SHANGHAI JIAODA WITHUB INFORMATION INDUSTRIAL COMPANY LIMITED*

上海交大慧谷信息產業股份有限公司

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

(Stock Code: 8205)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015, RESIGNATION AND PROPOSED APPOINTMENT OF DIRECTORS AND SUPERVISORS

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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This announcement 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 Rule Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules") 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 announcement 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 announcement misleading.

* *For identification purposes only*

HIGHLIGHTS

For the year ended 31 December 2015,

- turnover of the Group amounted to approximately RMB112,178,591.55 (2014: approximately RMB112,919,531.84) which represented a decrease of 0.66%;

- profit attributable to owners of the Company was approximately RMB2,618,688.49 (2014: loss of approximately RMB13,232,427.57); and

- the Directors do not recommend the payment of a final dividend (2014: Nil).

The board of directors (the "Board" or the "Directors") of 上海交大慧谷信息產業股份有限公司 (Shanghai Jiaoda Withub Information Industrial Company Limited*) (the "Company", together with its subsidiaries, collectively, the "Group") announces the audited results of the Group for the year ended 31 December 2015, together with the comparative figures for the year of 2014 as follows:

CONSOLIDATED BALANCE SHEET

31 December 2015

Unit: RMB (Yuan)

Item	*Note*	**31 December 2015**	31 December 2014
Current assets:			
Cash and bank balances		**62,884,191.22**	49,881,302.63
Financial assets at fair value through profit or loss			
Derivative financial assets			
Bills receivable			
Accounts receivables	*11*	**13,226,125.17**	14,104,491.89
Prepayments		**1,016,022.48**	3,906,310.75
Interest receivable		**2,221,721.25**	3,213,667.02
Dividends receivable			
Other receivables		**6,290,441.90**	4,871,872.91
Inventories		**7,244,598.71**	11,003,060.56
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		**13,000.50**	33,600.00
Total current assets		**92,896,101.23**	87,014,305.76
Non-current assets:			
Available-for-sale financial assets		**1,916,154.00**	2,416,154.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment		**10,308,209.64**	9,299,546.90
Investment properties			
Fixed assets		**855,667.49**	991,018.29
Construction in progress			
Construction supplies			
Clearance of fixed asset			
Biological assets for production			
Fuel assets			
Intangible assets		**750,000.00**	1,050,000.00
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			
Total non-current assets		**13,830,031.13**	13,756,719.19
Total assets		**106,726,132.36**	100,771,024.95

CONSOLIDATED BALANCE SHEET (CONTINUED)

31 December 2015

Unit: RMB (Yuan)

Item	*Note*	**31 December 2015**	31 December 2014
Current liabilities:			
Short-term loans			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Bills payable			
Accounts payables	*12*	**26,322,388.95**	25,054,106.73
Unearned revenue		**4,763,564.54**	3,552,285.04
Payroll payable		**1,134,390.08**	995,662.55
Taxes payable		**485,125.26**	405,045.03
Interest payable			
Dividends payable			
Other payables		**2,678,664.89**	2,373,655.09
Other payables			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		**35,384,133.72**	32,380,754.44
Non-current liabilities:			
Long-term loans			
Bonds payable			
Including: Premium			
Perpetual			
Long-term payroll payable			
Specific payables			
Accrued liabilities			
Deferred income			
Deferred income			
Other non-current liabilities			
Total non-current liabilities		**-**	-
Total liabilities		**35,384,133.72**	32,380,754.44
Shareholders' equity:			
Share capital		**48,000,000.00**	48,000,000.00
Other equity instruments			
Including: Premium			
Perpetual			
Capital reserve		**77,068,451.89**	77,068,451.89
Less: treasury stock			
Other comprehensive income		**1,267,587.41**	931,847.12
Special reserve			
Surplus reserve		**222,962.29**	222,962.29
General risk reserve			
Undistributed profits		**-55,199,559.24**	-57,818,247.73

CONSOLIDATED BALANCE SHEET (CONTINUED)

31 December 2015

Unit: RMB (Yuan)

Item	*Note*	**31 December 2015**	31 December 2014
Total owners' equity attributable to the parent company		**71,359,442.35**	68,405,013.57
Minority interests		**-17,443.71**	-14,743.06
Total shareholders' equity		**71,341,998.64**	68,390,270.51
Total liabilities and shareholders' equity		**106,726,132.36**	100,771,024.95

CONSOLIDATED INCOME STATEMENT

2015

Unit: RMB (Yuan)

