve	16,000,000.00			16,000,000.00
Total	77,068,451.89			77,068,451.89

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

**6.20 Other Comprehensive Income**

Item	Beginning Balance	Amount for the year					Ending Balance
		Amount before income tax for the current year	Less: Transferred from other comprehensive income of previous year to current profit and loss	Less: Income tax expense	Attributable to parent company after tax	Attributable to minority shareholders after tax	
1. Item that may not be reclassified subsequently to profit and loss							
2. Item that may be reclassified subsequently to profit and loss:	1,267,587.41	306,732.88			306,732.88		1,574,320.29
In which: Foreign currency translation difference	1,267,587.41	306,732.88			306,732.88		1,574,320.29
Total	1,267,587.41	306,732.88			306,732.88		1,574,320.29

# Notes to the Financial Statements

For the year ended 31 December 2016

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

### 6.21 Surplus reserve

Item	Beginning Balance	Increasing during current year	Decreasing during current year	Ending Balance
Statutory surplus reserves	148,641.53			148,641.53
Statutory welfare reserve	74,320.76			74,320.76
Total	222,962.29			222,962.29

### 6.22 Undistributed profits

Item	Current Year	Last Year
Beginning balance for Current Year	<b>-55,199,559.24</b>	-57,818,247.73
Add: Net profit attributable to the parent company for Current Year	<b>-330,947.26</b>	2,618,688.49
Ending balance for Current Year	<b>-55,530,506.50</b>	-55,199,559.24

### 6.23 Minority shareholders' interest

Name of subsidiaries	Percentage of minority shareholders' interests (%)	Ending Balance	Remark
Shanghai Withub Zhirui Hi-Tech Co., Limited	18%	-22,026.33	No operation
Total	18%	-22,026.33	

### 6.24 Net Current Asset

Item	Ending Balance	Beginning Balance
Current asset	<b>93,650,905.86</b>	92,896,101.23
Less : Current Liabilities	<b>36,316,629.43</b>	35,384,133.72
Net Current asset	<b>57,334,276.43</b>	57,511,967.51

### 6.25 Total assets less current liabilities

Item	Ending Balance	Beginning Balance
Total assets	<b>107,629,831.07</b>	106,726,132.36
Less: current liabilities	<b>36,316,629.43</b>	35,384,133.72
Total assets less current liabilities	<b>71,313,201.64</b>	71,341,998.64

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT** (Continued)**6.26 Operating income & Operating cost**

Item	Current Year		Last Year	
	Income	Cost	Income	Cost
Main operation	<b>96,331,629.17</b>	<b>80,177,950.95</b>	111,883,468.76	95,788,799.63
Other operation	<b>616,089.79</b>	<b>616,089.79</b>	295,122.79	295,122.79
Total	<b>96,947,718.96</b>	<b>80,794,040.74</b>	112,178,591.55	96,083,922.42

Note: The income from other operation was mainly the income of rental.

**(1) Income from main operation by category**

Items	Current Year		Last Year	
	Income	Cost	Income	Cost
Computer hardware and software products	<b>56,297,842.53</b>	<b>52,282,929.24</b>	77,635,267.67	71,123,331.64
Commercial application program and software	<b>35,749,610.79</b>	<b>25,914,931.88</b>	30,337,556.71	23,095,488.26
Installation and maintenance of network and data security products	<b>4,284,175.85</b>	<b>1,980,089.83</b>	3,910,644.38	1,569,979.73
Total	<b>96,331,629.17</b>	<b>80,177,950.95</b>	111,883,468.76	95,788,799.63

**6.27 Business tax and surcharge**

Item	Current Year	Last Year
Business Tax	<b>90,845.99</b>	236,694.01
Urban Construction & Maintenance Tax	<b>62,347.12</b>	141,084.09
Education Surcharge	<b>60,517.19</b>	120,929.22
Other	<b>2,334.62</b>	52,796.78
Total	<b>216,044.92</b>	551,504.10

Note: In 3 December, 2016, the Ministry of Finance issued the "Regulations of accounting treatment on VAT" (Cai Kuai (2016) No. 22), applicable to related business from 1 May, 2016. For the business operation period from 1 January to 30 April 2016 as well as the comparable period of the financial statements shall not follow the adjustment.

**6.28 Sales expense**

Item	Current Year	Last Year
Total	<b>5,461,229.16</b>	5,935,342.43
In which: Personnel expenses	<b>3,270,046.12</b>	3,331,429.29
Rental, water and electricity expenses	<b>697,584.68</b>	1,022,485.77
Sales expenses	<b>346,746.55</b>	351,706.88
Sales travelling expenses	<b>231,043.17</b>	269,333.20
Sales office expense	<b>211,659.11</b>	149,791.20
Others	<b>704,149.53</b>	810,596.09

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT** (Continued)**6.29 Administration expenses**

Item	Current Year	Last Year
Total	<b>14,082,281.83</b>	12,129,565.87
In which: Research and development expenditure	<b>4,520,034.04</b>	2,834,202.61
Personnel expenses	<b>6,586,238.92</b>	5,946,076.01
Rental, water and electricity expenses	<b>1,119,487.18</b>	1,210,559.87
Outsourcing service fees	<b>905,906.06</b>	1,051,988.08
Audit Services Fee	<b>360,000.00</b>	368,400.00
Federation Service Fee	<b>204,000.00</b>	204,000.00
Other Service Fee	<b>341,906.06</b>	479,588.08
Amortization and depreciation	<b>436,190.12</b>	513,224.97
Operation expenses	<b>267,496.45</b>	283,663.05
Others	<b>246,929.06</b>	289,851.28

**6.30 Financial expenses****(1) Breakdown of financial expense**

Item	Current Year	Last Year
Bank charge	<b>15,442.59</b>	22,148.57
Less : Interest income	<b>776,109.82</b>	1,229,971.00
Add : Exchange loss	<b>-33.97</b>	-1,019.11
Total	<b>-760,701.20</b>	-1,208,841.54

**(2) Breakdown of interest income**

Item	Current Year	Last Year
Interest income of bank deposit	<b>210,615.28</b>	214,399.84
Interest income accrued at actual interest rates	<b>565,494.54</b>	1,015,571.16
Total	<b>776,109.82</b>	1,229,971.00

**6.31 Assets impairment losses**

Item	Current Year	Last Year
Bad debt loss	<b>-839,542.82</b>	-629,026.55
Inventory impairment loss	<b>154,806.81</b>	224,662.60
Total	<b>-684,736.01</b>	-404,363.95



**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT** (Continued)**6.32 Investment Income**

Item	Current Year	Last Year
Investment income of available for sale financial assets	120,000.00	150,000.00
Disposal of long-term equity investment		1,703,302.00
Long-term equity investment under equity method	1,323,384.03	1,008,662.74
Total	1,443,384.03	2,861,964.74

**6.33 Non-operation Income****(1) Breakdown of non-operating Income**

Item	Current Year	Last Year
Disposal gain of non-current assets	367,766.22	
Including: disposal gain of fixed assets	367,766.22	
Government grants	6,000.00	
VAT return and exemption	77,264.15	536,989.26
Others		183,900.51
Total	451,030.37	720,889.77

**(2) Breakdown of government grants**

Item	Current Year	Last Year
2016 fourth installment grant of scraped old cars	6,000.00	
Total	6,000.00	

**6.34 Non-operating expenses**

Item	Current Year	Last Year
Disposal loss of non-current assets	67,749.08	16,442.08
Including: disposal loss of fixed assets	67,749.08	16,442.08
Others	1,754.72	41,886.81
Total	69,503.80	58,328.89

**6.35 Audit expense**

Audit expense for current year is RMB 381,600 (last year: RMB 381,600)

**6.36 Depreciation and amortization**

The depreciation and amortization recognized in the income statement of current year was RMB 554,974.94. (last year: RMB 578,506.82).

