



**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 2016
AND**

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

**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 2016,

- turnover of the Group amounted to approximately RMB96,947,718.96 (2015: approximately RMB112,178,591.55) which represented a decrease of 13.58%;
- the net 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).

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 2016, together with the comparative figures for the year of 2015 as follows:

CONSOLIDATED BALANCE SHEET

31 December 2016

Unit: RMB (Yuan)

Item	Note	31 December 2016	31 December 2015
Current assets:			
Cash and bank balances		60,673,332.66	62,884,191.22
Financial assets at fair value through profit or loss			
Derivative financial assets			
Bills receivable			
Accounts receivables	11	16,651,741.09	13,226,125.17
Prepayments		605,358.02	1,016,022.48
Interest receivable		732,122.55	2,221,721.25
Dividends receivable			
Other receivables		6,121,809.89	6,290,441.90
Inventories		8,834,461.74	7,244,598.71
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		32,079.91	13,000.50
Total current assets		93,650,905.86	92,896,101.23
Non-current assets:			
Available-for-sale financial assets		1,916,154.00	1,916,154.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment		10,991,593.67	10,308,209.64
Investment properties			
Fixed assets		621,177.54	855,667.49
Construction in progress			
Construction supplies			
Clearance of fixed asset			
Biological assets for production			
Fuel assets			
Intangible assets		450,000.00	750,000.00
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			
Total non-current assets		13,978,925.21	13,830,031.13
Total assets		107,629,831.07	106,726,132.36

CONSOLIDATED BALANCE SHEET (Continued)
31 December 2016

Unit: RMB (Yuan)

Item	Note	31 December 2016	31 December 2015
Current liabilities:			
Short-term loans			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Bills payable			
Accounts payables	12	18,834,058.07	26,322,388.95
Advanced from customers		12,966,974.50	4,763,564.54
Payroll payable		1,506,255.90	1,134,390.08
Taxes payable		313,746.26	485,125.26
Interest payable			
Dividends payable			
Other payables		2,695,594.70	2,678,664.89
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		36,316,629.43	35,384,133.72
Non-current liabilities:			
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			
Total non-current liabilities		-	-
Total liabilities		36,316,629.43	35,384,133.72
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		1,574,320.29	1,267,587.41
Special reserve			
Surplus reserve		222,962.29	222,962.29
General risk reserve			
Undistributed profits		-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		-22,026.33	-17,443.71
Total shareholders' equity		71,313,201.64	71,341,998.64
Total liabilities and shareholders' equity		107,629,831.07	106,726,132.36

CONSOLIDATED INCOME STATEMENT 2016

Unit: RMB (Yuan)

Item	Note	2016	2015
I. Total operating income		96,947,718.96	112,178,591.55
Including: Operating income	5	96,947,718.96	112,178,591.55
Interest revenue			
Earned Premium			
Charges and commission income			
II. Total operating costs		99,108,159.44	113,087,129.33
Including: Operating cost	8	80,794,040.74	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 surcharge		216,044.92	551,504.10
Sales expense		5,461,229.16	5,935,342.43
Administrative expenses		14,082,281.83	12,129,565.87
Financial expenses		-760,701.20	-1,208,841.54
Loss on assets impairment		-684,736.01	-404,363.95
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		1,323,384.03	1,008,662.74
Exchange gain (losses are represented by "-")			
III. Operating profit (losses are represented by "-")		-717,056.45	1,953,426.96
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

CONSOLIDATED INCOME STATEMENT (CONTINUED)
2016

Unit: RMB (Yuan)

Item	Note	2016	2015
IV. Total profit (losses are represented by “-”)		-335,529.88	2,615,987.84
Less: Income tax expenses	7		
V. Net Profit (losses are represented by “-”)		-335,529.88	2,615,987.84
Net profit attributable to the equity holders of the parent company		-330,947.26	2,618,688.49
Minority interests		-4,582.62	-2,700.65
VI. Other comprehensive income, net of tax		306,732.88	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		306,732.88	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		306,732.88	335,740.29
6. Others			
Other comprehensive income attributable to minority shareholders, net of tax			
VII. Total comprehensive income		-28,797.00	2,951,728.13
Total comprehensive income attributable to the shareholders of the parent company		-24,214.38	2,954,428.78
Total comprehensive income attributable to the minority shareholders		-4,582.62	-2,700.65
VIII. Earnings per share:			
(1) Basic earnings per share	10	-0.0007	0.0055
(2) Diluted earnings per share	10	-0.0007	0.0055

