

# SHANGHAI JIAODA WITHUB INFORMATION INDUSTRIAL COMPANY LIMITED\*

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

Stock Code: 8205



**Withub**  
ANNUAL REPORT  
**2019**

*\*for identification purpose only*

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This report for which the directors (the “Directors”) of Shanghai Jiada 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 GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading, and there are no other matters the omission of which would make any statement herein misleading.

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# Corporate Profile and Highlights

## CORPORATE PROFILE

上海交大慧谷信息產業股份有限公司 (Shanghai Jiaoda Withub Information Industrial Company Limited\*) founded on 4 May 1998. It is an incorporated joint stock company jointly invested by Shanghai Jiaotong University, Shanghai Technology Venture Capital Company Limited, Shanghai Xin Xuhui (Group) Co., Ltd.. On July 2002, the Company was listed on the GEM of Hong Kong. The Company encompasses technology research, production and operation together. It is mainly engaged in computer network and internet security integration, application software development, building intelligent system integration as well as IT products sales agent, etc.

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

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

## HIGHLIGHTS

For the year ended 31 December 2019,

- turnover of the Group amounted to RMB74,496,520.52 (2018: approximately RMB60,937,818.54) which represented an increase of 22.25%;
- the profit attributable to owners of the Company was approximately RMB5,092,000.93 (2018: gain of approximately RMB5,653,384.53);
- the Directors do not recommend the payment of a final dividend (2018: Nil).

\* For identification purpose only

# Corporate Information

## Executive Directors

Mr. Zou Yimin (*Chairman*)  
Mr. Shuai Ge (*Vice Chairman*)  
Mr. Shang Ling (*Chief Executive*)  
Mr. Zhou Re Qing  
Ms. Xia Weiwei  
Mr. Shen Zhimin

## Independent Non-executive Directors

Mr. Yuan Shumin  
Dr. Ni Jing  
Mr. Zhou Guolai

## Supervisors

Mr. Yu Jiming (*Chairman*)  
Mr. Rong Yinsheng  
Ms. Dong Beihua  
Ms. Sun Guofang  
Mr. Yang Binghua

## Company Secretary

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

## Audit Committee

Mr. Yuan Shumin (*Chairman*)  
Dr. Ni Jing  
Mr. Zhou Guolai

## Remuneration Committee

Mr. Yuan Shumin (*Chairman*)  
Mr. Zou Yimin  
Dr. Ni Jing  
Mr. Zhou Guolai

## Nomination Committee

Mr. Zou Yimin (*Chairman*)  
Mr. Yuan Shumin  
Dr. Ni Jing

## Compliance Officer

Mr. Zou Yimin

## Legal Address

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

## Principal Place of Business in Hong Kong

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

## Principal Place of Business in the PRC

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

## Authorised Representatives

Mr. Zou Yimin  
Ms. Ho Wing Yan

## Principal Bankers

China Merchants Bank  
China CITIC Bank  
Industrial and Commercial Bank  
Construction Bank

## Auditor

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

## Hong Kong Share Registrar and Transfer Office

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

## Stock Code

8205

## Company Website

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

# Chairman's Statement

To All Shareholders,

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

Looking back on 2019, it is important for the Company's development, and it is also a year connecting the past and future for the Company's strategic development. Facing the complicated and ever-changing market environment, it is difficult to start in 2019. However, under the correct leadership of senior executives, all employees have conscientiously implemented various decisions and arrangements, dealt with the pressure directly, and overcome difficulties such as market instability. We focused on strategic objectives, carefully analyzed opportunities and challenges, and actively obtained support from local governments and superior units through further optimizing customer structure, improving service quality, and innovating service forms, as well as continuously optimized internal control management measures, vigorously increased revenue and reduced expenditure, thereby making profits in 2019.

To cope with the future challenge and sustainable development, the Company will continue to set up objectives and plans according to the three-year development plan in 2020, and actively transform and expand its operating direction. For business, the major direction is to continue concentrating on operation which can bring going concern to develop software development and system integration business, continuously push forward the commercialization process with vigorous effort in software department, and continuously push forward the expansion of system integration business department in intellect zone solutions industry; for management, along with the on-going business development, the operating management of various aspects will be further enhanced and improved and the process control will be strengthened in operations department.

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

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

By order of the Board

**Zou Yimin**

*Chairman*

Shanghai, the PRC, 20 March 2020

# Management Discussion and Analysis

## DIVIDENDS

The Directors do not recommend the payment of any dividends in respect of the year ended 31 December 2019.

## RESULTS

For the year ended 31 December 2019, the Group recorded a turnover of approximately RMB74,496,520.52 (2018: approximately RMB60,937,818.54), representing an increase of RMB13,558,701.98 or 22.25% as compared to last year. The Group recorded a profit of RMB5,092,000.93 for the year ended 31 December 2019, while a profit for the year ended 31 December 2018 was RMB5,653,384.53.

## BUSINESS REVIEW AND FUTURE PROSPECTS

For the entire financial year under review ended 31 December 2019, the total revenue of the Group has increased from RMB60,937,818.54 to RMB74,496,520.52. The increase of RMB13,558,701.98 in revenue represents 22.25% increase of the Group's sales as compared with that in 2018. The Group recorded a profit before tax of RMB5,653,384.53 in the previous year and a profit before tax of RMB5,092,000.93 during the year.

Revenue of main business is mainly generated from business solutions and application software business which accounted for 83.77% of the total sales (or RMB60,826,383.64), and this is followed by 9.66% of the total sales (or RMB7,016,273.83) for installation and maintenance of network and data security products and 6.57% of the total sales (or RMB4,770,727.30) for sales of electrical products and fittings. These business segments remain the core services and products for the Company in the past and also for the future.

Revenue of business application solutions and application software has increased by RMB13,801,609.71 or 29.35% from RMB47,024,773.93 in the previous year. The increase was due to the exploring of the Chinese northern market and growth of business.

Revenue of installation and maintenance of network and data security products has increased by RMB1,385,562.14 from the previous year of RMB5,630,711.69, representing an increase of 24.61%. For sales of business application solutions and application software, the Company continuously provides installation and maintenance service for customers. The revenue of installation and maintenance service increases as the sales of business application solutions and application software increases.

Revenue of sales of electronic products and accessories has decreased by RMB1,816,481.89 or 27.58% from RMB6,587,209.19 in the previous year. The decrease was due to the impact of e-commerce, withdrawing of major dealers from the Chinese market, and the adjustments on the Company's corresponding business, resulting in lower revenue.

The gross profit of main business has increased from RMB19,775,246.58 to RMB23,427,225.66, representing an increase of RMB3,651,979.08 or 18.47%. The gross profit margin of main business has decreased from 33.38% for the previous financial year to 32.26% for the current year.

Other revenue has increased by RMB188,012.02 or 11.09 % to RMB1,883,135.75 in the current year from RMB1,695,123.73 in the previous year.

The share of profits of associates amounted to RMB2,344,297.67 in the current year as compared to the profit of RMB2,217,812.38 in the previous year, representing an increase of RMB126,485.29.

Selling expenses has decreased by RMB185,196.18 or 3.76% from RMB4,930,708.77 in the previous year to RMB4,745,512.59 in the current year.