Item		*Note*	**2015**	2014
I. Total operating income			**112,178,591.55**	112,919,531.84
Including:	Operating income	*5*	**112,178,591.55**	112,919,531.84
	Interest revenue			
	Earned Premium			
	Charges and commission income			
II. Total operating costs			**113,087,129.33**	129,763,340.96
Including:	Operating cost	*8*	**96,083,922.42**	103,767,028.70
	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		**551,504.10**	701,062.96
	Selling expenses		**5,935,342.43**	4,933,808.65
	Administrative expenses		**12,129,565.87**	19,340,090.73
	Financial expenses		**-1,208,841.54**	-1,697,939.87
	Loss on assets impairment		**-404,363.95**	2,719,289.79
Add:	Gain from change in fair value (losses are represented by -)			
Investment income (losses are represented by -)			**2,861,964.74**	1,910,108.29
Including:	Income from investment in associates and joint ventures		**1,008,662.74**	1,700,108.29
Exchange gain (losses are represented by “-”)				
III. Operating profit (losses are represented by “-”)			**1,953,426.96**	-14,933,700.83
Add:	Non-operating income		**720,889.77**	1,720,552.77
Including:	Profit from the disposal of non-current assets			
Less:	Non-operating expenses		**58,328.89**	22,129.80
Including:	Loss from the disposal of non-current assets		**16,442.08**	
IV. Total profit (losses are represented by “-”)			**2,615,987.84**	-13,235,277.86
Less:	Income tax expenses	*7*		
V. Net Profit (losses are represented by “-”)			**2,615,987.84**	-13,235,277.86
Net profit attributable to the equity holders of the parent company			**2,618,688.49**	-13,232,427.57
Minority interests			**-2,700.65**	-2,850.29

CONSOLIDATED INCOME STATEMENT (CONTINUED)

2015

Unit: RMB (Yuan)

Item	*Note*	**2015**	2014
VI. Other comprehensive income, net of tax		**335,740.29**	-4,000.00
(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		**335,740.29**	-4,000.00
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		**335,740.29**	-4,000.00
6. Others			
Other comprehensive income attributable to minority shareholders,net of tax			
VII. Total comprehensive income		**2,951,728.13**	-13,239,277.86
Total comprehensive income attributable to the shareholders of the parent company		**2,954,428.78**	-13,236,427.57
Total comprehensive income attributable to the minority shareholders		**-2,700.65**	-2,850.29
VIII. Earnings per share:	*10*		
(1) Basic earnings per share	*10*	**0.0055**	-0.0276
(2) Diluted earnings per share	*10*	**0.0055**	-0.0276

CONSOLIDATED CASH FLOW STATEMENT

2015

Unit: RMB (Yuan)

Item	Note	2015	2014
I. Cash flows from operating activities		**129,036,678.57**	127,399,664.77
Refund of taxes and surcharges			53,075.35
Cash received relating to other operating activities		**2,018,602.64**	1,634,365.81
Sub-total of cash inflows from operating activities		**131,055,281.21**	129,087,105.93
Cash paid for goods and services		**99,737,888.02**	114,388,957.75
Cash paid to and on behalf of employees		**15,413,792.56**	13,073,705.13
Payments of tax charges		**2,322,290.04**	3,244,173.29
Cash paid relating to other operating activities		**5,363,514.29**	11,321,768.85
Sub-total of cash outflows from operating activities		**122,777,297.85**	142,028,605.02
Net cash flows from operating activities		**8,277,983.36**	-12,941,499.09
II. Cash flows from investing activities			
Cash received from disposal of investments			
Cash received from returns on investments		**2,371,868.32**	870,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**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		**1,418,708.52**	2,726,000.00
Sub-total of cash inflows from investing activities		**6,008,078.84**	3,596,000.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**188,073.10**	749,781.43
Cash paid to acquire investments			
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities			5,300,000.00
Sub-total of cash outflows from investing activities		**188,073.10**	6,049,781.43
Net cash flows from investing activities		**5,820,005.74**	-2,453,781.43
III. Cash flows from financing activities			
Cash received from capital contributions			
Cash received from borrowings			
Cash received from issuing of bonds			
Cash received from other financing activities			200,000.00
Sub-total of cash inflows from financing activities		**-**	200,000.00
Cash repayments of borrowings			
Cash payments for distribution of dividends or profits and interest expenses			
Cash paid to other financing activities			1,036,000.00
Sub-total of cash outflows from financing activities		**-**	1,036,000.00
Net cash flows from financing activities		**-**	-836,000.00
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**323,191.16**	-4,000.00
V. Net increase in cash and cash equivalents		**14,421,180.26**	-16,235,280.52
Add: Cash and cash equivalents at beginning of period		**11,157,719.48**	27,393,000.00
VI. Cash and cash equivalent at end of period		**25,578,899.74**	11,157,719.48

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2015

Unit: RMB (Yuan)