CONSOLIDATED CASH FLOW STATEMENT 2016

Unit: RMB (Yuan)

Item	Note	2016	2015
I. Cash flows from operating activities		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
Sub-total of cash inflows from operating activities		115,602,499.58	131,055,281.21
Cash paid for goods and services		95,818,288.90	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		6,170,834.27	5,303,327.23
Sub-total of cash outflows from operating activities		120,939,798.11	122,777,297.85
Net cash flows from operating activities		-5,337,298.53	8,277,983.36
II. Cash flows from investing activities			
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
Sub-total of cash inflows from investing activities		7,429,397.13	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			
Sub-total of cash outflows from investing activities		391,657.75	188,073.10
Net cash flows from investing activities		7,037,739.38	5,820,005.74
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			
Sub-total of cash inflows from financing activities		-	-
Cash repayments of borrowings			
Cash payments for distribution of dividends or profits and interest expenses			
Cash paid to other financing activities			
Sub-total of cash outflows from financing activities		-	-
Net cash flows from financing activities		-	-
IV. Effect of foreign exchange rate changes on cash and cash equivalents		281,107.35	323,191.16
V. Net increase in cash and cash equivalents		1,981,548.20	14,421,180.26
Add: Cash and cash equivalents at beginning of period		25,578,899.74	11,157,719.48
VI. Cash and cash equivalent at end of period		27,560,447.94	25,578,899.74

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY **2016**

Item	Current Year												
	Share Capital	Preferred shares	Other equity instrument 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	-	1,267,587.41	-	222,962.29	-	-55,199,559.24	-17,443.71	71,341,998.64
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	-	1,267,587.41	-	222,962.29		-55,199,559.24	-17,443.71	71,341,998.64
III. Change through current year ("-" for losses)		-	-	-	-	-	306,732.88	-	-		-330,947.26	-4,582.62	-28,797.00
(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													-
IV. Ending balance of current year	48,000,000.00	-	-	-	77,068,451.89	-	1,574,320.29	-	222,962.29	-	-55,530,506.50	-22,026.33	71,313,201.64

Unit: RMB Yuan

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) **2016**

Unit: RMB (Yuan)

Item	Previous Year									
	Share Capital	Preferred shares	Other equity instrument	Others	Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Total shareholders' equity
I. Ending balance of previous year	48,000,000.00	-	-	-	77,068,451.89	-	931,847.12	-	222,962.29	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	68,390,270.51
III. Change through current year ("-" for losses)										
(1) Total comprehensive income	-	-	-	-	-	-	335,740.29	-	-	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	71,341,098.64

NOTES:

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 Techonologh Investment Company, Shanghai Xinxuhui (Group) Co., Ltd., Shanghai Huixin Investment Management Co., Ltd., and Shanghai Jiaoda Onlly 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. 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 "7. 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 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 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).

4.4 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.

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.

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 previously 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 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.

(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	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 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

4.6. 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.

4.7. 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.

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 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.

5. OPERATING INCOME, OTHER OPERATION & EQUITY

5.1 Operating income

Items	2016	2015
Computer hardware and software products	56,297,842.53	77,635,267.67
Commercial application program and software	35,749,610.79	30,337,556.71
Installation and maintenance of network and data security products	4,284,175.85	3,910,644.38
Total	96,331,629.17	111,883,468.76

5.2 Other operation & equity

Items	2016	2015
Interest income	776,109.82	1,229,971.00
Breakdown of government grants	6,000.00	0
Property rental income	616,089.79	295,122.79
Investment income of available for sale financial assets	120,000.00	150,000.00
Assets impairment losses	684,736.01	404,363.95
From disposal of long-term equity investment	0	1,703,302.00
From long-term equity investment under equity method	1,323,384.03	1,008,662.74
Disposal gain of non-current assets	367,766.22	
Total	3,894,085.87	4,791,422.48

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 reporting 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 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 costs			19,543,510.99		19,543,510.99
Undistributed other expenses			300,957.34		300,957.34
Subsidiaries' 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			31,436,685.28
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
Revesal 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

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			95,788,799.67
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			226,598.42		226,598.42
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
Revesal 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

Geographical information

All of the Group's turnover was generated from customers in the PRC during the years ended 31 December 2016 and 2015 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 2016 and 2015.