# Management Discussion and Analysis

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019, shareholders' funds of the Group amounted to approximately RMB75,715,337.90 (2018: RMB70,590,288.84). Current assets amounted to approximately RMB70,176,625.93 (2018: RMB70,732,985.55), of which approximately RMB35,574,519.67 (2018: RMB51,430,479.76) were cash and bank balances. The Group did not have non-current liabilities (2018: Nil) and its current liabilities amounted to approximately RMB17,735,817.05 (2018: RMB17,498,935.77), 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 2019, the Group had a net cash position and its working capital ratio (current assets divided by current liabilities) was 3.96 (2018: 4.04); and gearing ratio (liabilities divided by total assets) was approximately 18.98% (2018: 19.87%).

## CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

The Group had no capital commitments and significant investments for the year ended 31 December 2019.

## MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

The Group had no material acquisitions or disposals of subsidiaries, associates or joint venture companies for the year ended 31 December 2019.

## SEGMENT INFORMATION

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

## EMPLOYEE INFORMATION

As at 31 December 2019, the Group had 93 full-time employees (2018: 118), comprising 15 in management, finance and administration (2018: 17), 31 in research and development (2018: 37), 32 in application development and engineering (2018: 42), and 15 in sales and marketing (2018: 20). Also, the Group had 2 school staffs (2018: 2).

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

Remuneration of employees including Directors' emoluments and all staff-related costs for the year ended 31 December 2019 was approximately RMB21,752,165.12 (2018: RMB18,057,169.42).

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 2019, the Group did not have any charges on its assets (2018: Nil).



# Management Discussion and Analysis

## **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 2019, 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 arise.

## **CONTINGENT LIABILITIES**

As at 31 December 2019, the Group did not have any significant contingent liabilities (2018: Nil).

## **EVENT AFTER THE REPORTING PERIOD**

No important events affecting the Group has occurred since the end of the year.

# Biographical Details of Directors, Supervisors and Senior Management

## DIRECTORS

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

### Executive Directors

**Mr. Zou Yimin** (“Mr. Zou”), aged 52, member of Chinese Communist Party, master degree holder. He holds a bachelor degree of Applied Chemistry from Shanghai Jiaotong University and a master degree postgraduate in business administration from Shanghai Jiaotong University. He served as assistant engineer of the Information Storage Research Center of Shanghai Jiaotong University, and vice president and secretary of CPC general branch of Shanghai Jiaoda Nanyang Real Estate Group Co., Ltd. (上海交大南洋房地產集團有限公司). From September 2013, he served as the Chairman of Shanghai Jiaotong University Planning Architecture Design Co., Ltd. (上海交通大學規劃建築設計有限公司) and from April 2016, he acted as assistant of general manager of Shanghai Jiaoda Industrial Investment Management Group Co., Ltd. (上海交大產業投資管理集團有限公司). He was appointed as an executive Director, Chairman, chairman of the Nomination Committee and a member of the Remuneration Committee by the Company on 29 June 2018.

**Mr. Shuai Ge** (“Mr. Shuai”), aged 51, MA, is an engineer. He has long-term engagement in business management since 1993. He works at the research and development department of Shanghai Xianhe Optoelectronics Technology Company Limited (上海先河光電技術有限公司). He served as the manager of the import and export division of Shanghai Taiping International Container Co., Ltd (上海太平國際貨櫃有限公司), the general manager assistant of Shanghai Xinhua Power Station Control Co., Ltd (上海新華電站控制技術有限公司), the general manager of Shanghai International Program Controlled Company Limited (上海國際程序控制有限公司), the general manager assistant and deputy general manager of Shanghai Xin Xuhui (Group) Limited (上海新徐匯(集團)有限公司). He has been the deputy secretary of the Party Committee and the deputy general manager of Shanghai Xin Xuhui (Group) Limited (上海新徐匯(集團)有限公司) since October 2016. He has been the deputy secretary of the Party Committee and the general manager of Shanghai Xin Xuhui (Group) Limited (上海新徐匯(集團)有限公司) since November 2016. He was appointed as an executive Director and Vice Chairman by the Company on 7 July 2015.

**Mr. Shang Ling** (“Mr. Shang”), aged 49, MA, engineer. He has long-term engagement in corporate production and operational management after he graduated from his master degree in 2001. He served as a manager of 上海申聯資訊技術公司, an assistant officer of Shanghai Withub Hi-Tech Business Incubator (上海慧谷高科技創業中心), the general manager of Shanghai Withub Business Investment and Management Company Limited (上海慧谷創業投資管理有限公司), the general manager of Shanghai Jiaoda Withub Technology Street Company Limited (上海交大慧谷科技街有限公司) and the deputy general manager of Shanghai Xin Nanyang Company Limited (上海新南洋股份公司). He was appointed as the chief executive officer of the Company in 18 June 2014 and was appointed as an executive Director by the Company on 7 July 2014.

# Biographical Details of Directors, Supervisors and Senior Management

**Mr. Zhou Re Qing** (“Mr. Zhou”), aged 55, member of Chinese Communist Party, engineer, economist and a National Registered First-Class Construction Engineer with a master degree. He holds a bachelor degree of engineering in high molecular chemical engineering (高分子化工) from Zhejiang University and a master degree postgraduate in business administration from Shanghai Jiaotong University. He served as the head of technology of the Shanghai Gaoqiao Petrochemical Company, the head of production of the Shanghai Qi Ba Gaoqiao (Joint Venture) Chemical Co., Ltd. (上海汽巴高橋(合資)化學有限公司), the manager of investment management department of the Shanghai Pudong Venture Investment Limited (上海浦東創業投資有限公司), the deputy general manager of Shanghai Jing Cheng Real Estate Development Co., Ltd. (上海京城房地產開發有限公司), the deputy general manager of Beijing Jiangnan Decoration Co., Ltd, the deputy manager of the Investment Department II of Shanghai Science and Technology Investment Company. He served as deputy manager of the project investment department of Shanghai Science and Technology Venture Investment (Group) Co., Ltd. from August 2014. He was appointed as an executive Director by the Company on 7 July 2016.

**Ms. Xia Weiwei** (“Ms. Xia”), aged 41, an accountant with a bachelor degree. She has worked in the department of finance of Shanghai Jiaoda Industrial Investment Management Group Co., Ltd. (上海交大產業投資管理集團有限公司) since July 2000. She is currently as a manager of department of corporate management of Shanghai Jiaoda Industrial Investment Management Group Co., Ltd. (上海交大產業投資管理集團有限公司) since July 2016. She was appointed as an executive Director by the Company on 29 June 2018.

**Mr. Shen Zhimin** (“Mr. Shen”), aged 53, graduated with a Bachelor degree. He worked for Shanghai Baoshan District Finance Bureau from 1989 to 1992, and he has served as the head of accounting department for Shanghai Xuhui District Finance Bureau since 1992. He has acted as the director of Shanghai Huxin Investment Operation Company Limited since 2012. He was appointed as an executive Director by the Company on 7 July 2014.

## Independent Non-executive Directors

**Mr. Yuan Shumin** (“Mr. Yuan”), aged 69, was graduated from School of Accounting of Shanghai University of Finance and Economics in January 1983 with a bachelor degree in Economics, and taught there after graduation. In January 1985, Mr. Yuan attended the part-time Postgraduate program in School of Accounting of Shanghai University of Finance and Economics, and graduated in June 1988 with a master degree in Economics. Mr. Yuan became an associate professor in 1992, and promoted as professor in 1997. Since 1993, Mr. Yuan has been the supervisor of teaching department, an assistant supervisor and assistant dean of School of Accounting, standing assistant dean and dean of School of Adult Education (成教學院) of Shanghai University of Finance and Economics. Mr. Yuan studied in a part-time doctorate program of Management at School of Management of Fudan University from January 1995, and graduated from Fudan University in January 1998 with a doctorate degree in Science. In July 2001, Mr. Yuan was appointed as tutor of accounting doctorate program in Shanghai University of Finance and Economics. He has served in School of Accounting in Shanghai Finance University since September 2005, and is currently serving as the president of School of Accounting. Mr. Yuan has written various thesis, studies, teaching material, and served as Chairman of Computerized Accountancy Association for Youth (中青年會計電算化分會) of PRC Accounting Association (中國會計學會). He was appointed as an independent non-executive Director, the chairman of each of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee by the Company on 22 June 2007.