Item	Current Year												
	Share Capital	Other equity instrument			Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Reserve for general risks	Undistributed profits	Minority interests	Total shareholders' equity
		Preferred shares	Perpetual bond	Others									
I. Ending balance of previous year	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													-
II. Beginning balance of current year	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
III. Change through current year ("–" for losses)	-	-	-	-	-	-	335,740.29	-	-		2,618,688.49	-2,700.65	2,951,728.13
(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													-
IV. Ending balance of current year	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

2015

Unit: RMB (Yuan)

	Last Year												
		Other equity instrument											
Item	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
I. Ending balance of previous year	48,000,000.00				77,068,451.89		935,847.12		222,962.29		-44,585,820.16	-11,743.06	81,629,548.37
Add: changes in accounting policies													-
Correction of prior period errors													-
Others													-
II. Beginning balance of current year	48,000,000.00	-	-	-	77,068,451.89	-	935,847.12	-	222,962.29		-44,585,820.16	-11,743.06	81,629,698.08
III. Change through current year ("–" for losses)	-	-	-	-	-	-	-4,000.00	-	-		-13,232,427.57	-3,000.00	-13,239,277.86
(1) Total comprehensive income							-4,000.00				-13,232,427.57	-3,000.00	-13,239,277.86
(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													-
IV. Ending balance of current year	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

NOTES:

1. BASIC CORPORATE INFORMATION

Shanghai Jiaoda Withub Information Industrial Company Limited (hereinafter referred to as the "Company") was a stock limited liability company jointly established by Shanghai Jiao Tong University Shanghai Technology Investment Company Shanghai Xinxuhui (Group) Co.,Ltd. Shanghai Huixin Investment Management Company Limited Shanghai Jiaoda Onlly Co., Ltd. after Shanghai Municipal Government issued the permit document "體改審 (1998)040". The Company received the Business License of Legal Entity "310000400192903" from Shanghai Administration for Industry & Commerce on 4 May 1998. The registered capital on establishment was RMB10 million.

On 26 October 1999, the Company increased the registered capital by RMB20 million. On 31 August 2001, the Company raised a total of RMB6 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 RMB1 to RMB0.1.

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 RMB0.1 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 RMB1.2 million. Upon the issuance, the registered capital and share capital of the Company increased to RMB48 million, and total capital stock increased to 480 million.

By the end of 31 December 2015, 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, 471-10 Guiping Rd. Shanghai; 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. COPE 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., Limited, and Shanghai Withub Information and Professional Training School. Jiaoda Withub (Hong Kong) Limited Shanghai Withub Zhirui Hi-Tech Co., Limited, and Shanghai Withub Information and Professional Training School suspended their operations during the reporting period. See "VIII Interests in Other Entities" for the details of changes in the scope of consolidation during the reporting period.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

3.1 Basis for preparation

The Financial statements has been prepared on the going-concern basis and transactions and events actually occurred in accordance with the "Accounting Standards for Business Enterprises" promulgated by the Ministry of Finance of the People's Republic of China and relevant requirements (Collectively "Accounting Standards for Business Enterprises"), and China Securities Regulatory Commission's "Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15-General Provisions on Financial Reports (2014 Revision)" and the provisions regarding disclosure pursuant to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies Ordinance of Hong Kong, as well as the accounting policies and estimation as stated in "4. Significant Accounting Policies and Accounting Estimation" under this section.

Upon listing, the Company has been adopting the accounting principles generally accepted in Hong Kong, Hong Kong Accounting Standards ("HKASs"), to prepare the financial statements for information disclosure in Hong Kong. In accordance with the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" which was published by the Hong Kong Stock Exchange in December 2010, from this financial year, the Company decided to prepare the financial statements in accordance with "Accounting Standards for Business Enterprises" and the relevant regulations issued by the China Ministry of Finance ("PRC Accounting Standards") for the preparation of financial statements. PRC Accounting Standards have been applied retrospectively, and the comparative financial information for the year ended 31 December 2014 (note: the previous year) is converted to applying PRC Accounting Standards. A reconciliation of the shareholders' equity and profits and the effect caused by converting from the accounting principles generally accepted in Hong Kong to PRC Accounting Standards are stated in the supplemental information of the financial statements "2. Reconciliation of the Shareholders' Equity and Profits of the Company under the conversion from the accounting principles generally accepted in Hong Kong to PRC Accounting Standards".

3.2 Continuous Operation

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.

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 of bad debt provisions on receivables, measurement of inventories transferred out, classification and depreciation method of fixed assets, amortization of intangible assets, recognition and measurement of income, etc.

4.1 Statement of compliance with the Accounting Standards for Business Enterprises

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

4.2 Accounting year

The Company' s accounting year starts on 1 January and ends on 31 December.