# Notes to the Financial Statements

For the year ended 31 December 2016

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

### 6.37 Operating lease expenses

Operating lease expenses of the current year was RMB 2,204,292.50 (last year: RMB 2,233,045.64), in which the rental expense is RMB 2,204,292.50 (last year: RMB 2,233,045.64).

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

Item	31 December 2016	31 December 2015
Within 1 year	<b>2,204,292.50</b>	2,233,045.64
Between 2-5 years(Including the first year and last year )	<b>3,952,585.00</b>	3,952,585.00
Total	<b>6,156,877.50</b>	6,185,630.64

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

### 6.38 Rental income

The rental income earned during the current year was approximately RMB 616,089.79 (2015: RMB 295,122.79).

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

Item	31 December 2016	31 December 2015
Within 1 year	<b>616,089.79</b>	295,122.79

### 6.39 Earning per share

#### (1) Basic earning per share

Item	Current Year	Last Year
Net consolidated profit attributable to ordinary shareholders of Parent Company	<b>-330,947.26</b>	2,618,688.49
Net consolidated profit after deducting extraordinary items attributable to ordinary shareholders of Parent Company	<b>-2,078,593.71</b>	-368,847.87
Weighted average number of ordinary shares in issue of the Parent Company	<b>480,000,000.00</b>	480,000,000.00
Basic EPS (RMB/share)	<b>-0.0007</b>	0.0055
Basic EPS (RMB/share) (after deducting extraordinary items)	<b>-0.0043</b>	-0.0008

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT** (Continued)**6.39 Earning per share** (Continued)**(1) Basic earning per share** (Continued)

The calculation of the weighted average number of ordinary shares is as follows:

Item	Current Year	Last Year
Numbers of ordinary shares in issue at beginning of the year	<b>480,000,000.00</b>	480,000,000.00
Numbers of ordinary shares in issue at end of the year	<b>480,000,000.00</b>	480,000,000.00

**(2) Diluted EPS**

Item	Current Year	Last Year
Adjusted net consolidated profit attributable to ordinary shareholders of Parent Company	<b>-330,947.26</b>	2,618,688.49
Adjusted net consolidated profit after deducting extraordinary items attributable to ordinary shareholders of Parent Company	<b>-2,078,593.71</b>	-368,847.87
Adjusted weighted average number of ordinary shares in issue of the Company	<b>480,000,000.00</b>	480,000,000.00
Diluted EPS (RMB/share)	<b>-0.0007</b>	0.0055
Diluted EPS (RMB/share) (after deducting extraordinary items)	<b>-0.0043</b>	-0.0008

**6.40 Other Comprehensive Income**

For details, please refer to the "6.20. Other Comprehensive Income" of this Note.

# Notes to the Financial Statements

For the year ended 31 December 2016

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

### 6.41 Items to the cash flow statement

#### (1) Supplemental information for the consolidated cash flow statement

Item	Current Year	Last Year
<b>1. Reconciliation of net profit to cash flows from operating activities :</b>		
Net Profit	<b>-335,529.88</b>	2,615,987.84
Add: Provision for assets impairment	<b>-684,736.01</b>	-404,363.95
Fixed assets depreciation	<b>244,598.62</b>	278,506.82
Intangible assets amortization	<b>300,000.00</b>	300,000.00
Disposal loss on fixed assets and other long-term assets	<b>-300,017.14</b>	16,442.08
Scrapped loss on fixed assets (gain marked as "-")		
Finance costs (gain marked as "-")	<b>-565,528.51</b>	-1,230,941.66
Investment loss (gain marked as "-")	<b>-1,443,384.03</b>	-2,861,964.74
Decrease in Inventories (increase marked as "-")	<b>-1,226,045.95</b>	4,361,873.91
Decrease in operating receivables (increase marked as "-")	<b>-2,134,311.90</b>	2,179,617.47
Increase in operating payables (decrease marked as "-")	<b>807,656.27</b>	3,022,825.59
Others		
Net cash flow from operating activities	<b>-5,337,298.53</b>	8,277,983.36
2. Material investing and financing activities that do not involve cash receipts and payments :		
3. Net changes in cash and cash equivalents :		
Ending balance	<b>27,560,447.94</b>	25,578,899.74
Less: Beginning balance	<b>25,578,899.74</b>	11,157,719.48
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	<b>1,981,548.20</b>	14,421,180.26

#### (2) Cash and Cash Equivalents

Item	Current Year	Last Year
Cash	<b>27,560,447.94</b>	25,578,899.74
Including: Cash on hand	<b>6,548.43</b>	8,793.56
Bank deposit available-for-use	<b>27,560,447.94</b>	25,570,106.18
Cash and cash equivalents balance at the end of the year	<b>27,560,447.94</b>	25,578,899.74
Including: Restricted use on Cash and cash equivalent of parent company and its subsidiaries	<b>4,717,991.85</b>	4,648,516.77

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT** (Continued)**6.42 Assets with restricted ownerships or right to use**

Item	Ending book value	Reasons for restriction
Monetary funds	33,112,884.72	Fixed deposits

**6.43 Foreign Currency Item****(1) Foreign Currency item**

Item	Ending Foreign Currency Balance	Exchange rate	Ending RMB Balance
Monetary funds			
Including : USD	633,984.78	6.9370	4,401,948.04
HKD	316,059.75	0.8945	282,325.96
JPY	545,500.00	0.0596	34,156.74

**(2) Overseas operating entities**

Overseas operating entities	Principal place of business	Reporting Currency	Whether change or not on reporting currency
Jiaoda Withub (Hong Kong) Limited	Hong Kong	HKD	No

**7. INTERESTS IN OTHER ENTITIES****7.1 Interests in subsidiaries****(1) Structure of the Group**

Name of subsidiaries	Business nature	Principal place of operation	Place of registration	Registered/ issued, and fully paid-up capital	Percentage of shareholding (%)		Principal business
					Direct	Indirect	
Jiaoda Withub (Hong Kong) Limited	Private Limited Company	Hong Kong	Hong Kong	HKD 12,000,000	100%		No operation
Shanghai Withub Information and Professional Training School (The school)	Sole Trader	Shanghai	Shanghai	1,000,000	100%		No operation
Shanghai Withub Zhirui Hi-Tech Co., Limited	Private Limited Company (domestic joint ventures)	Shanghai	Shanghai	5,000,000	82%		No operation