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	15%

7.2 Tax Preference

(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 Circular of State Administration of Taxation; Ministry of Finance on Value-added Tax Policy on Software Products (Cai Shui 2011 No. 100), if general VAT taxpayers developed software upon request, and the copyright of the software belonged to either the client or both the client and developer, VAT shall be exempted.

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 2016 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 2016 as there was no assessable profit derived from Hong Kong for both years.

Item	2016	2015
Current income tax		
Deferred tax		
Total		

(1) Deductible loss of unrecognized deferred tax assets expire in next period

Item	2016	2015
2016 and following years		16,693.338.90
2017 and following years	23,295,025.46	
Total	23,295,025.46	16,693.338.90

8. BEFORE TAX OF COST AND FEE

Item	2016	2015
Sales cost		
Computer hardware and software products	52,282,929.24	71,123,331.64
Commercial application program and software	25,914,931.88	23,095,488.26
Installation and maintenance of network and data security products	1,980,089.83	1,569,979.73
Tax and surcharges	216,044.92	551,504.10
Selling expenses	2,191,183.04	2,603,913.14
Total	82,585,178.91	98,944,216.87
Staff costs(including directors',chief executive's and supervisors'emoluments)		
Salaries and other benefits	16,031,149.35	13,224,836.98
Termination benefits		
Contributions to retirement benefits scheme	1,972,918.09	2,335,485.09
Total	18,004,067.44	15,560,322.07
Auditor's remuneration	360,000.00	360,000.00
Research and development expenditure	4,520,034.04	2,834,202.61
Others Administration expense	2,616,008.87	2,989,287.25
exchange loss	-33.97	-1,019.11
Bank charge	15,442.59	22,148.57
Loss on disposal of non-current assets	67,749.08	16,442.08
Others Non-operating expenses	1,754.72	41,886.80
Total	7,580,955.33	6,262,948.20

9. 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

10. EARNING PER SHARE

(1) Basic earning per share

Item	2016	2015
Net consolidated profit attributable to ordinary shareholders of Parent Company	-330,947.26	2,618,688.49
Net consolidated profit after deducting extraordinary items attributable to ordinary shareholders of Parent Company	-2,078,593.71	-368,847.87
Weighted average number of ordinary shares in issue of the Parent Company	480,000,000.00	480,000,000.00
Basic EPS(RMB/share)	-0.0007	0.0055
Basic EPS (RMB/share)(after deducting extraordinary items)	-0.0043	-0.0008

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

(2) Diluted EPS

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

11. ACCOUNT RECEIVABLES

Item	2016	2015
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

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	2016	2015
3 months (inclusive)	11,220,371.20	7,821,154.29
3 months to 6 months (inclusive)	305,773.90	379,414.40
7 months to 12 months (inclusive)	841,651.95	2,850,866.13
Over 1 year	4,283,944.04	2,174,690.35
Total	16,651,741.09	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 provided for bad debts on individual basis										
Accounts receivable that are provided for bad debts 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 provided for bad debts 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

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

Aging	Ending Balance		
	Accounts receivables	Provision for bad debts	Ratio %
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

Aging	Beginning Balance		
	Accounts receivables	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

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

Aging	Ending Balance		
	Book balance	Provision for bad debts	Ratio %
Guarantee deposit and project payment within credit period	2,309,090.03		
Receive guaranteed payment	1,974,854.01		
	155,330.40		
Total	4,439,274.44		

Aging	Beginning Balance		
	Book 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		

3) *Analysis of overdue unimpaired receivables at balance date*

Aging	Ending Balance	Beginning Balance
No overdue and no decreasing value	11,681,475.50	8,200,568.69
Overdue but no decreasing value		
7 months to 12 months (inclusive)	686,321.55	2,850,866.13
Over 1 year	4,283,944.04	2,174,690.35
Total	16,651,741.09	13,226,125.17

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	4,874,867.54	5,503,894.09
Provision for bad debts	411,375.74	95,973.45
Provision for bad debts received	1,265,018.56	725,000.00
At 31st December	4,021,224.72	4,874,867.54

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	1,198,354.01	Cash	Returned funds
Total	1,198,354.01		

12. TRADE PAYABLE

(1) Trade payable

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

(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	14,920,318.66	23,452,577.87
More than 1 year	3,913,739.41	2,869,811.08
Total	18,834,058.07	26,322,388.95

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDENDS

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

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 goods. 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).