## Biographical Details of Directors, Supervisors and Senior Management

**Dr. Ni Jing** (“Dr. Ni”), aged 39, is an associate professor and a supervisor for master students. She obtains both bachelor and master degrees in Law from Southwest University of Political Science & Law in China, a master degree in EU Commercial Law from Aix-Marseille Université in France, a doctoral degree in Law from Xiamen University in China and a post-doctoral degree in Law from Chinese Academy of Social Sciences. Dr. Ni has extensive experience in law, and worked for Shenzhen Intermediate People’s Court in China, J. Tongue Law Office GD and Beijing JunZeJun Law Offices respectively, and served as the legal consultant for various enterprises included, among other things, Shanghai Taikang Life Insurance Co., Ltd (上海泰康人壽公司), Shanghai Oriental Maritime Engineering Technology Co., Ltd (上海東方海事工程技術有限公司), Shanghai Kasha Blanca Garment Co., Ltd (上海卡莎布蘭卡服飾有限公司), Shanghai Weixin Company Limited (上海維信有限責任公司), Shanghai Yuexing Wealth Management Co., Ltd (上海悅星財富管理公司), and Beijing Mashu Food Production Co., Ltd (北京馬氏莊園食品有限公司). Dr. Ni also actively participates in social affairs and served as the secretary of alumni association for Southwest University of Political Science & Law in Shanghai, China and the secretary of legal professional committee of the Sichuan Chamber of Commerce in Shanghai. Dr. Ni currently works in the International Law Faculty of East China University of Political Science and Law in China. She was appointed as an independent non-executive Director, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee by the Company on 7 July 2015.

**Mr. Zhou Guolai** (“Mr. Zhou”), aged 51, MA, graduated from Beijing University of Aeronautics and Astronautics in 1991, with a bachelor of engineering degree majoring in structural intensity of air vehicle. Mr. Zhou graduated from Antai College of Economics and Management at Shanghai Jiao Tong University in 2002, with a master’s degree in economics and management. Mr. Zhou worked in Shanghai Aviation Industrial (Group) Co., Ltd. (上海航空工業集團), where he held a position of management from 1991 to 2002; in Asia Business Consulting Co., Limited (亞商企業諮詢股份有限公司), where he was responsible for the management and consulting work of large enterprise groups from 2002 to 2005; in Alliance PKU Management Consultants Ltd. (北大縱橫管理諮詢集團), where he acted as the senior vice-president, senior partner, the general manager of the Eighth Business Division, the founding dean of the Group Development Studies Institute, and the founder of the Shanghai operation center of the company, from 2006 to present.

Mr. Zhou is currently the vice president of the Shanghai Jiaotong University MBA Alumni Association, the secretary-general of Shanghai Jiaotong University Century Association (上海交大世紀會), the chairman of the Energy Branch of the Shanghai Jiaotong University Alumni Association (上海交大校友會能源分會), the career mentor and interviewer of Antai College of Economics and Management at Shanghai Jiao Tong University, an independent director of CUTI of Shanghai Jiao Tong University, the chairman of the MBA Entrepreneurship Foundation of Shanghai Jiao Tong University (上海交大MBA創業基金會理事會), and the chairman of Shanghai Alumni Association of Beijing University of Aeronautics and Astronautics. Mr. Zhou was once the member of the 9th China Young Entrepreneurs Association, the member of MBA Committee and the Member of Shanghai IT Talents Association (上海市IT青年人才協會). He was appointed as an independent-non Director, a member of each of the Audit Committee and the Remuneration Committee by the Company on 7 July 2019.

# Biographical Details of Directors, Supervisors and Senior Management

## SUPERVISORS

**Mr. Yu Jiming** (“Mr. Yu”), aged 61, is the chairman of Supervisory Committee of the Company and responsible for the supervision of the Company’s operation and financial activities. Mr. Yu graduated with Bachelor degree in University of Science and Technology Beijing and is a Senior Accountant and a registered accountant. Mr. Yu held various positions in 上海浦東鋼鐵公司 including Administrator, Supervisor and Section Chief of Cost Section of Finance Department (財務處成本科管理員、組長及科長), Deputy Head of Finance Department, Head of Foreign Economic and Trade Department (對外經濟貿易處) and Deputy Chief Accountant. He was also the General Manager of 三網國際貿易公司. Since 1999, Mr. Yu has acted as the Finance Director of Shanghai Science & Technology Venture Investment (Group) Company Limited (上海科技創業投資(集團)有限公司), the chairman of Supervisory Committee of 上海眾恒資訊產業有限公司, deputy chairman of 上海申騰資訊技術有限公司. He was appointed as a supervisor by the Company on 7 July 2005.

**Mr. Rong Yinsheng** (“Mr. Rong”), aged 34, is a supervisor of the Company, a member of Chinese Communist Party, an audit executive with a bachelor degree in management and a Certified Internal Auditor. He graduated from SHU-UTS SILC Business School. He had worked in auditing field at Ou Ke Meng CPA Ltd. (歐科盟會計師事務所) and Grant Thornton, Shanghai Branch (致同會計師事務所上海分所). He served as audit executive of Shanghai Xinxuhui (Group) Co. Ltd from December 2013. He was appointed as a supervisor by the Company on 7 July 2016.

**Ms. Dong Beihua** (“Ms. Dong”), aged 56, is a supervisor of the Company. She worked for Shanghai Xuhui District Taxation Bureau from 1983 to 1985, and she has served as the head of inspection department for Shanghai Xuhui District Finance Bureau since 1986. Ms. Dong has acted as the general manager of Shanghai Huxin Investment Operation Company Limited since 2012. She was appointed as a supervisor by the Company on 7 July 2014.

**Mr. Yang Binghua** (“Mr. Yang”), aged 47, employee representative and supervisor of the Company. He graduated from Jiangxi Agricultural University with a bachelor’s degree in accounting. He served as the deputy manager of the administration department since 2015. Currently, Mr. Yang is the deputy manager of the administration and human resources department and the chairman of the labour union of the Company. He was appointed as the supervisor by the Company on 20 March 2019.

**Ms. Sun Guofang** (“Ms. Sun”), aged 37, employee representative and supervisor of the Company. She graduated from East China Normal University with a bachelor’s degree in communication. She served as the manager of the administration department of the Company since 2015. Currently, Ms. Sun is the manager of the administration and human resources department of the Company. She was appointed as the supervisor by the Company on 20 March 2019.

## SENIOR MANAGEMENT

**Ms. Cao Zhen** (“Ms. Cao”), aged 51, graduated from Shanghai Jiao Tong University. Ms. Cao is the vice president of the Company, in charge of the Company’s system integration business. Ms. Cao had worked in various positions including 上海交大科外系語言所 (Shanghai Jiaoda Ke Wai System Language Centre) as an engineer, 上海天明科技有限公司 as a manager, 上海瀚英實業發展有限公司 (Shanghai Han Ying Industrial Development Company Limited) as a manager, the general manager of Network Integration Centre (網絡集成中心) of the Company. Ms. Cao was appointed by the Company on May 2005.