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

# Notes to the Financial Statements

For the year ended 31 December 2016

## 7. INTERESTS IN OTHER ENTITIES (Continued)

### 7.2 Interests in joint ventures or associates

#### (1) Significant joint ventures and associates

Name	Business Nature	Place of incorporation / establishment and operation	Business Type	Percentage of shareholding (%)		The investment of joint venture or associates
				Direct	Indirect	
Shanghai Jiaoda Withub Technology Limited	Private limited company	Shanghai	Investment	44.44		16,000,000.00
Shanghai Jiaoda Withub Tongyong Technology Company Limited	Private limited company	Shanghai	Development and sales business solution		31.11	13,866,666.67
Shanghai Jiaoda Science & Technology Park Information Technology (Shangrao) Company Limited	Private limited company	Jiangxi/ Shangrao	No operation	40.00		10,000,000.00
Shanghai Tong Tron Information Technology Company Limited ("Shanghai Tong Tron")	Private limited company	Shanghai	Development and sales business solution & computer accessories	43.24		3,200,000.00
Shanghai Withub Duogao Information Construction Company Limited	Private limited company	Shanghai	Design and installation Intelligent Home System	34.00		1,909,500.00
Union Genesis Limited	Private limited company	British Virgin Island	Investment		45.00	21,207,604.00
C-NOVA Microsystems Limited	Private limited company	Hong Kong	Design, produce and sales on electronics hardware and software		45.00	913,180.20
C-NOVA Microsystems (Shanghai) Limited	Private limited company	Shanghai	Design, produce and sales on electronics hardware and software		45.00	6,529,830.80

#### (2) Main financial information of significant associates

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

Item	Ending Balance	Beginning Balance
Current assets	<b>38,384,894.11</b>	20,865,777.38
Non-current assets	<b>106,475.02</b>	287,582.38
Total assets	<b>38,491,369.13</b>	21,153,359.76
Current liabilities	<b>33,449,950.72</b>	19,629,947.17
Non-current liabilities		
Total liabilities	<b>33,449,950.72</b>	19,629,947.17
Minority shareholders' equity	<b>2,041,775.24</b>	947,435.81
Attributable to the parent company shareholders' equity	<b>2,999,643.17</b>	575,976.78
Net asset calculated by proportion of shareholding	<b>1,333,041.42</b>	255,964.08
Adjustment		
- Goodwill		
- Unrealized profit of internal trading		
- Others		
Book value of joint venture equity investment	<b>1,333,041.42</b>	255,964.08
Operation income	<b>30,589,747.72</b>	27,282,679.19
Net Profits	<b>2,423,666.39</b>	-523,375.12
Others comprehensive income		
Total comprehensive income	<b>2,423,666.39</b>	-523,375.12
Dividends from the joint venture in Current Year		

**7. INTERESTS IN OTHER ENTITIES** (Continued)**7.2 Interests in joint ventures or associates** (Continued)**(2) Main financial information of significant associates** (Continued)

Shangrao

Item	Ending Balance	Beginning Balance
Current assets	<b>1,845,655.86</b>	1,845,655.86
Non-current assets	<b>14,978.00</b>	10,978.00
Total assets	<b>1,860,633.86</b>	1,856,633.86
Current liabilities	<b>14,000.00</b>	10,000.00
Non-current liabilities		
Total liabilities	<b>14,000.00</b>	10,000.00
Minority shareholders' equity		
Attributable to the parent company shareholders' equity	<b>1,846,633.86</b>	1,846,633.86
Net asset calculated by proportion of shareholding		
Adjustment		
--Goodwill		
--Unrealized profit of internal trading		
--Others		
Book value of joint venture equity investment	<b>0.00</b>	0.00
Operation income		
Net Profits		
Others comprehensive income		
Total comprehensive income		
Dividends from the joint venture in Current Year		

Note: As at 31 December 2016 and 31 December 2015, the Company's interest in Shangrao was fully impaired and never recognized further losses any more.

# Notes to the Financial Statements

For the year ended 31 December 2016

## 7. INTERESTS IN OTHER ENTITIES (Continued)

### 7.2 Interests in joint ventures or associates (Continued)

#### (2) Main financial information of significant associates (Continued)

Shanghai Jiaoda Withub Tongyong Technology Company Limited

Item	Ending Balance	Beginning Balance
Current assets	<b>15,541,109.12</b>	18,631,636.44
Non-current assets	<b>129,170.66</b>	114,861.07
Total assets	<b>15,670,279.78</b>	18,746,497.51
Current liabilities	<b>870,186.17</b>	2,523,115.49
Non-current liabilities		
Total liabilities	<b>870,186.17</b>	2,523,115.49
Minority shareholders' equity		
Attributable to the parent company shareholders' equity	<b>14,800,093.61</b>	16,223,382.02
Net asset calculated by proportion of shareholding	<b>6,399,560.48</b>	7,014,990.39
Adjustment		
--Goodwill		
--Unrealized profit of internal trading		
--Others		
Book value of joint venture equity investment	<b>6,399,560.48</b>	7,014,990.39
Operation income	<b>32,719,814.70</b>	40,598,285.74
Net Profits	<b>56,711.59</b>	2,315,953.92
Others comprehensive income		
Total comprehensive income	<b>56,711.59</b>	2,315,953.92
Dividends from the joint venture in Current Year		



**7. INTERESTS IN OTHER ENTITIES** (Continued)**7.2 Interests in joint ventures or associates** (Continued)**(2) Main financial information of significant associates** (Continued)

Shanghai Withub Duogao Information Construction Company Limited

Item	Ending Balance	Beginning Balance
Current assets	<b>37,985,159.23</b>	27,629,211.86
Non-current assets	<b>827,808.20</b>	863,336.52
Total assets	<b>38,812,967.43</b>	28,492,548.38
Current liabilities	<b>29,448,144.60</b>	19,780,033.19
Non-current liabilities		
Total liabilities	<b>29,448,144.60</b>	19,780,033.19
Minority shareholders' equity		
Attributable to the parent company shareholders' equity	<b>9,364,822.83</b>	8,712,515.19
Net asset calculated by proportion of shareholding	<b>3,184,039.76</b>	2,962,255.16
Adjustment		
--Goodwill	<b>75,000.00</b>	75,000.00
--Unrealized profit of internal trading		
--Others		
Book value of joint venture equity investment	<b>3,259,039.76</b>	3,037,255.17
Operation income	<b>74,449,959.24</b>	52,797,428.43
Net Profits	<b>652,307.64</b>	705,388.70
Others comprehensive income		
Total comprehensive income	<b>652,307.64</b>	705,388.70
Dividends from the joint venture in Current Year		

# Notes to the Financial Statements

For the year ended 31 December 2016

## 7. INTERESTS IN OTHER ENTITIES (Continued)

### 7.2 Interests in joint ventures or associates (Continued)

#### (2) Main financial information of significant associates (Continued)

Union Genesis Limited and other subsidiaries (C-NOVA Microsystems Limited、C-NOVA Microsystems (Shanghai) Limited)

Item	Ending Balance	Beginning Balance
Current assets	<b>37,817,005.54</b>	36,626,829.12
Non-current assets	<b>1,033,947.73</b>	978,850.85
Total assets	<b>38,850,953.27</b>	37,605,679.97
Current liabilities	<b>73,950,310.76</b>	71,041,082.24
Non-current liabilities		
Total liabilities	<b>73,950,310.76</b>	71,041,082.24
Minority shareholders' equity		
Attributable to the parent company shareholders' equity	<b>-35,099,357.49</b>	-33,435,402.27
Net asset calculated by proportion of shareholding		
Adjustment		
-Goodwill	<b>2,624,000.00</b>	2,624,000.00
-Unrealized profit of internal trading		
-Others		
Book value of joint venture equity investment	<b>0.00</b>	0.00
Operation income	<b>550,801.78</b>	1,127,658.45
Net Profits	<b>-91,492.76</b>	-197,688.05
Others comprehensive income		316,496.02
Total comprehensive income	<b>-91,492.76</b>	118,807.97
Dividends from the joint venture in Current Year		

Notes: As at 31 December 2016 and 31 December 2015, the company's share of the UGL group's accumulated losses exceed the company's interests in the UGL group, so the company's interest in Shangrao was fully impaired and never recognized further losses any more.