4.3 Reporting currency

The reporting currency of the Company and its domestic subsidiaries is RMB.

4.4 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.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-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.

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.

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.

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.

4.5 Bad debts 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 provision for bad debts 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.

Provision for bad debts is made using allowance account method. At the end of the period, receivables are assessed for impairment on individual or group basis and the provision for bad debts 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 provision for bad debts 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.

(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 provision of bad debts 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 ageing	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 provision of bad debts individually	Individual receivables below significant level whereby the portfolio method does not reflect its risk characteristics
Method for provision of bad debts	Provision for bad debts is made using the difference between the present value of future cash flows and the book value of receivables

4.6. Inventories

The inventories of the Company include merchandise inventory, goods shipped in transit and construction, 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 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.

4.7. Long-term equity investment

Long-term investment of the Company is the investment in subsidiaries and 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.

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.

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.

4.8. 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.

4.9. Recognition and measurement of revenue

The revenue of the Company is mainly revenue from sales of goods, provision of services and transference of assets 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 Group 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) Provision of services

When the provision of services is started and completed in the same accounting period, revenue from rendering of services is recognized upon completion. When the provision of services 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 from 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 provision 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) Revenue from transference of assets

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 of lease revenue: on a time proportion basis over lease term.

5. OPERATING INCOME OTHER OPERATION &EQUITY

5.1 Operating income

Items	**2015**	2014
Computer hardware and software products	**77,635,267.67**	85,283,205.91
Commercial application program and software	**30,337,556.71**	24,171,445.97
Installation and maintenance of network and data security products	**3,910,644.38**	3,192,681.77
Total	**111,883,468.76**	112,647,333.65

5.2 Other operation &EQUITY

Items	**2015**	2014
Interest income	**1,229,971.00**	1,711,186.93
Breakdown of government grants	**0**	1,620,000.00
Property rental income	**295,122.79**	272,198.19
Investment income of available for sale financial assets	**150,000.00**	210,000.00
Assets impairment losses	**404,363.95**	-2,719,289.79
From disposal of long-term equity investment	**1,703,302.00**	0
From long-term equity investment under equity method	**1,008,662.74**	1,700,108.29
Total	**4,791,422.48**	2,794,203.62

6. SEGMENT INFORMATION

According to the internal organizational structure of the Group, requirement for managements and internal reporting system, the operating business 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 deporting segments have been laid down in the internal organization structure, requirements for management and international. The management of the Group 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

Reporting segments for 2015

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 costs			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

2014 (last year) Report:

Item	Business application project and application software	Sales Products	Undistributed portion	Offset	Total
Operating Income	27,364,127.74	85,283,205.91			112,647,333.65
Including: Income from external transactions	27,364,127.74	85,283,205.91			112,647,333.65
Income from inter-segment transactions					
Operating costs	21,961,126.79	81,533,703.72			103,494,830.51
Dividend of associations			1,700,108.29		1,700,108.29
Interest income			1,711,186.93		1,711,186.93
Undistributed income			641,000.00		641,000.00
Period costs			24,273,899.38		24,273,899.38
Undistributed other expenses			2,166,176.84		2,166,176.84
Subsidiaries' total profits (total loss)	5,403,000.95	3,749,502.19	-22,387,781.00		-13,235,277.86
Total assets	22,135,000.00	13,146,000.00			35,281,000.00
Equity of associates			9,299,546.90		9,299,546.90
Available-for-sale investment			2,416,154.00		2,416,154.00
Unallocated corporate assets			53,774,324.05		53,774,324.05
Total liabilities	20,682,754.44	8,785,000.00			29,467,754.44
Undistributed liabilities			2,913,000.00		2,913,000.00
supplementary information					
Capital expenditure	750,000.00				750,000.00
Impairment loss recognized for the period					
Including Impairment loss of account receivable	1,905,000.00	223,000.00			2,128,000.00
Reversal of impairment loss recognised on account receivables		-124,000.00			-124,000.00
Inventory impairment		773,000.00			773,000.00
Reversal of impairment loss recognised on inventory		-1,769,000.00			-1,769,000.00
Depreciation and amortisation expenses	3,061,000.00				3,061,000.00

Geographical information

All of the Group's turnover was generated from customers in the PRC during the years ended 31 December 2015 and 2014 and all of the Group's assets were located in the PRC. Therefore, no geographical segment information is presented

Information about major customers

There is no customer with whom transactions have exceeded 10% of the Group's total turnover during the years ended 31 December 2015 and 2014.