# Report of the Supervisory Committee

To All Shareholders,

上海交大慧谷信息產業股份有限公司 (Shanghai Jiaoda Withub Information Industrial Company Limited\*) has complied with the Company Law of the PRC during the year ended 31 December 2019, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company, exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principles of honesty and trustworthiness and worked cautiously and diligently.

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

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

We are satisfied with the various tasks achieved by the Company as well as the cost-effectiveness gained in 2019 and are confident about the prospects and future development of the Group.

On behalf of the Supervisory Committee

**Yu Jiming**

*Chairman of the Supervisory Committee*

Shanghai, the PRC, 20 March 2020

# Report of Corporate Governance

The Group has complied with the code provisions on Corporate Governance Practices (“CG Code”) as set out in Appendix 15 of the GEM Listing Rules throughout the year.

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

The Company had adopted a code of conduct regarding securities transactions by the Directors and supervisors 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 supervisors 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 and supervisors during the year.

## **BOARD OF DIRECTORS**

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

The Company did not enter into any service contract with its executive Directors and independent non-executive Directors. However, according to article 96 of the Articles of Association, the terms of the Directors shall be three years. Upon the expiry of the term, the Directors shall be eligible for re-election at the annual general meeting of the Company. Therefore, the terms of the independent non-executive Directors of (i) Mr. Yuan Shumin commenced from 7 July 2017 to 6 July 2020; (ii) Dr. Ni Jing commenced from 7 July 2018 to 6 July 2021 and (iii) Mr. Zhou Guolai commenced from 7 July 2019 to 6 July 2022.

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

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

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

# Report of Corporate Governance

The Board held four board meetings during the year ended 31 December 2019. Details of the attendance of the Board are as follows:

<b>Board Meetings</b>	<b>Number of Attendance</b>
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## **Executive Directors**

Mr. Zou Yimin	<i>(Chairman)</i>	4/4
Mr. Shuai Ge	<i>(Vice Chairman)</i>	4/4
Mr. Shang Ling	<i>(Chief Executive)</i>	4/4
Mr. Zhou Re Qing		4/4
Ms. Xia Weiwei		4/4
Mr. Shen Zhimin		4/4

## **Independent Non-executive Directors**

Mr. Yuan Shumin		4/4
Dr. Ni Jing		4/4
Mr. Zhou Guolai	<i>(appointed on 7 July 2019)</i>	2/2
Dr. Chan Yan Chong	<i>(resigned on 7 July 2019)</i>	2/2

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

During the year ended 31 December 2019, the Company held one general meeting on 25 June 2019, being 2018 annual general meeting of the Company (the "2018 AGM").

<b>2018 AGM</b>	<b>Number of Attendance</b>
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## **Executive Directors**

Mr. Zou Yimin	<i>(Chairman)</i>	N/A
Mr. Shuai Ge	<i>(Vice Chairman)</i>	1/1
Mr. Shang Ling	<i>(Chief Executive)</i>	1/1
Mr. Zhou Re Qing		1/1
Ms. Xia Weiwei		1/1
Mr. Shen Zhimin		1/1

## **Independent Non-executive Directors**

Mr. Yuan Shumin		1/1
Dr. Ni Jing		1/1
Mr. Zhou Guolai	<i>(appointed on 7 July 2019)</i>	N/A
Dr. Chan Yan Chong	<i>(resigned on 7 July 2019)</i>	1/1



# Report of Corporate Governance

## DIRECTORS' TRAINING

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

For the year ended 31 December 2019, the Directors participated in the following continuous professional development:

<b>Name of Directors</b>	<b>Training organized by professional organization</b>
<b>Executive Directors</b>	
Mr. Zou Yimin	✓
Mr. Shuai Ge	✓
Mr. Shang Ling	✓
Mr. Zhou Re Qing	✓
Ms. Xia Weiwei	✓
Mr. Shen Zhimin	✓
Mr. Liu Yuwen	✓
Mr. Zhu Kaiyong	✓
<b>Independent Non-executive Directors</b>	
Mr. Yuan Shumin	✓
Dr. Ni Jing	✓
Mr. Zhou Guolai (appointed on 7 July 2019)	✓
Dr. Chan Yan Chong (resigned on 7 July 2019)	✓

Note: The Company received from each of the Directors the confirmations on taking continuous professional training.

## CHAIRMAN AND THE CHIEF EXECUTIVE

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

# Report of Corporate Governance

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## AUDIT COMMITTEE

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

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

The Audit Committee held four meetings during the year. The attendance records of the Audit Committee meetings during the year ended 31 December 2019 are as follows:

<b>Meetings of Audit Committee</b>	<b>Number of Attendance</b>
Mr. Yuan Shumin (Chairman)	4/4
Dr. Ni Jing	4/4
Mr. Zhou Guolai (appointed on 7 July 2019)	2/2
Dr. Chan Yan Chong (resigned on 7 July 2019)	2/2

The Group's unaudited quarterly and interim results and audited annual results during the year ended 31 December 2019 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

# Report of Corporate Governance

## REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established on 7 July 2005 with written terms of reference and comprising a total of four members, being one executive Director, namely, Mr. Zou Yimin and three independent non-executive Directors, namely, Mr. Yuan Shumin (Chairman), Dr. Ni Jing and Mr. Zhou Guolai.

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

The Remuneration Committee consults the Chairman and Chief Executive about its proposals related to the remuneration of the Directors and senior management of the Company. The Remuneration Committee held one meeting during the year. The attendance records of the Remuneration Committee meeting during the year ended 31 December 2019 are as follows:

<b>Meetings of Remuneration Committee</b>	<b>Number of Attendance</b>
Mr. Yuan Shumin (Chairman)	1/1
Mr. Zou Yimin	1/1
Dr. Ni Jing	1/1
Mr. Zhou Guolai (appointed on 7 July 2019)	N/A
Dr. Chan Yan Chong (resigned on 7 July 2019)	1/1

For the year ended 31 December 2019, the remuneration of the senior management of the Company falls within the following bands.

<b>Remuneration bands (RMB)</b>	<b>Number of senior management</b>
Nil to 1,000,000	Nil
1,000,001 to 2,000,000	1

# Report of Corporate Governance

## NOMINATION COMMITTEE

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

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

The Nomination Committee held one meeting during the year. The attendance records of the Nomination Committee meeting during the year ended 31 December 2019 are as follows:

<b>Meetings of Nomination Committee</b>	<b>Number of Attendance</b>
Mr. Zou Yimin (Chairman)	1/1
Mr. Yuan Shuman	1/1
Dr. Ni Jing	1/1

## Board Diversity Policy

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

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

## Nomination Policy

The Board has adopted the nomination policy (the "Nomination Policy") on 9 November 2018 which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. The Nomination Policy could assist the Company to achieve board diversity in the Company and enhance the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

# Report of Corporate Governance

The process to identify potential candidates for the Board would be as follows:

- (1) identifying potential candidates, including recommendations from the Board members, professional search firms and the shareholders of the Company;
- (2) evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;
- (3) reviewing the profiles of the shortlisted candidates and interview them; and
- (4) making recommendations to the Board on the selected candidates.