#### (3) An excess of loss in joint ventures or associates

Name of joint ventures or associates	Unconfirmed-accumulated losses of previous year	Unconfirmed-losses of current year	Unconfirmed-accumulated losses at 31 Dec. 2015
Total	40,880,206.30	41,171.74	40,921,378.04

## 8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's major financial instruments include trade receivables, available-for-sale investment, trade payables, etc. Details of the financial instruments are disclosed in notes 6. The risks associated with these financial instruments and 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.

### 8.1 Financial risk management objectives and policies

The objectives of the company's risk management is to balance the risk and income, reduce the negative risk impact of operating performance to the lowest level, maximize the interests of shareholders and other equity investors. Based on these objectives, the basic strategy of risk management is to ensure and analyse various risks faced by the Company, establish appropriate risk tolerance level and manage risks, as well as monitor all risks in a timely and reliable manner, and control risks in a limited range.

#### (1) Market risks

##### 1) Exchange risks

The Company's foreign exchange exposure is mainly related to HKD. Except for the operation conducted by the Company's subsidiaries settled in HKD and USD, other main business operations are settled in RMB. As of 31 December 2015, except for assets and liabilities with balances in HKD and USD balances depicted as below, all other assets and liabilities of the Company are denominated in RMB. The exchange rate risk arisen from those foreign currency assets and liabilities may affect the results of operation of the Company.

Item	31 December 2016	31 December 2015
Monetary funds — USD	4,401,948.04	4,449,591.25
Monetary funds — HKD	282,325.96	169,536.93
Monetary funds — JPY	34,156.74	29,388.59

The Company has paid close attention to the influence generated from exchange rate changes.

##### 2) Interest rate risks

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

The Company's cash flow interest rate is mainly concentrated on the fluctuation of prevailing market rates arising from the Company's bank balances denominated in RMB base deposit rate stipulated by the People's Bank of China arising from the Company's bank balances denominated in RMB. At 31 December 2016, the balance of non-term deposit is RMB27,553,899.51 (2015: RMB 25,570,106.18), and the balance of term deposit is RMB 33,112,884.72 (2015: RMB 37,305,291.48).

## 8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 8.1 Financial risk management objectives and policies (Continued)

#### (1) **Market risks** (Continued)

##### 3) *Price risks*

The Company conducted the sales of computer, IT related products and accessories, provides business application, development, installation and maintenance network, data security products business, and other services. Therefore, it may be impacted by the fluctuations in such prices.

#### (2) **Credit risk**

As at 31 December 2016, the Company's potential maximum exposure to credit risk is mainly because of the counter-parties' failure to perform their obligations leading to losses on financial assets of the Company and the financial burden assumed by the Company, including:

Book values of financial assets which have been recognized in the consolidated balance sheet; as for the financial instruments measured at fair value, the book value reflects their exposures to risks, but not the maximum exposure to risks which shall vary following the changes in fair value occurs.

To reduce credit risk, a team, responsible for confirming credit limitations, reviewing paper work related to credit, and executing supervisory procedures, has been built up within the Company in order to ensure that necessary measures have been taken to retrieve expired claims. In addition, the Company reviews the recoverability of each single receivable at each balance sheet date, ensuring sufficient bad-debt provisions have been made for unrecoverable amounts. Therefore, the Management reckons that credit risks exposure of the Company have been reduced significantly.

The liquidities of the Company are deposited in banks with high credit rating, thus the credit risk of liquidities is relatively low.

The Company has adopted necessary policies to ensure that all clients have good credit history. The Company has no significant concentration risk of credit except for that arising from the top 5 of accounts receivable.

The total amount for the top 5 of accounts receivable is RMB6,838,398.91.

**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (Continued)**8.1 Financial risk management objectives and policies** (Continued)**(3) Liquidity risk**

Liquidity risk refers to the risk that the Company could not engage the financial obligations at the maturity date. The method of the Company to manage liquidity risk is to ensure adequate cash flows to perform obligations at maturity, so that not to cause any unacceptable losses or damages of the Company reputation. The analysis of liabilities structure and durations would be made periodically to ensure the cash is adequate.

The analysis of financial assets and financial liabilities held by the Company is analyzed as below, in terms of the maturity of undiscounted remaining contractual obligations:

31 December 2016 :

Item	Within 1 year	1-2 years	2-3 years	3 years or above	Total
Financial assets					
Monetary funds	27,560,447.94	20,810,848.83	12,302,035.89		60,673,332.66
Accounts receivable	12,367,797.05	2,318,170.92	1,499,679.11	4,487,318.73	20,672,965.81
Other receivable	4,070,712.92	2,645,137.54		1,255.13	6,717,105.59
Prepayments	492,124.50	46,668.48	56,000.00	10,565.04	605,358.02
Financial liabilities					
Trade payable	14,920,318.66	1,423,582.33	1,210,305.00	1,279,852.08	18,834,058.07
Advanced from customers	11,789,089.89	1,177,884.61			12,966,974.50
Other payable	1,490,684.75	999,783.70		205,126.25	2,695,594.70
Tax payable	313,746.26				313,746.26
Payroll payable	1,506,255.90				1,506,255.90

**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (Continued)**8.2 Sensitivity analysis**

The Company adopted sensitivity analysis of reasonableness and the probable change effect of risk variables on equity or profit or loss. Since risk variables rarely change in isolation, the correlation between the variables can bring significant influence to the financial statement. The following sensitivity analysis is assumed the risk variable is independently carried out.

**(1) Sensitivity analysis of exchange rate risks**

The reasonable movements of exchange rate with all other variables unchanged may have the following impact on the profit or loss and equities for the current period (after tax):

Item	Exchange rate change	2016		2015	
		Effect on net profit	Effect on owner's equity	Effect on net profit	Effect on owner's equity
All the Foreign currency	5% appreciation of RMB	-160.07	-387,543.48	-125.92	-362,808.70
	5% depreciation of RMB	160.07	387,543.48	125.92	362,808.70

**(2) Sensitivity analysis of interest rate risks**

The reasonable movements of interest rate with all other variables unchanged may have the following impact on the profit or loss and equities for the current period (after tax):

Item	Interest rate change	2016		2015	
		Effect on net profit	Effect on owner's equity	Effect on net profit	Effect on owner's equity
Deposit	Increase 1%	8,723.86	8,723.86	-46,485.17	-46,485.17
	Decrease 1%	-8,723.86	-8,723.86	46,485.17	46,485.17

**9. RELATED PARTY TRANSACTIONS****9.1 Related party relationships****(1) Subsidiaries**

For details of subsidiaries, please refer to this notes 7.1.(1) Structure of the Group.