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 attendance and vote 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.

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 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.

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.

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 2016, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the year 2016 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.

Proposed Amendments to the Articles of Association

The Board of Directors proposes certain amendments to the Articles of Association (“Articles of Association”). The specific amendments are as follows:

Amend Article 1 of the Articles of Association

Originally read as:

Article 1 The company (or the “Company”) is a joint stock limited company established in the People’s Republic of China (“PRC”) in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the Company Law), the Special Regulations of the State Council Concerning the Overseas Share Subscription and Listing of Joint Stock Limited Companies (hereinafter referred to as the Special Regulations) and other State laws and statutory regulations.

Subject to the approval by document 滬府體改審(1998)040號文(Hu Fu Ti Gai Shen no.1998040*) issued by the People’s Government of Shanghai, the company was established by way of promotion on 4 May, 1998. The Company was registered with Commerce and Administration Bureau in Shanghai and obtained the business license on 3 December, 1998. The number of the company’s business license is: 3100001005292.

The promoters of the company are:

- Promoter one: Shanghai Jiaotong University (上海交通大學)
Legal representative: Xie Shenwu (謝繩武)
Address: No. 1954 Huashan Rd., Shanghai
- Promoter two: Shanghai Science and Technology Investment Company (上海科技投資公司)
Legal representative: Zhao Weimin (趙為民)
Address: No. 451 Shangchuan Rd., Pudong New District, Shanghai
- Promoter three: Shanghai Xin Xuhui (Group) Co., Ltd (上海新徐匯(集團)有限公司)
Legal representative: Chen Min (程敏)
Address: No. 80 Ziyang Rd., Shanghai
- Promoter four: Shanghai Huixin Investment Co., Ltd (上海匯鑫投資經營有限公司)
Legal representative: Lu Jingyi (陸靜恬)
Address: No. 39 Taojiang Rd., Shanghai
- Promoter five: Shanghai Jiaoda Angli Co., Ltd. (上海交大昂立股份有限公司)
Legal representative: Xu Xiaoming (許曉鳴)
Address: No. 117 Huancheng Rd., Songjiang Town, Songjiang County, Shanghai

(Article 1 of Mandatory Provisions)

* For identification only

to be amended as:

Article 1 The company (or the “Company”) is a joint stock limited company established in the People’s Republic of China (“PRC”) in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the Company Law), the Special Regulations of the State Council Concerning the Overseas Share Subscription and Listing of Joint Stock Limited Companies (hereinafter referred to as the Special Regulations) and other State laws and statutory regulations.

Subject to the approval by document 滬府體改審(1998)040號文(Hu Fu Ti Gai Shen no.1998040*) issued by the People’s Government of Shanghai, the company was established by way of promotion on 4 May, 1998. The Company was registered with Commerce and Administration Bureau in Shanghai and obtained the business license on 3 December, 1998. The number of the company’s business license is: 3100001005292.

The promoters of the company are:

Promoter one: Shanghai Jiaotong University (上海交通大學)

Promoter two: Shanghai Technology Venture Capital Company Limited
(上海科技創業投資有限公司)

Promoter three: Shanghai Xin Xuhui (Group) Co., Ltd (上海新徐匯(集團)有限公司)

Promoter four: Shanghai Huixin Investment Co., Ltd (上海匯鑫投資經營有限公司)

Promoter five: Shanghai Jiaoda Angli Co., Ltd. (上海交大昂立股份有限公司)

(Article 1 of Mandatory Provisions)

* For identification only

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, 21 March 2017

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

Executive directors Liu Yuwen, Shuai Ge, Shang Ling, Zhou Re Qing,
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>.