The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

## CORPORATE GOVERNANCE FUNCTIONS

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

## AUDITOR'S REMUNERATION

An amount of RMB360,000.00 was charged to the Group's consolidated income statement and income statement for the year ended 31 December 2019 for the auditing services provided by ShineWing Certified Public Accountants (Special General Partnership), the existing auditor of the Company. During the year, the amount charged in respect of non-auditing services provided by ShineWing Certified Public Accountants (Special General Partnership) was RMB0.00.

## DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

### Annual Report and Financial Statements

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

### Accounting Period

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

# Report of Corporate Governance

## Accounting Records

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

## Going Concern

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

## THE COMPANY SECRETARY

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

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

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

## SHAREHOLDER'S RIGHTS

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

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

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

# Report of Corporate Governance

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

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

## ***Putting enquiries to the Board***

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

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

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

## **DIVIDEND POLICY**

The Board has adopted the dividend policy (the "Dividend Policy") on 9 November 2018 which sets out the appropriate procedure on declaring and recommending the dividend payment of the Company. The Company takes priority to distributing dividends in cash and shares its profits with the shareholders. The dividend distribution decision of the Company will depend on, among others, the financial results, the current and future operations, liquidity and capital requirements, financial condition and other factors as the Board may deem relevant. The Board may also declare special dividends from time to time. The Dividend Policy will be reviewed on a regular basis.

# Report of Corporate Governance

## INVESTOR RELATIONS

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

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

The Board announced at the annual general meeting of the Company held on 25 June 2019 that two articles of the articles of association of the Company (the "Articles of Association") were amended as follows:

(1) Article 3:

"The Company's Address:  
2/F, Building 7, No. 471 Guiping Rd., Shanghai  
Postcode: 200233  
Telephone: (8621)-64078333  
(Article 3 of Mandatory Provisions)"

(2) Article 11:

"The scope of business of the company shall be based on the projects examined and approved by the company registration authority.

The principle business of the company include: information security, research of information management technique and the design, production and construction of products with related technique in the electronic information industry, software development and production (except audio and video products, electronic publications), integration of computer network, design and production of computer network products, design of software, technical services, sale of distributed products, construction of mechanical and electrical installation and construction projects, design and construction integration of architectural decoration and construction projects and web design.

The current scope of business of the company include: maintenance of computers and network products, integration of intelligent buildings, intelligence system for residential district, transfer of technological achievements, professional construction of environmental protection construction projects, etc.  
(Article 10 of Mandatory Provisions)"



# Report of Corporate Governance

## **RISK MANAGEMENT AND INTERNAL CONTROL**

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

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

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

All Directors and those employees who could have access to, and monitor, the information of the Group are responsible for making appropriate precautions to prevent abuse or misuse of such information. Employees of the Group are prohibited from using inside information for their own benefit.

The Board is also vested with the responsibility to disseminate to the Shareholders and the public any inside information in the form of announcements and circulars, in accordance with the GEM Listing Rules.

# Environmental, Social and Governance Report

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

## ENVIRONMENT

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

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

#### 1. *Energy Management*

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

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

Our finance department should collect information about the Group's usage of electricity annually for the management to disclose in the Environmental, Social Government report (the "ESG report") in the financial year starts from 1 January 2019.

#### 2. *Waste Management*

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

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

# Environmental, Social and Governance Report

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

### 1. *Reducing electricity consumption*

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

### 2. *Paper reduction*

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

- a. Deploy recycling bins to collect paper products that can not be reused such as waste paper, poster, letter and envelope;
- b. Place recycling bin for waste paper and papers that already printed once next to printer so that you can choose whether put it into the bin or reuse it;
- c. Saving paper by double-sided printing
- d. Writing on both sides of papers
- e. Bring your own cup and avoid using paper cup
- f. Reuse stationeries such as file folder and envelope
- g. Reuse packaging box
- h. Other than the waste paper that contains confidential information, waste paper should be shipped to paper mill or scrap paper company so as to be recycled into new paper.

Each year, our finance department shall collect information about the paper products purchased and the waste paper that shipped to scrap paper company or paper mill annually for the management to disclose in the ESG report in the financial year starts from 1 January 2018.

### 3. *Water conservation*

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

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

### 4. *Green procurement*

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

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

# Environmental, Social and Governance Report

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

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

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

## A4. Policy on measures to identify and mitigate the significant climate-related issues on issuer

### SOCIETY

#### Employment and Labor convention

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

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

### 1. Salary

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

# Environmental, Social and Governance Report

## **2. Dismissal**

We ensure that all employees are protected the applicable employment laws, including:

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

## **3. Recruitment and promotion**

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

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

The employees shall enjoy deserved days-off under the applicable laws and regulations. Employees in Hong Kong are entitled to enjoy the following days-off:

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

# Environmental, Social and Governance Report

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

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

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

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

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

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

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

# Environmental, Social and Governance Report

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

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

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

# Environmental, Social and Governance Report

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

## OPERATING PRACTICE

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

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

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



# Environmental, Social and Governance Report

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

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

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

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

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

Customer information will only be used for business purpose, not for other unrelated purposes. All employees should handle and use customer information with extreme caution, protect customer information, and comply with statutory requirements of the Personal Data (Privacy) Ordinance.

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

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

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

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

# Environmental, Social and Governance Report

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

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

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

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

## **2. Providing benefits**

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

## **3. Extortion**

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

## **4. Fraud**

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

# Environmental, Social and Governance Report

## 5. *Money Laundering*

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

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

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

### *a. Identifying clients*

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

### *b. Keeping transaction record*

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

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

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

### *d. Anti money laundering training*

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

# Environmental, Social and Governance Report

## COMMUNITY

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

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

We participate in community building through three main ways:

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

# Environmental, Social and Governance Report

## KEY PERFORMANCE INDICATORS

The Group mainly engages in computer network and internet security integration, application software development, building intelligent system integration and IT products sales agency. Hence, the emission relating to air and greenhouse gas emissions, discharges into the water and land, as well as generation of hazardous and non-hazardous wastes are minimal in 2019. This also means that there is no direct emission of gaseous fuel consumption and other pollutants regulated under the national laws and regulations, discharging pollution through water and land by the principal activities of the Group. There is also no disposal of products and packaging materials by the principal activities of the Group.

## AIR POLLUTANTS

Fuel consumption by motor vehicles are the major source of nitrogen oxides (“NOx”), sulphur oxides (“SOx”) and particulate matter (“PM”) emissions. Relevant data for the year ended 31 December 2019 and 2018 were as follows:

	Year ended 31 December 2018	Year ended <b>31 December 2019</b>
NOx	95,670.51 (g)	<b>55,331.90 (g)</b>
SOx	9,378.51 (g)	<b>7,151.00 (g)</b>
PM	8,907.48 (g)	<b>5,151.72 (g)</b>

## GREENHOUSE GAS EMISSIONS

Greenhouse gas comes from all sorts of daily activities, such as the use of electricity, water and gas as well as the combustion of fuels in motor vehicles. Total greenhouse gas emissions include carbon dioxide (“CO<sub>2</sub>”) and other greenhouse gases, such as methane (“CH<sub>4</sub>”) and nitrous oxide (“N<sub>2</sub>O”). The Group strives to reduce burning and improve energy and resource use efficiency in its daily operation so as to manage its greenhouse gas emissions.