**(2) Joint ventures and associates**

For related information in respect of significant joint ventures and associates of the Company, please refer to this notes 8.2. (1). Joint ventures and associates which have related party transactions with the Company during the year or have related party balance with the Company resulted from related party transaction in prior years are listed as follows:

**9. RELATED PARTY TRANSACTIONS** (Continued)**9.1 Related party relationships** (Continued)**2) Joint ventures and associates** (Continued)

Name of joint ventures or associates	Relationship with the Company
Shanghai Withub Duogao Information Construction Company Limited* ("Duogao")	34% of its equity shares were directly held by the Company
Shanghai Tong Tron Information Technology Company Limited ("Shanghai Tong Tron*") ("Shanghai Tong Tron**")	43.24% of its equity shares were directly held by the Company
Shanghai Jiaoda Science & Technology Park Information Technology (Shangrao) Company Limited* ("Shangrao")	40% of its equity shares were directly held by the Company
Shanghai Jiaoda Withub Technology Company Limited ("Withub Technology*")	44.44% of its equity shares were directly held by the Company
Shanghai Jiaoda Withub Tong Yong Technology Company Limited ("Tong Yong") ("Tong Yong")	31.11% of its equity shares were directly held by the Company
Shanghai Huikang Information Technology Company Limited	7.02% of its equity shares were directly held by the Company

**(3) Other related parties**

Relationship with the company	Name of related parties	Description
Controlling shareholders	Shanghai Jiao Tong University	The lease of house

**9.2 Related party transaction****(1) Related transactions of services**

Name	Current Year		Last Year	
	Amounts	Percentage of transaction	Amounts	Percentage of transaction
Shanghai Withub Duogao Information Construction Company Limited* ("Duogao")	2,075,953.51	2.16%	546,900.00	0.49%
Shanghai Jiaoda Withub Tong Yong Technology Company Limited ("Tong Yong") ("Tong Yong")	295,122.79	0.30%	295,122.79	0.26%
Shanghai Huikang Information Technology Company Limited	764,150.94	0.79%		
Total	3,135,227.24	3.25%	842,022.79	0.75%

Notes: These transactions above were conducted in accordance with the terms of contracts entered into between the Company and the related parties in the normal business operation.

# Notes to the Financial Statements

For the year ended 31 December 2016

## 9. RELATED PARTY TRANSACTIONS (Continued)

### 9.2 Related party transaction (Continued)

#### (2) Related party leasing information

##### 1) Leasing information

Lessor	Lessee	Type of leasing property	Current Year confirmed lease income	Last Year confirmed lease income
The company	Shanghai Jiaoda Withub Tong Yong Technology Company Limited ("Tong Yong")	House	295,122.79	295,122.79

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

Period	31 December 2016	31 December 2015
Within 1 year	203,753.44	203,753.44

##### 2) Rental description

Lessor	Lessee	Type of leasing property	Current Year confirmed lease income	Last Year confirmed lease income
Shanghai Jiao Tong University	The company	House	1,976,292.50	1,976,292.50

At the end of the reporting period, the Company had commitments for future minimum lease payments under non-cancellable operating leases to Shanghai Jiao Tong University as follows:

Item	31 December 2016	31 December 2015
Within 1 year	1,976,292.50	1,976,292.50
2-5years (including the first year and last year)	3,952,585.00	3,952,585.00
Total	5,928,877.50	5,928,877.50



**9. RELATED PARTY TRANSACTIONS** (Continued)**9.2 Related party transaction****(3) Remuneration of key management staff**1) *Directors and supervisors' remuneration*

There is no key management staff give up or agreed to give up their remuneration in current year and last year.

There's no motivated monetary funds provided for board members joining or upon-joining the Company, and there's no compensation provided for board members resigning for giving up the positions.

Remuneration paid to the directors and other members of key management during the year was as follows:

Name	Fees	Salaries and allowance	Contributions to retirement benefit plan	Total
Independent non-executive directors				
Ms. Ni Jing	100,000.00			100,000.00
Dr. Zeng Yuancang	100,000.00			100,000.00
Mr. Yuan Shumin	100,000.00			100,000.00
Subtotal	300,000.00	-	-	300,000.00
Executive directors				
Mr. Chen Xin (resigned on 7 July 2016)				
Mr. Zhou Re Qing (appointed on 7 July 2016)				
Mr. Shuai Ge				
Mr. Liu Wenyu				
Mr. Shang Ling		844,200.00	116,350.24	960,550.24
Mr. Shen Zhimin				
Mr. Zhu Kaiyong				
Subtotal		844,200.00	116,350.24	960,550.24
Directors Total	300,000.00	844,200.00	116,350.24	1,260,550.24
Supervisors				
Ms. Qin Yan		124,500.00	44,970.75	169,470.75
Mr. Yao Benqiang (resigned on 7 July 2016)				
Mr. Rong Yinsheng (appointed on 7 July 2016)				
Mr. Yu Jiming				
Ms. Dong Beihua				
Mr. Gu Wei		184,326.00	67,559.25	251,885.25
Supervisors Total		308,826.00	112,530.00	421,356.00

Notes: Mr. Shang Ling is also the chief executive of the Company, and his salary disclosed above include those remuneration as of the chief executive.

# Notes to the Financial Statements

For the year ended 31 December 2016

## 9. RELATED PARTY TRANSACTIONS (Continued)

### 9.2 Related party transaction (Continued)

#### (3) Remuneration of key management staff (Continued)

##### 1) Directors and supervisors' remuneration (Continued)

Remuneration paid to the directors and other members of key management in last year was as follows:

Name	Fees	Salaries and allowance	Contributions to retirement benefit plan	Total
Independent non-executive directors				
Dr. Zeng Guoqi (resigned on 7th July)	40,000.00			40,000.00
Ms. Ni Jing (Appointed at 7th July)				
Dr. Zeng Yuancang	40,000.00			40,000.00
Mr. Yuan Shumin	40,000.00			40,000.00
Subtotal	120,000.00			120,000.00
Executive directors				
Mr. Mo Zhenxi (resigned on 7th July)				
Mr. Wu Hanguo (resigned on 7th July)				
Mr. Chen Xin (Appointed on 7th July)				
Mr. Shuai Ge (Appointed on 7th July)				
Mr. Liu Wenyu				
Mr. Shang Ling		354,800.00	80,596.20	435,396.20
Mr. Shen Zhimin				
Mr. Zhu Kaiyong				
Subtotal		354,800.00	80,596.20	435,396.20
Directors Total	120,000.00	354,800.00	80,596.20	555,396.20
Supervisors				
Ms. Qin Yan		124,800.00	40,459.50	165,259.50
Mr. Yao Benqiang				
Mr. Yu Jiming				
Ms. Dong Beihua				
Mr. Gu Wei		184,800.00	55,810.50	240,610.50
Supervisors Total		309,600.00	96,270.00	405,870.00

Notes: Mr. Shang Ling is also the chief executive of the Company, and his salary disclosed above include those remuneration as of the chief executive.

##### 2) Top 5 paid employees

Current year, the top 5 paid employees during the year included one (2015: one) directors (details refer to this note 9.3.(1)) and four (2015: four) chief executives as follows:

Item	Current Year	Last Year
Salaries and allowances	1,146,100.00	974,050.00
Retirement compensation	213,590.75	122,136.60
Annual Bonus	1,088,000.00	
Total	2,447,690.75	1,096,186.60

**9. RELATED PARTY TRANSACTIONS** (Continued)**9.2 Related party transaction** (Continued)**(3) Remuneration of key management staff** (Continued)2) *Top 5 paid employees* (Continued)

Highest emoluments within the following groups (per capita)

Item	Current Year	Last Year
Nil to RMB 1,000,000	4	4

There's no motivated monetary funds provided for any 5 staff with highest emoluments joining or upon-joining the Company, and there's no compensation provided for them resigning for giving up the positions.