7. TAXATION

7.1. Main categories of tax and tax rate

Category	Tax base	Tax rate
Value-Added Tax	Revenue from sales of goods and provision of technical service	17%/6%
Business Tax	Revenue from lease, technical service and installation	3%
Urban Construction & Maintenance Tax	VAT and business tax payable	7%
Education Surcharges	VAT and business tax payable	5%
Estate Tax	VAT and business tax payable	1%
Corporate Income Tax	Taxable Income	25%

7.2 Tax Preference

(1) VAT

According to the provisions of the "Notice of the transformation from business tax to VAT" (Cai Shui [2013] No. 106), the taxpayer shall be exempted from value-added tax on the technical development and related technical consulting and technical services.

7.3 Income Tax expense

the tax rate of the Company and its PRC subsidiaries is 25% for both years.

No provision for Enterprise Income Tax has been made for the two years ended 31 December 2015 as there was no assessable profit derived from the PRC for both years.

No provision for Hong Kong Profits Tax has been made for the two years ended 31 December 2015 as there was no assessable profit derived from Hong Kong for both years.

Item	**2015**	2014
Current income tax	**-**	-
Deferred tax	**-**	-
Total	**-**	-

Deductible loss of unrecognized deferred tax assets expire in next period

Item	**2015**	2014
2015 period		1,343,661.10
2019 period	**16,693,338.90**	16,693,338.90
Total	**16,693,338.90**	18,037,000.00

8. BEFORE TAX OF COST AND FEE

Item	**2015**	2014
Sales cost		
Computer hardware and software products	**71,123,331.64**	81,533,703.72
Commercial application program and software	**23,095,488.26**	20,205,733.76
Installation and maintenance of network and data security products	**1,569,979.73**	1,755,393.03
Tax and surcharges	**551,504.10**	701,062.96
Selling expenses	**2,603,913.14**	1,723,515.01
Total	**98,944,216.87**	105,919,408.48
Staff costs (including directors', chief executive's and supervisors' emoluments)		
Salaries and other benefits	**13,224,836.98**	10,708,000.00
Termination benefits		226,000.00
Contributions to retirement benefits scheme	**2,335,485.09**	1,281,000.00
Total	**15,560,322.07**	12,215,000.00
Auditor's remuneration	**360,000.00**	389,000.00
Assets impairment losses	**-404,363.95**	2,719,289.79
Research and development expenditure	**2,834,202.61**	6,479,225.71
Others Administration expense	**2,989,287.25**	7,214,086.52
exchange loss	**-1,019.11**	
Bank charge	**22,148.57**	13,251.83
Loss on disposal of non-current assets	**16,442.08**	
Others Non-operating expenses	**41,886.80**	22,129.80
Total	**5,858,584.25**	16,836,983.65

10. EARNING PER SHARE

Basic earning per share

Item	**2015**	2014
Net consolidated profit attributable to ordinary shareholders of Parent Company	**2,618,688.49**	-13,232,427.57
Net consolidated profit after deducting extraordinary items attributable to ordinary shareholders of Parent Company	**-368,847.87**	-16,742,667.57
Weighted average number of ordinary shares in issue of the Parent Company	**480,000,000.00**	480,000,000.00
Basic EPS(RMB/share)	**0.0055**	-0.0276
Basic EPS (RMB/share)(after deducting extraordinary items)	**-0.0008**	-0.0349

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 issue for the current year	**480,000,000.00**	480,000,000.00
Numbers of ordinary shares in issue at end of the year	**480,000,000.00**	480,000,000.00

Diluted EPS

Item	**Current Year**	Last Year
Adjusted net consolidated profit attributable to ordinary shareholders of Parent Company	**2,618,688.49**	-13,232,427.57
Adjusted net consolidated profit after deducting extraordinary items attributable to ordinary shareholders of Parent Company	**-368,847.87**	-16,742,667.57
Adjusted weighted average number of ordinary shares in issue of the Company	**480,000,000.00**	480,000,000.00
Diluted EPS(RMB/share)	**0.0055**	-0.0276
Diluted EPS (RMB/share)(after deducting extraordinary items)	**-0.0008**	-0.0349

11. ACCOUNT RECEIVABLES

Item	**2015**	2014
Account receivables	**18,100,992.71**	19,608,385.98
Less provision for bad debts	**4,874,867.54**	5,503,894.09
Net Amount	**13,226,125.17**	14,104,491.89

Note: The balance of provision for bad debts as at the end of the year decreased compared to the previous period mainly due to receive the amounts from Hainan High People' s Court.