The combustion of fuels in motor vehicles cause the direct emission of greenhouse gasses. Relevant data for the year ended 31 December 2019 and 2018 were as follows:

	Year ended 31 December 2018	Year ended <b>31 December 2019</b>
CO <sub>2</sub>	9,378.51 (kg)	<b>7,151.00 (kg)</b>
CH <sub>4</sub>	196,948.76 (kg)	<b>150,171.08 (kg)</b>
N <sub>2</sub> O	2,907,338.82 (kg)	<b>2,216,811.24 (kg)</b>

The electricity consumption of the Company which mainly comes from the daily operation of the office, which cause the indirect emission of greenhouse gas of CO<sub>2</sub>. Indirect CO<sub>2</sub> emissions from electricity purchased from power companies was 197,313.30kg for the year ended 31 December 2019 (2018: 133,557.99kg).

For water consumption, electricity used for sewage processing by sewage processing companies cause the indirect emission of greenhouse gas of CO<sub>2</sub>. 556.87kg CO<sub>2</sub> have been emitted for the year ended 31 December 2019 (2018: 1,106.87kg).

# Environmental, Social and Governance Report

## HAZARDOUS WASTE PRODUCTION

According to the National Catalogue of Hazardous Wastes (《國家危險廢物名錄》) which was formulated in accordance with Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) by the Ministry of Environmental Protection the People's Republic of China (中華人民共和國環境保護部), printing inks are classed as hazardous waste.

The disposal of printing inks produced by the Company contributed to the total amount of hazardous waste of the Company. Relevant data for the year ended 31 December 2019 and 2018 were as follows:

	Year ended 31 December 2018	Year ended <b>31 December 2019</b>
Hazardous waste per printer	0.013 (tonnes)	<b>0.012 (tonnes)</b>
Intensity of hazardous waste	0.0013	<b>0.0012</b>

## NON-HAZARDOUS WASTE PRODUCTION

Daily commercial wastes constitute the production of non-hazardous waste of the Company. Relevant data for the year ended 31 December 2019 and 2018 were as follows:

	Year ended 31 December 2018	Year ended <b>31 December 2019</b>
Domestic waste	8.5 (tonnes)	<b>8.25 (tonnes)</b>
Intensity of non-hazardous waste	4.25	<b>4.13</b>

The Group is wholly committed to the policies relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste as set out in this ESG report in the annual report in order to mitigate such pollution.

## ENERGY CONSUMPTION

The daily energy consumption of the Group mainly comes from purchased electricity. For the year ended 31 December 2019, the intensity of energy consumption was 80,273.92 (2018: 60,411.10).



# Environmental, Social and Governance Report

## **WATER CONSUMPTION**

The total water consumption of the Group mainly consists of domestic sewage. For the year ended 31 December 2019, the intensity of water consumption was 226.56 with the stable water supply under the regulation by Shanghai Water Authority of Shanghai Municipal Oceanic Bureau (上海市水務局) (2018: 450.32).

The Group is wholly committed to the policies on the efficient use of resources as set out in this ESG report in the annual report in order to reduce the consumption of energy and water.

The daily operation of the Group does not have material impact on the environment and natural resources. The Group will continue to be wholly committed to the policies on minimising its significant impact on the environment and natural resources as set out in this ESG report in the annual report in order to safeguard the environment and natural resources.

# Report of the Directors

The Board of Directors is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

## **Principal Activities**

The Group is principally engaged in the development and provision of business application solutions. The Company operates through two segments. Business Application Project and Application Software segment is engaged in the development and provision of business application project services, including business solutions, application software, installation and maintenance services and data security products. It focuses on medical care sector, intelligent elderly care sector, intelligent surveillance sector, e-politics sector and e-commerce sector, among others. The Sales of Products segment is engaged in the sales and distribution of computers and electronic products and accessories.

## **Business Review**

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

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

## **Key Risk Factors**

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

### ***Impact of Local and International Regulations***

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

### ***Third-Party Risks***

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



# Report of the Directors

## Key Relationships with Employees, Customers and Suppliers

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

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

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

Most businesses related with software development of the Group mainly involve labor cost and do not involve any long-term supplier. The business relationship between our major suppliers and the Group lasts for about one year on an average basis and they mainly locate in Eastern China. Suppliers are mainly determined based on the actual conditions of projects. In order to regulate prices, the purchase of necessary consumables shall be conducted through network platforms such as JD.COM. The payment term granted by offline suppliers is generally 30-90 days or depends on actual conditions, and payables usually shall be settled by wire transfer within the payment term. Details of the trade payables of the Group as at 31 December 2019 are set out in Note 6.14 to the financial statements.

During the Reporting Period, the Group did not have any significant dispute with our major suppliers.

Our major customers include public security bureaus, procuratorates and courts, such as Xuhui Branch of Shanghai Public Security Bureau, DS Information Technology Co., Ltd, Judicial Administrative Equipment Management Department of Jiangxi Provincial Higher People's Court, Fengxian Branch of Shanghai People's Court, Shanghai Greening and Cityscape Management Information Centre, Songjiang Branch of Shanghai People's Procuratorate, Bayuquan Branch of Yingkou People's Procuratorate, Pudong New Area Branch of Shanghai Flood Control Command Centre. The terms of business relationship with the Group range from 3 to 10 years and the credit terms granted to major customers shall be within 6 months. Depending on different projects, advances also can be paid before the construction commences. Details of the trade receivables of the Group as at 31 December 2019 are set out in Note 6.3 to the financial statements.

During the Reporting Period, the Group has not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties. We did not have any material dispute with our customers.

The Group is aware that receivables are potential risks. In order to cope with this uncertainty, the Group mainly adopts the policy of prepayments and hardly participates in advances of projects. Construction process control shall be adjusted based on the payments of contract amounts of customers.

# Report of the Directors

## Major Customers and Suppliers

During the year under review, the Group's sales to the five largest customers accounted for 43.11% of the Group's turnover for the year, of which the largest customer accounted for 16.18% of the Group's turnover for the year.

Purchases from major suppliers accounted for the following percentages:

The largest supplier:	9.85%
Total percentage of the five largest suppliers:	25.83%

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

## Results

The Group's results and financial position for the year ended 31 December 2019 are set out in the annual report on pages 47 to 163.

## Dividends

The directors do not recommend the payment of any dividends in respect of the year ended 31 December 2019.

## Financial Summary

A summary of the results and assets and liabilities of the Group for each of the five years ended 31 December 2019 is set out on page 164 of the annual report.

## Plant and Equipment

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

## Share Capital

Details of movements in the share capital of the Company during the year ended 31 December 2019 are set out in note 6.21 to the notes to the financial statements.

## EQUITY-LINKED AGREEMENT

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

### Share Option Scheme

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

# Report of the Directors

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

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

The Share Option Scheme of the Company has become invalid on 6 July 2012. As at the date of this report, there are no outstanding share options and no shares are available for issue under the Share Option Scheme.

## Reserves

Details of movements in the reserves of the Company during the year are set out on pages 122 to 124 and in notes 6.22 to 6.26 to the notes to the financial statements.

## Reserves and Distributable Reserves

Reserves Details of movements in the reserves of the Company during the year are set out on pages 122 to 124 and in notes 6.22 to 6.26 to the notes to the financial statements.

As at 31 December 2019, the distributable reserve of the Company in deficit were RMB51,343,773.56 (2018: the distributable reserve of the Company in deficit were RMB56,400,630.85). Details of distributable reserves of the Company during the year are set out in notes 6.25 to the notes to the financial statements.

## Retirement Benefits

Details of the retirement benefit scheme of the Group are set out in note 6.16 to the notes to the financial statements.