**9.3 Account balance between related parties****(1) Receivable items of related parties**

Item	Related parties	Ending Balance		Beginning Balance	
		Book Balance	Bad debt provision	Book Balance	Bad debt provision
Account Receivables	Shanghai Withub Duogao Information Construction Company Limited* ("Duogao")	155,330.40		546,900.00	
	Subtotal	155,330.40		546,900.00	
Others Receivables	Shanghai Withub Duogao Information Construction Company Limited* ("Duogao")	243,879.30		139,929.30	
	Subtotal	243,879.30		139,929.30	

**(2) Other payables of related parties**

Item	Related parties	Ending Balance	Beginning Balance
Others payables	Shanghai Jiaoda Withub Tong Yong Technology Company Limited ("Tong Yong") ("Tong Yong")	50,000.00	42,800.00
	Shanghai Huikang Information Techonology Company Limited	542,215.00	542,215.00
	Shanghai Jiao Tong University	376,436.90	176,436.70
	Total	968,651.90	761,451.70

**10. CONTINGENT EVENTS**

There is no significant contingent events as at 31 December 2016.

## 11. COMMITMENTS

### 1.1 Significant commitments

- (1) Signed or executed lease contracts currently being executed or to be executed and financial impact.

For details, please refer to this note 6.38 and 6.39.

- (2) Except for the commitment above, there is no other significant commitments within the Company as at 31 December 2016

## 12. POST BALANCE SHEET EVENTS

### 12.1 Information about profit distribution

Item	Content
Profits or dividends proposed to distribute	According to the resolution of the board of directors of the Company on 21 March 2017: recommend not to distribute dividends as at 31 December 2016
Profits or dividends approved to declare to pay after consideration	None

### 12.2 Sales Return

There were no significant sales return occurred subsequent to the balance sheet date.

### 12.3 Besides the above subsequent events disclosed, the Company had no other subsequent event.

According to the internal organizational structure, management requirement and internal reporting system of the Company, the business operation is classified into 2 reporting segments, business application project (development and provision of business application project service, including business solution, application software, installation and maintenance and data security products) and sales products (sales and distribution computers and electronic products and accessories). These reporting segments have been laid down in the internal organization structure, management requirements and internal reporting system. The management of the Company will evaluate the operating results of these report segments to determine the distribution of resources and evaluation on its results.

By segment information is exposed in accordance with the accounting policy and standards for measurement. Such basis of measurement remains the same as the accounting policy and standards for measurement when preparing the financial statements.

**13. OTHER SIGNIFICANT EVENTS** (Continued)**13.1 Segment information** (Continued)**Reporting segments for 2016**

Item	Business application project and application software	Sales Products	Undistributed portion	Offset	Total
Operating Income	40,033,786.64	56,297,842.53			96,331,629.17
Including: Income from external transactions	40,033,786.64	56,297,842.53			96,331,629.17
Income from inter-segment transactions					
Operating costs	27,895,021.71	52,282,929.24			80,177,950.95
Dividend of associations			1,323,384.03		1,323,384.03
Interest income			776,109.82		776,109.82
Undistributed income			1,255,766.38		1,255,766.38
Period expenses			19,543,510.99		19,543,510.99
Undistributed other expenses			300,957.34		300,957.34
Segments' total profits (total loss)	12,138,764.93	4,014,913.29	-16,489,208.10		-335,529.88
Total assets	15,353,556.64	11,010,016.80			26,363,573.44
Equity of associates			10,991,593.67		10,991,593.67
Available-for-sale investment			1,916,154.00		1,916,154.00
Unallocated corporate assets			68,358,509.96		68,358,509.96
Total liabilities	26,060,881.45	5,375,803.83			5,375,803.83
Undistributed liabilities			4,879,944.15		4,879,944.15
Supplementary information					-
Capital expenditure					-
Impairment loss recognized for the period					-
Including : Impairment loss of account receivable		411,375.74			411,375.74
Reversal of impairment loss recognised on account receivables		1,265,018.56			1,265,018.56
Inventory impairment		154,806.81			154,806.81
Reversal of impairment loss recognised on inventory		-518,623.89			-518,623.89
Depreciation and amortisation expenses	544,598.62				544,598.62

# Notes to the Financial Statements

For the year ended 31 December 2016

## 13. OTHER SIGNIFICANT EVENTS (Continued)

### 13.1 Segment information (Continued)

2015 (last year) Report:

Item	Business application project and application software	Sales Products	Undistributed portion	Offset	Total
Operating Income	34,248,201.09	77,635,267.67			111,883,468.76
Including: Income from external transactions	34,248,201.09	77,635,267.67			111,883,468.76
Income from inter-segment transactions					
Operating costs	24,665,468.03	71,123,331.64			95,788,799.63
Dividend of associations			1,008,662.74		1,008,662.74
Interest income			1,229,971.00		1,229,971.00
Undistributed income			2,574,191.77		2,574,191.77
Period expenses			18,064,908.30		18,064,908.30
Undistributed other expenses			226,598.46		226,598.46
Subsidiaries' total profits (total loss)	9,582,733.06	6,511,936.03	-13,478,681.25		2,615,987.84
Total assets	21,336,799.54	12,726,423.86			34,063,223.40
Equity of associates			10,308,209.64		10,308,209.64
Available-for-sale investment			1,916,154.00		1,916,154.00
Unallocated corporate assets			60,438,545.32		60,438,545.32
Total liabilities	21,899,667.81	9,881,646.05			31,781,313.86
Undistributed liabilities			3,602,819.86		3,602,819.86
supplementary information					
Capital expenditure	188,073.10				188,073.10
Impairment loss recognized for the period					
Including : Impairment loss of account receivable		95,973.45			95,973.45
Reversal of impairment loss recognised on account receivables		725,000.00			725,000.00
Inventory impairment		224,662.60			224,662.60
Reversal of impairment loss recognised on inventory		-828,074.66			-828,074.66
Depreciation and amortisation expenses	578,506.82				578,506.82

**13. OTHER SIGNIFICANT EVENTS** (Continued)**13.1 Segment information** (Continued)**Geographical information**

All of the Company's income was generated from customers in the PRC as at 31 December 2016 and 31 December 2015, and all of the Company's assets were located in the PRC. Therefore, no geographical segment information is presented.

**Information about major customers**

There is no customer with whom the Company's transactions has exceeded 10% of total income during the year 2016 and 2015.