(1) Aging analysis

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

Age	**2015**	2014
3 months (inclusive)	**7,821,154.29**	8,712,167.14
3 months to 6 months (inclusive)	**379,414.40**	284,972.14
7 months to 12 months (inclusive)	**2,850,866.13**	307,000.72
Over 1 year	**2,174,690.35**	4,800,351.89
Total	**13,226,125.17**	14,104,491.89

(2) Classification by risks

Item	Ending Balance: Book balance Amount	Ending Balance: Book balance Percent %	Ending Balance: Bad debt provision Amount	Ending Balance: Bad debt provision Percent %	Ending Balance: Book value	Beginning Balance: Book balance Amount	Beginning Balance: Book balance Percent %	Beginning Balance: Bad debt provision Amount	Beginning Balance: Bad debt provision Percent %	Beginning Balance: Book value
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	18,100,992.71	100.00	4,874,867.54	26.93	13,226,125.17	19,608,385.98	100.00	5,503,894.09	28.07	14,104,491.89
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis										
Total	18,100,992.71	100.00	4,874,867.54	26.93	13,226,125.17	19,608,385.98	100.00	5,503,894.09	28.07	14,104,491.89

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

Aging	Ending Balance: Accounts receivables	Ending Balance: Provision for bad debts	Ratio %
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

Aging	Beginning Balance: Accounts receivables	Beginning Balance: Provision for bad debts	Ratio %
3 months (inclusive)	8,879,315.51		
3 months to 6 months (inclusive)	284,972.14		
7 months to 12 months (inclusive)	307,000.72		
Over 1 year	5,503,894.09	5,503,894.09	100.00
Total	14,975,182.46	5,503,894.09	36.75

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

Aging	Book balance	Ending Balance Provision for bad debts	Ratio %
Guarantee deposit and project payment within credit period	1,731,830.35		
Receive guaranteed payment	442,860.00		
	546,900.00		
Total	2,721,590.35		

Aging	Book balance	Beginning Balance Provision for bad debts	Ratio %
Guarantee deposit and project payment within credit period	4,221,114.99		
Receive guaranteed payment	324,334.50		
	87,754.03		
Total	4,633,203.52		

3) Analysis of overdue unimpaired receivables at balance date

Aging	Ending Balance	Beginning Balance
No overdue and no decreasing value	8,200,568.69	8,997,139.28
Overdue but no decreasing value		
7 months to 12 months (inclusive)	2,850,866.13	307,000.72
Over 1 year	2,174,690.35	4,800,351.89
Total	13,226,125.17	14,104,491.89

Note 1: The account receivables, which are not overdue, and value are not decreased, are related to customers currently without defaulted records.

Note 2: The account receivables, which are overdue, but value are not decreased, are related to customers with good payment records. According to previous experience, management believes provision for bad debts is not needed, because there is no change in credit quality and the related balance will be totally received.

(3) This year provision for bad debts received situation

Aging	Ending Balance	Beginning Balance
At 1st January	5,503,894.09	3,500,277.46
Provision for bad debts	95,973.45	2,127,853.50
Provision for bad debts received	725,000.00	124,236.87
At 31st December	4,874,867.54	5,503,894.09

Including significant amounts of provision for bad debts received:

Company Name	Amounts received	The way of receiving funds	Reasons for amounts received
Hainan High People's Court	725,000.00	Cash	Returned funds
Total	725,000.00		

12. TRADE PAYABLE

(1) Trade payable

Item	Ending Balance	Beginning Balance
Project	17,965,560.83	15,203,305.32
Goods	8,356,828.12	9,850,801.41
Total	26,322,388.95	25,054,106.73

(2) Aged analysis of trade payables

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

Item	Ending Balance	Beginning Balance
Within 1 year	23,452,577.87	20,393,873.65
More than 1 year	2,869,811.08	4,660,233.08
Total	26,322,388.95	25,054,106.73

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDENDS

The Directors do not recommend the payment of any dividends in respect of the year ended 31 December 2015.

RESULTS

For the year ended 31 December 2015, the Group recorded a turnover of approximately RMB112,178,591.55 (2014: approximately RMB112,919,531.84), representing a decrease of RMB740,940.29 or 0.66% as compared to the last year. The Group recorded a profit of RMB2,618,688.49, while a loss for the year ended 31 December 2014 was RMB13,232,427.57.

BUSINESS REVIEW AND FUTURE PROSPECTS

For the entire financial year under review ended 31 December 2015, the total revenue of the Group has decreased from RMB112,919,531.84 to RMB112,178,591.55. The decrease of RMB740,940.29 in revenue represents 0.66% decrease of the Group's sales as compared with that in 2014. The Group recorded a loss before tax of RMB13,232,427.57 for the previous year and a profit before tax of RMB2,618,688.49 during the year.

Revenue are mainly generated from the sales and distribution of computer and electronic products and accessories which made up of 69.21% of the total sales (or RMB77,635,267.67), and this is followed by 27.14% of total sales (or RMB30,337,556.71) for business application solutions and application software development, 3.49% (or RMB3,910,644.38) 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 RMB7,647,938.24 in revenue as compared with RMB85,283,205.91 last year, representing a decrease of 8.97%.