# Report of the Directors

## DIRECTORS AND SUPERVISORS

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

### Executive Directors

Mr. Zou Yimin	<i>(Chairman)</i>
Mr. Shuai Ge	<i>(Vice Chairman)</i>
Mr. Shang Ling	<i>(Chief Executive)</i>
Mr. Zhou Re Qing	
Ms. Xia Weiwei	
Mr. Shen Zhimin	

### Independent Non-executive Directors

Mr. Yuan Shumin	
Dr. Ni Jing	
Mr. Zhou Guolai	(appointed on 7 July 2019)
Dr. Chan Yan Chong	(resigned on 7 July 2019)

### Supervisors

Mr. Yu Jiming	
Mr. Rong Yinsheng	
Ms. Dong Beihua	
Ms. Sun Guofang	(appointed on 20 March 2019)
Mr. Yang Binghuai	(appointed on 20 March 2019)
Mr. Gu Wei	(resigned on 20 March 2019)#
Ms. Qin Yan	(resigned on 20 March 2019)#

\* Dr. Chan Yan Chong resigned as independent Non-executive Director due to other business development.

# Mr. Gu Wei and Ms. Qin Yan resigned as Supervisor due to other business commitments.

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

### Directors' and Supervisors' Service Contracts

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

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

# Report of the Directors

## **Indemnity of Directors**

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

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

Details of the Directors', Supervisors' and senior executives' emoluments and the highest paid individuals are set out in note 10.4 to the financial statements.

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

As at 31 December 2019, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

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

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

# Report of the Directors

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

### A. Substantial shareholders

As at 31 December 2019, the following shareholders (other than the Directors and the Supervisors (as if the requirements applicable to the Directors under the SFO had applied to the Supervisors) of the Company) had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO and were directly or indirectly interested in 10 percent or more of the Shares:

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

Notes:

- The letter "L" represents the entity's interest in the shares of the Company.
- These 114,000,000 domestic shares are registered and owned by Shanghai Jiaoda Science and Technology Park Limited ("Jiaoda S&T Park"). The major shareholder of Jiaoda S&T Park is Shanghai Jiaoda Industrial Investment Management (Group) Limited ("Jiaoda Industrial") which owns 55.42% of registered capital in Jiaoda S&T Park. The shareholder of Jiaoda Industrial is Shanghai Jiaotong University (100%). Both Jiaoda Industrial and Shanghai Jiaotong University are deemed to be interested in the aggregate of 114,000,000 domestic shares held by Jiaoda S&T Park under the SFO.
- These 60,000,000 domestic shares are registered and owned by Shanghai Xin Xuhui (Group) Company Limited, the registered capital of which will be owned as to approximately 74.58% by Xuhui District Industrial Association after the completion of certain capital reorganisation as referred to in the Prospectus. Xuhui District Industrial Association is deemed to be interested in the 60,000,000 domestic shares held by Shanghai Xin Xuhui (Group) Company Limited under the SFO.

# Report of the Directors

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

As at 31 December 2019, save for the persons/entities disclosed in sub-section A above, the following persons/entities had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

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

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

Save as disclosed above, as at 31 December 2019, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## Board Practices and Procedures

Throughout the year ended 31 December 2019, the Company was in compliance with the Board Practices and Procedures as set out in Rule 5.34 of the GEM Listing Rules.

## Directors' and Supervisors' Interests in Transactions, Arrangements or Contracts

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

## Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

## Closure of Register of Members

The register of members of the Company will be closed from 24 May 2020 to 24 June 2020 (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 24 June 2020 will be entitled to attend and vote at the annual general meeting. In order to qualify for attending and voting at the above meeting, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H share registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not later than 4:00 p.m. on 22 May 2020.

# Report of the Directors

## **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 2019.

## **Competing Interests**

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

## **Pre-Emptive Rights**

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

## **Public Float**

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

## **Audit Committee**

The Company established an Audit Committee on 7 July 2002 with written terms of reference. The Audit Committee comprises the three independent non-executive Directors, namely Mr. Yuan Shumin, Dr. Ni Jing and Mr. Zhou Guolai.

The Company's consolidated financial statements for the year ended 31 December 2019 have been reviewed by the Audit Committee, who gave advice on such statements to the Board. The financial reporting system, risk management and internal control systems of the Company have also been reviewed by the Audit Committee, who were of the opinion that no further improvement was required for the time being. During the year, the Audit Committee has held four formal meetings.

## **Auditor**

ShineWing Certified Public Accountants (Special General Partnership) will retire at the forthcoming annual general meeting of the Company and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of ShineWing Certified Public Accountants (Special General Partnership) as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

## **Mr. Zou Yimin**

*Chairman*

Shanghai, the PRC, 20 March 2020



# Independent Auditors' Report



信永中和會計師事務所

**ShineWing**  
certified public accountants

北京市東城區朝陽門北大街  
8號富華大廈A座9層

9/F, Block A, Fu Hua Mansion,  
No.8, Chaoyangmen Beidajie,  
Dongcheng District, Beijing,  
100027, P.R.China

To shareholders of Shanghai Jiaoda Withub Information Industrial Company Limited:

## I. AUDITORS' OPINIONS

We have audited the financial statements of Shanghai Jiaoda Withub Information Industrial Co., Ltd. (hereinafter as the "Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2019, the consolidated and the Company's income statements, cash flow statements and statements of changes in shareholders' equity for 2019 and the related notes to these financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2019, the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

## II. BASIS OF OPINIONS

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

## III. KEY AUDIT MATTERS

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

### (I) Revenue

#### 1. Details

As at 31 December 2019 the realized operating income of the Company amounted to RMB74,496,520.52, in which income of integration was RMB50,142,241.94 (67.31%) and income of software was RMB 19,200,415.53 (25.77%). According to the Revenue Recognition Principles of the Company (See Financial Statement Notes 4.24), the Company recognizes the two types of revenue based upon the percentage of contract completion.

We regard the revenue recognition upon the percentage of contract completion as one of the key audit matters, since those type of revenue is one of the company's key performance indicators, and the management accounting judgments involved in this are all recorded in the wrong accounting period or Being manipulated creates an inherent risk.

# Independent Auditors' Report

## 2. *Application for auditing*

- (1) We assessed the design and execution of the internal control of the Company relating to the revenue recognition.
- (2) We assessed the management of Jiaoda Withub Information Industrial Company Limited regarding the identification of performance obligations and the determination of compliance schedules in a certain period of time;
- (3) According to the judgment of the management of Withub Information Industrial Company Limited, we reviewed whether the judgment of conditions of the performance obligations in the contract and the method of determining the progress of the contract are compliance with the accounting standards;
- (4) Review the progress of the performance for the revenue confirmed in accordance with the progress of the performance, ① We assessed the project that accounts to more than 50% of the completed projects during the period. We checked the budgeted income against the actual income, compared the budgeted cost to actual cost. We obtained the contracts, payment records and documents for construction budgeting. We sent confirmation to confirm the transaction volume and the balance and progress of its intercourse fund. For those inter-annual projects, we checked the reasons of fluctuation of gross margin rate under two periods and its rationality. ② We assessed the project that accounts to more than 60% of the uncompleted projects during the period. We checked the budgeted income against the actual income, compared the budgeted cost to actual cost. We obtained the contracts, payment records and documents for construction budgeting. We assessed the progress of performance data confirmed by both parties and verified the progress of contract completion.

## IV. OTHER INFORMATION

The management of the Company (hereinafter referred to as "the Management") is responsible for the other information. The other information comprises the information covered in the Company's 2019 annual report, but it does not include the financial statements and our auditor's report thereon.