**14. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY****14.1 Cash and Cash equivalents**

Item	Ending Balance	Beginning Balance
Cash	6,548.43	8,793.56
Cash at bank	55,948,792.38	58,226,664.29
Total	55,955,340.81	58,235,457.85

Note: Among the cash at bank, there are RMB 33,112,884.72 was fixed term deposit, and RMB 17,717,776.13 was seven-day call deposit (2015: RMB 33,112,884.72 fixed term deposit; RMB 17,717,776.13 seven-day call deposit)

**14.2 Other receivables****(1) Classification of other receivables**

Item	Ending Balance					Beginning Balance				
	Book Balance		Bad debt provision		Book value	Book Balance		Bad debt provision		Book value
	Amounts	Ratio%	Amounts	Ratio%		Amounts	Ratio%	Amounts	Ratio%	
Accounts receivable that are individually significant and are provided for bad debts on individual basis										
Accounts receivable that are provided for bad debts by portfolio of credit risk characteristics	21,587,378.22	100.00	15,466,823.46	71.65	6,120,554.76	21,990,038.63	100.00	15,700,879.96	71.40	6,289,158.67
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis										
Total	21,587,378.22	100.00	15,466,823.46	71.65	6,120,554.76	21,990,038.63	100.00	15,700,879.96	71.40	6,289,158.67

# Notes to the Financial Statements

For the year ended 31 December 2016

## 14. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

### 14.2 Other receivables (Continued)

#### (1) Classification of other receivables (Continued)

1) Accounts receivable in portfolio of which provision was made by using ageing analysis method:

Aging	Ending Balance		
	Other receivables	Bad debt provision	Ratio(%)
More than 1 year	15,466,823.46	15,466,823.46	100.00
Total	15,466,823.46	15,466,823.46	100.00

Aging	Beginning Balance		
	Other receivables	Bad debt provision	Ratio(%)
Within 1 year	351,046.00		
More than 1 year	15,700,879.96	15,700,879.96	100
Total	16,051,925.96	15,700,879.96	

2) Accounts receivable in portfolio of which provision was made by using other method:

Nature	Ending Balance	Beginning Balance
Bid bond and performance bond	2,723,803.59	2,506,448.69
Guaranteed recovery	2,787,706.01	3,149,269.68
Petty cash, deposit	365,165.86	142,465.00
Related party with normal transactions	243,879.30	139,929.30
Total	6,120,554.76	5,938,112.67

#### (2) Movement of bad debt provision

Aging	Ending Balance	Beginning Balance
At 1 January	15,700,879.96	16,536,422.77
Addition		
Deduction	234,056.50	835,542.81
At 31 December	15,466,823.46	15,700,879.96

#### (3) Other receivables by nature

Nature	Ending Balance	Beginning Balance
Related parties	15,115,407.06	15,445,513.56
Bond, petty cash, deposit	3,088,969.45	2,648,913.69
Current accounts	3,383,001.71	3,895,611.38
Total	21,587,378.22	21,990,038.63



**14. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY**

(Continued)

**14.2 Other receivables** (Continued)**(4) The top 5 other receivables:**

Company names	Nature	Ending Balance	Aging	Percentage of ending balance (%)	Ending Balance of bad debt provision
No.1	Current accounts	10,911,514.61	More than 1 year	50.55	10,911,514.61
No.2	Current accounts	3,960,013.15	More than 1 year	18.34	3,960,013.15
No.3	Current accounts	1,092,770.33	Within 1 year	5.06	
No.4	Current accounts	1,009,231.04	Within 1 year	4.68	
No.5	Current accounts	920,270.90	Within 1 year	4.26	
<b>Total</b>		<b>17,893,800.03</b>		<b>82.89</b>	

**14.3 Available-for-sale financial assets****(1) Information of available-for-sale financial assets**

Item	Ending Balance			Beginning Balance		
	Book Balance	Provision for impairment	Book value	Book Balance	Provision for impairment	Book value
Available-for-sale equity instrument						
Measured at cost	<b>1,916,154.00</b>		<b>1,916,154.00</b>	2,416,154.00		1,916,154.00
Total	<b>1,916,154.00</b>		<b>1,916,154.00</b>	2,416,154.00		1,916,154.00

**(2) Analysis of available-for-sale financial assets as follow:**

Item	Ending Balance	Beginning Balance
Listing		
Unlisted	<b>1,916,154.00</b>	1,916,154.00
Total	<b>1,916,154.00</b>	1,916,154.00

# Notes to the Financial Statements

For the year ended 31 December 2016

## 14. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

### 14.3 Available-for-sale financial assets (Continued)

#### (3) Available-for-sale financial assets measured at cost at the end of the year

Investee	Book Balance			Provision for Impairment				Shareholding ratio investee (%)	Cash dividend for this year	
	Beginning	Increase during the year	Decrease during the year	Ending	Beginning	Increase during the year	Decrease during the year			Ending
Shanghai Jiaoda Withub Technological Street Limited	1,500,000.00			1,500,000.00					3.00%	120,000.00
Shanghai Huikang Information Limited (Note1)	266,154.00			266,154.00					7.02%	
Shanghai Technology Property Exchange (Note 2)	150,000.00			150,000.00						
Total	1,916,154.00			1,916,154.00						120,000.00

Note 1: At 24 August 2016, the resolution has been adopted by the Board of Directors: using 30 June 2016 as the base date, the Company was to transfer 7.02% equity of Shanghai Huikang Information Limited. The Company has been reported to the Ministry of Education in according with the relevant procedures. As at 31 December 2016, the resolution has not yet approved by the Ministry of Education.

Note 2: The Company has acquire the transferable membership of Shanghai Technology and Property Exchange and is allowed to purchase and sell technology. This kind of membership has no open price in the market. Therefore, there is no reliable measurement for assets fair value.

### 14.4 Long-term equity investment

#### (1) Classification of long-term equity investment

Item	Ending Balance			Beginning Balance		
	Book Balance	Provision for impairment	Book value	Book Balance	Provision for impairment	Book value
Investment in subsidiaries	17,869,200.00	17,869,200.00		17,869,200.00	17,869,200.00	
Investment in joint ventures and associates	20,991,593.67	10,000,000.00	10,991,593.67	20,308,209.64	10,000,000.00	10,308,209.63
Total	38,860,793.67	27,869,200.00	10,991,593.67	38,177,409.64	27,869,200.00	10,308,209.63

#### (2) Investment in subsidiaries

Investee	Beginning Balance	Increase	Decrease	Ending Balance	Provision for impairment	Ending balance of provision for impairment
Jiaoda Withub (Hong Kong) Limited	12,769,200.00				12,769,200.00	12,769,200.00
Shanghai Withub Information and Professional Training School (the "School")	1,000,000.00				1,000,000.00	1,000,000.00
Shanghai Withub Zhirui Hi-Tech Co., Limited	4,100,000.00				4,100,000.00	4,100,000.00
Subtotal	17,869,200.00				17,869,200.00	17,869,200.00

**14. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY**

(Continued)

**14.4 Long-term equity investment (Continued)****(3) Investment in associates**

Investee	Beginning Balance	Increase/Decrease for the year								Ending Balance	Ending balance of provision for impairment
		Additional investment	Reduction of investment	Investment gain or loss recognized under equity method	Other comprehensive income adjustment	Changes in other equity	Announced cash dividend or profit	Provision for impairment	Others		
Under equity method											
Shanghai Jiaoda Withub Technology Company Limited ("Withub Technology")	255,964.08			1,077,077.34						1,333,041.42	
Shanghai Jiaoda Science & Technology Park Information Technology (Shangrao) Company Limited ("Shangrao")	10,000,000.00									10,000,000.00	10,000,000.00
Shanghai Tong Tron Information Technology Company Limited ("Shanghai Tong Tron") ("Shanghai Tong Tron")	7,014,990.39			24,522.09			640,000.00			6,399,512.48	
Shanghai Withub Duogao Information Construction Company Limited* ("Duogao")	3,037,255.17			221,784.60						3,259,039.77	
Subtotal	20,308,209.64			1,323,384.03			640,000.00			20,991,593.67	10,000,000.00

**14.5 Share capital**

The changes of authorized, issued and paid-in share capital are set out as follows. All shares of the Company are the ordinary shares of nominal value of RMB 0.1 each.