Revenue in business application solutions and application software development has increased by RMB6,166,100.74 or 25.51% from RMB24,171,445.97 in the previous year.

Sales from installation and maintenance of network and data security products has increased by RMB717,962.61 from the previous year of RMB3,192,681.77, representing an increase of 22.49%.

The gross profit has increased from RMB9,152,503.14 to RMB16,094,669.13. This represents an increase of RMB6,942,165.99 or 75.85%. The gross profit margin has increased from 8.11% for the previous financial year to 14.35% for the current year.

Other revenue has increased by RMB1,045,082.41 or 118.21% to RMB1,929,177.74 for the current year from RMB884,095.33 for the previous year.

The share of profits of associates amounted to RMB2,861,964.74 for the current year as compared to the profit of RMB1,910,108.29 for the previous year, representing a surge of RMB951,856.45.

Distribution cost has decreased by RMB1,001,533.78 or 20.30% from RMB4,933,808.65 for the previous year to RMB5,935,342.43 for the current year.

During the past year of 2015, the decrease in segment revenue caused the Company recorded a loss for the year. The Company will continue to strengthen the core competitiveness, exert greater efforts in highlighted businesses, enhance the corporate competitiveness, and 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 2015, shareholders' funds of the Group amounted to approximately RMB71,359,442.35 (2014: RMB68,405,013.57). Current assets amounted to approximately RMB92,896,101.23 (2014: RMB87,014,305.76), of which approximately RMB62,884,191.12 (2014: RMB49,881,302.63) were cash and bank balances. The Group did not have non-current liabilities (2014: Nil) and its current liabilities amounted to approximately RMB35,384,133.72 (2014: RMB32,380,754.44), 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 2015, the Group had a net cash position and its working capital ratio (current assets to current liabilities) was 2.63 (2014: 2.69); and gearing ratio (liabilities to total assets) was approximately 33.15% (2014: 32.13%).

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

The Group had no capital commitments and significant investments for the year ended 31 December 2015.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies for the year ended 31 December 2015.

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 goods. Accordingly, analysis by business segments is presented in note 6 to the consolidated financial statements.

EMPLOYEE INFORMATION

As at 31 December 2015, the Group had 123 full time employees (2014: 117), comprising 18 in management, finance and administration (2014: 14), 33 in research and development (2014: 34), 46 in application development and engineering (2014: 45), and 24 in sales and marketing (2014: 22). Also, the Group had 2 school staff (2014: 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 2015 was approximately RMB15,560,322.07 (2014: RMB12,215,000).

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

CHARGES ON GROUP ASSETS

As at 31 December 2015, the Group did not have any charges on its assets (2014: 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 2015, 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 2015, the Group did not have any significant contingent liabilities (2014: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 May 2016 to 17 June 2016 (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 17 June 2016 will be entitled to attend and vote at the annual general meeting. In order to qualify for attendance at the above meeting, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H share registrar, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong (which will be relocated to Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong with effect from 5 April 2016), not later than 4:00 p.m. on 17 May 2016.

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.

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 2015.

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.

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 2015 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.

SCOPE OF WORK OF SHINEWING CERTIFIED PUBLIC ACCOUNTANTS (SPECIAL GENERAL PARTNERSHIP)

The figures in respect of the financial statements, which comprise the consolidated balance sheet as at 31 December 2015, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the year 2015 and the notes to the financial statements as set out in the preliminary announcement have been agreed by the Group's auditor, ShineWing Certified Public Accountants (Special General Partnership), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ShineWing Certified Public Accountants (Special General Partnership) in this respect did not constitute an assurance engagement in accordance with Auditing Standards issued by China Institute Certified Public Accountant and consequently no assurance has been expressed by ShineWing Certified Public Accountants (Special General Partnership) on the preliminary announcement.

CORPORATE GOVERNANCE

The Board considers that the Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 15 of the GEM Listing Rules throughout the year, except that the Company has not disclosed the terms of reference of audit committee and remuneration committee by including such information on the Company's website. The Company will take appropriate actions to comply with the CG Code.

RESIGNATION OF DIRECTOR

The Board announces that Mr. Chen Xin ("Mr. Chen") resigned as the executive director of the Company due to other business development effective from 7 July 2016. Mr. Chen confirmed that he has no disagreement with the Board and there is no matter in relation to his resignation that needs to be brought to the attention of the shareholders of the Company. The Board would like to take this opportunity to thank Mr. Chen for his valuable contribution to the Company during his tenure of office.