Item	Beginning Balance	Changes during the year (+,-)					Ending Balance
		Issue of new shares	Stock dividends	Converted from public reserve	Others	Subtotal	
Total shares	48,000,000.00						48,000,000.00
Domestic shares	34,800,000.00						34,800,000.00
Overseas listed foreign shares	13,200,000.00						13,200,000.00

Note: Domestic shares and H shares are the ordinary shares of the company. However, H share can only subscribed or traded in HKD by legal entity or natural person of Hong Kong, Macau, Taiwan or other countries, except for China, and domestic shares must be subscribed or traded in RMB by legal entity and nature person of China. All dividends of H share should be paid in HKD, and all dividends of domestic shares should be paid in RMB. Besides, all of domestic shares or H shares have equal rights, and declaration of dividends, distribution shares or dividends distribution have the equal status.

**14.6 Reserve**

Item	Beginning Balance	Increasing during current year	Decreasing during current year	Ending Balance
Share capital premium	61,068,451.89			61,068,451.89
Other capital reserve	16,000,000.00			16,000,000.00
Total	77,068,451.89			77,068,451.89

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

# Notes to the Financial Statements

For the year ended 31 December 2016

## 14. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

### 14.7 Surplus reserve

Item	Beginning Balance	Increasing during current year	Decreasing during current year	Ending Balance
Statutory surplus reserve	148,641.53			148,641.53
Statutory welfare reserve	74,320.76			74,320.76
Total	222,962.29			222,962.29

### 14.8 Undistributed profits

Item	Current Year	Last Year
Beginning Balance	<b>-58,186,233.59</b>	-61,686,419.01
Add: net profits of current year attribute to parent company's owners	<b>-92,698.78</b>	3,500,185.42
Less : Withdraw statutory surplus reserve		
Ordinary shares dividend payable		
Ending Balance	<b>-58,278,932.37</b>	-58,186,233.59

## 15. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The Company's financial statements were issued with the approval of the Company's Board of the directors on 21 March 2017

## 16. FINANCIAL STATEMENTS SUPPLEMENTARY INFORMATION

### 16.1 Statement of non-operating profit and loss

According to the No. 1 Notice on publicly listed company financial information disclosure – Non-operating gains and losses (2008), issued by China Securities Regulatory Commission, the non-operating gains and losses are disclosed as below:

Item	Current Year	Explanation
Gains and losses from disposal of non-current assets	300,017.14	
Gains and losses from disposal of non-current assets		
Government grants expensed	6,000.00	
Funds usage fees from non-financial institutions expense		
Gains from the investment lower than the fair value of net identifiable assets of investees during the process of acquiring subsidiaries, joint ventures and associate		
Gains and losses from non-monetary assets exchange		
Gains and losses from commissioned investment or assets management		
Force majeure, provision for impairment of assets due to natural disaster		
Force majeure, provision for impairment of assets due to natural disaster		
Corporate restructuring expenditures		
Gains and losses from the non-arm's length transactions		
Net gains and losses from subsidiaries, consolidated under common control, for the period from beginning of the year to consolidation date		
Gains and losses from non-operating business contingencies		
Gains and losses on changes in fair value from Financial assets/liabilities held-for-trading; and Realized gain on disposal of Financial assets/liabilities held-for-trading, Financial assets available-for-use, except for the operation related hedging transactions	120,000.00	
Reversals of provision for impairment reserves from receivables with individual impairment test		
Profit and loss by entrusted loan		
Gains and losses on changes in fair value, arisen from subsequent measurement of Investment property using fair value model		
The impact of one-time adjustment of current profit and loss, according to the laws and regulations of taxation or accounting		
Trustee fee income from entrusted operation		
Other non-operating income and expense except for the above items		
Other non-operating profit and loss	1,321,629.31	
Subtotal	1,747,646.45	
Income tax impact		
Impact on minority shareholder's equity (after-tax)		
Total	1,747,646.45	

### 16.2 Return on equity and earnings per share

	Weighted average net assets returns ratio(%)		Earning per shares			
			Basic earnings per share		Diluted Earnings Per Share	
	2016	2015	2016	2015	2016	2015
Profits during the reporting period						
Net profit attributable to the parent company shareholders	-0.46%	3.76%	-0.0007	0.0055	-0.0007	0.0055
Net profit of shareholders by deducting non-recurring gains and losses attributable to the parent company	-2.92%	-0.54%	-0.0043	-0.0008	-0.0043	-0.0008

## Five-Year Financial Summary

### RESULTS

	Year ended 31 December				
	2016 RMB	2015 RMB	2014 RMB	2013 RMB	2012 RMB
Turnover	<b>96,947,718.96</b>	111,331,964.66	111,946,270.69	125,477,000.00	100,336,000.00
Profit (loss) before tax	<b>-335,529.88</b>	2,615,987.84	-13,235,277.86	859,000.00	-2,936,000.00
Income tax expense	-	-	-	-	-
Profit (loss) for the year	<b>-335,529.88</b>	2,615,987.84	-13,235,277.86	859,000.00	-2,936,000.00
Profit (loss) for the year attributable to:					
– Owners of the Company	<b>-330,947.26</b>	2,618,688.49	-13,232,427.57	862,000.00	-2,933,000.00
– Non-controlling interest	<b>-4,582.62</b>	-2,700.65	-2,850.29	-3,000.00	-3,000.00
Dividend	-	-	-	-	-
Earnings (loss) per share (in RMB)					
– Basic and diluted	<b>-0.0007</b>	0.0055	-0.0276	0.0018	-0.0061

### ASSETS AND LIABILITIES

	Year ended 31 December				
	2016 RMB	2015 RMB	2014 RMB	2013 RMB	2012 RMB
Non-current assets	<b>13,978,925.21</b>	13,830,031.13	13,756,719.19	14,710,000.00	15,731,000.00
Current assets	<b>93,650,905.86</b>	92,896,101.23	87,014,305.76	101,021,000.00	94,219,000.00
Total assets	<b>107,629,831.07</b>	106,726,132.36	100,771,024.95	115,731,000.00	109,950,000.00
Current liabilities	<b>36,316,629.43</b>	35,384,133.72	32,380,754.44	32,482,000.00	27,141,000.00
Non-current liability	-	-	-	1,620,000.00	2,160,000.00
Total liabilities	<b>36,316,629.43</b>	35,384,133.72	32,380,754.44	34,102,000.00	29,301,000.00
Total net assets	<b>71,313,201.64</b>	71,341,998.64	68,390,270.51	81,629,000.00	80,649,000.00
Share capital	<b>48,000,000.00</b>	48,000,000.00	48,000,000.00	48,000,000.00	48,000,000.00
Reserves	<b>23,335,227.97</b>	23,359,442.35	20,405,013.57	33,641,000.00	32,658,000.00
Equity attributable to owners of the Company	<b>71,335,227.97</b>	71,359,442.35	68,405,013.57	81,641,000.00	80,658,000.00
Non-controlling interests	<b>-22,026.33</b>	-17,443.71	-14,743.06	-12,000.00	-9,000.00
Total equity	<b>71,313,201.64</b>	71,341,998.64	68,390,270.51	81,629,000.00	80,649,000.00