PROPOSED APPOINTMENT OF EXECUTIVE DIRECTORS

The Board nominated Mr. Zhou Re Qing ("Mr. Zhou") as candidate for executive Director. Mr. Zhou is not existing executive Director and he has consented to be nominated as the candidate.

Mr. Zhou Re Qing, aged 51, member of Chinese Communist Party, is an 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.

Mr. Zhou will be appointed for a period of three years in the Company effective from 7 July 2016. The Company will not enter into any service contract with Mr. Zhou, but he is not and will not be entitled to receive any salary or other emolument and/ or benefits for serving as Director. The Board is not aware that there are any other matters that need to be brought to the attention of Shareholders in respect of the proposed appointment of Mr. Zhou.

Save as disclosed above, Mr. Zhou did not hold any directorship in other listed companies in Hong Kong or overseas for last three years and he does not hold any other position in the Group. Mr. Zhou does not have any relationship with any other Directors, supervisors, chief executives, senior management, substantial shareholders, controlling shareholders or management shareholders of the Company or any of its subsidiaries or a close associate of any of them. As at the date of this announcement, he does not have interest in Shares within the meaning of Part XV of the SFO.

Saved as disclosed above, there is no other information required to be disclosed pursuant to the requirements of the Rule 17.50(2)(h) to (v) of the GEM Listing Rules concerning the appointment of Mr. Zhou.

Pursuant to the requirement of the Company's articles of association, the above proposed appointment of Director is subject to the shareholders' approval at the forthcoming annual general meeting (the "AGM"). The related resolutions (to be set out in the circular and the notice of AGM that will be dispatched in due course) will be presented as ordinary resolution for the shareholders' approval in the AGM.

RESIGNATION OF SUPERVISOR

The Board announces that Mr. Yao Benqiang ("Mr. Yao"), a supervisor, resigned as the supervisor due to other business development effective from 7 July 2016. Mr. Yao confirmed that he has no disagreement with the Board and there is no matter in relation to his resignation that needs to be brought to the attention of the shareholders of the Company. The Board would like to take this opportunity to thank Mr. Yao for his valuable contribution to the Company during his tenure of office.

PROPOSED APPOINTMENT OF SUPERVISOR

The Board nominated Mr. Rong Yinsheng ("Mr. Rong") as candidate for supervisor. Mr. Rong is not existing supervisor and he has consented to be nominated as the candidate.

Mr. Rong Yinsheng, aged 30, member of Chinese Communist Party, is 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.

Mr. Rong will be appointed for a period of three years in the Company effective from 7 July 2016. The Company will not enter into any service contract with Mr. Rong and he is not and will not be entitled to receive any salary or other emolument and/ or benefits for serving as supervisor. The Board is not aware that there are any other matters that need to be brought to the attention of Shareholders in respect of the proposed appointment of Mr. Rong.

Save as disclosed above, Mr. Rong did not hold any directorship in other listed companies in Hong Kong or overseas for last three years and he does not hold any other position in the Group. Mr. Rong does not have any relationship with any other Directors, supervisors, chief executives, senior management, substantial shareholders, controlling shareholders or management shareholders of the Company or any of its subsidiaries or a close associate of any of them. As at the date of this announcement, he does not have interest in Shares within the meaning of Part XV of the SFO.

Saved as disclosed above, there is no other information required to be disclosed pursuant to the requirements of the Rule 17.50(2)(h) to (v) of the GEM Listing Rules concerning the appointment of Mr. Rong.

The proposed appointment of Mr. Rong as a supervisor of the Company is subject to the requirement of rule 25.13 of the GEM Listing Rules, which stipulates that the appointment is subject to the satisfaction of the Stock Exchange that the supervisor has the character, experience and integrity and is able to demonstrate a standard of competence commensurate with his position as a supervisor of the Company. In addition, approval by the Shareholders at a general meeting of the Company is required in accordance with the Articles of Association and the relevant regulations of the PRC for the appointment.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to our valuable shareholders and customers, and to our committed staff for their contributions to the continual business growth of the Group. My vote of thanks also goes to the management of the Group for their efforts and contributions throughout the year. Looking forward, we will try our best to reward the shareholders with the most fruitful return.

By Order of the Board
Shanghai Jiaoda Withub Information Industrial Company Limited
Liu Yuwen
Chairman

Shanghai, the PRC, 15 March 2016

As at the date of this announcement, the Directors of the Company are as follows:

Executive directors	Liu Yuwen, Chen Xin, Shuai Ge, Shang Ling, Zhu Kaiyong and Shen Zhimin
Independent non-executive directors	Yuan Shumin, Ni Jing and Chan Yan Chong

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days of its posting and on the website of the Company at http://www.withub.com.cn.