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

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

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

# Independent Auditors' Report

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

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

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

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

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

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

# Independent Auditors' Report

- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance audit of the group. We remain solely responsible for our audit opinion.

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

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

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

**ShineWing Certified Public Accountants LLP**

Beijing, China

CICPA: (Audit Partner)

CICAP:

20 March 2020

# CONSOLIDATED BALANCE SHEET

As at 31 December 2019

Prepared by: Shanghai Jiada Withub Information Industrial Company Limited		Unit: RMB (Yuan)	
Item	Note	31 December 2019	31 December 2018
<b>Current assets:</b>			
Cash and bank balances	6.1	35,574,519.67	51,430,479.76
Settlement payment			
Lent funds			
Financial assets held for trading	6.2	15,110,136.99	
Derivative financial assets			
Notes receivable			
Accounts receivables	6.3	15,434,275.58	12,884,410.76
Receivables financing			
Prepayments	6.4	12,224.18	146,741.37
Insurance premiums receivables			
Reinsurance receivables			
Provision of reinsurance receivables			
Other receivables	6.5	3,552,542.80	2,647,072.35
Including: Interest receivable	6.5.1	70,963.41	267,981.82
Dividends receivable			
Buying back the sale of financial assets			
Inventories	6.6	441,735.92	3,051,345.19
Contract asset			
Holding for sale assets			
Non-current assets due within one year			
Other current assets	6.7	51,190.79	572,936.12
<b>Total current assets</b>		<b>70,176,625.93</b>	<b>70,732,985.55</b>
<b>Non-current assets:</b>			
Loans and payments on behalf			
Debt investment			
Available-for-sale financial assets			
Other debt investment			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	6.8	13,903,051.21	11,777,753.54
Other long-term equity investment			
Other non-current financial assets	6.9	5,555,528.59	5,314,340.40
Investment properties			
Fixed assets	6.10	167,718.82	236,718.79
Construction in progress			
Biological assets for production			
Fuel assets			
Right-of-use assets	6.11	3,618,104.07	
Intangible assets	6.12		
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets	6.13		
Other non-current assets			
<b>Total non-current assets</b>		<b>23,244,402.69</b>	<b>17,328,812.73</b>
<b>Total assets</b>		<b>93,421,028.62</b>	<b>88,061,798.28</b>

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# CONSOLIDATED BALANCE SHEET

As at 31 December 2019

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited		Unit: RMB (Yuan)	
Item	Note	31 December 2019	31 December 2018
<b>Current liabilities:</b>			
Short-term loans			
Borrowings from the Central Bank			
Deposits from customers and interbanks			
Borrowings from banks and other financial institutions			
Transactional monetary liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payables	6.14	9,102,938.60	12,183,388.49
Unearned revenue			
Contract liability	6.15	328,301.64	889,692.29
Financial assets sold for repurchase			
Handling charges and commissions payable			
Payroll payable	6.16	1,310,979.24	1,311,568.04
Taxes payable	6.17	70,330.57	41,970.40
Other payables	6.18	4,720,385.68	3,072,316.55
Including: Interest payable			
Dividends payable			
Reinsurance payable			
Provision for insurance contracts			
Buying and selling securities as broker			
Holding for sale liabilities			
Non-current liabilities due within one year	6.19	2,202,881.32	
Other current liabilities			
<b>Total current liabilities</b>		<b>17,735,817.05</b>	17,498,935.77
<b>Non-current liabilities:</b>			
Deposit for reinsurance			
Long-term loans			
Bonds payable			
Including: Premium			
Perpetual			
Lease liabilities	6.20		
Long-term payable			
Long-term payroll payable			
Estimated Liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>—</b>	—
<b>Total liabilities</b>		<b>17,735,817.05</b>	17,498,935.77
<b>Shareholders' equity:</b>			
Share capital	6.21	48,000,000.00	48,000,000.00
Other equity instruments			
Including: Premium			
Perpetual			
Capital reserve	6.22	77,308,349.20	77,308,349.20
Less: treasury stock			
Other comprehensive income	6.23	1,527,799.97	1,459,608.20
Special reserve			
Surplus reserve	6.24	222,962.29	222,962.29
General risk reserve			
Undistributed profits	6.25	-51,343,773.56	-56,400,630.85
<b>Total owners' equity attributable to the parent company</b>		<b>75,715,337.90</b>	70,590,288.84
Minority interests	6.26	-30,126.33	-27,426.33
<b>Total shareholders' equity</b>		<b>75,685,211.57</b>	70,562,862.51
<b>Total liabilities and shareholders' equity</b>		<b>93,421,028.62</b>	88,061,798.28

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# BALANCE SHEET OF THE PARENT COMPANY

As at 31 December 2019

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited			Unit: RMB (Yuan)	
Item	Note	31 December 2019	31 December 2018	
<b>Current assets:</b>				
Cash and bank balances		<b>32,571,040.30</b>	47,871,416.69	
Financial assets held for trading		<b>15,110,136.99</b>		
Derivative financial assets				
Notes receivable				
Accounts receivables	15.1	<b>15,434,275.58</b>	12,884,410.76	
Prepayments		<b>12,224.18</b>	146,741.37	
Other receivables	15.2	<b>3,551,287.67</b>	2,645,817.22	
Including: Interest receivable		<b>70,963.41</b>	267,981.82	
Dividends receivable				
Inventories		<b>441,735.92</b>	3,051,345.19	
Contract asset				
Holding for sale assets				
Non-current assets due within one year				
Other current assets		<b>51,190.79</b>	572,936.12	
<b>Total current assets</b>		<b>67,171,891.43</b>	67,172,667.35	
<b>Non-current assets:</b>				
Debt investment				
Available-for-sale financial assets				
Other debt investment				
Held-to-maturity investments				
Long-term receivables				
Long-term equity investment	15.3	<b>13,903,051.21</b>	11,777,753.54	
Other long-term equity investment				
Other non-current financial assets		<b>5,555,528.59</b>	5,314,340.40	
Investment properties				
Fixed assets		<b>167,718.82</b>	236,718.79	
Construction in progress				
Biological assets for production				
Fuel assets				
Right-of-use assets		<b>3,618,104.07</b>		
Intangible assets		—	—	
Development expenses				
Goodwill				
Long-term deferred expenses				
Deferred income tax assets				
Other non-current assets		—	—	
<b>Total non-current assets</b>		<b>23,244,402.69</b>	17,328,812.73	
<b>Total assets</b>		<b>90,416,294.12</b>	84,501,480.08	

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# BALANCE SHEET OF THE PARENT COMPANY

As at 31 December 2019

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited		Unit: RMB (Yuan)	
Item	Note	31 December 2019	31 December 2018
<b>Current liabilities:</b>			
Short-term loans			
Transactional monetary liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payables		8,998,582.28	12,079,032.17
Unearned revenue			
Contract liability		328,301.64	889,692.29
Payroll payable		1,201,934.66	1,202,523.46
Taxes payable		70,330.57	41,970.40
Other payables		4,515,259.43	2,867,190.30
Including: Interest payable			
Dividends payable			
Holding for sale liabilities			
Non-current liabilities due within one year		2,202,881.32	
Other current liabilities			
<b>Total current liabilities</b>		<b>17,317,289.90</b>	17,080,408.62
<b>Non-current liabilities:</b>			
Long-term loans			
Bonds payable			
Including: Premium			
Perpetual			
Lease liabilities			
Long-term payable			
Long-term payroll payable			
Estimated Liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>—</b>	—
<b>Total liabilities</b>		<b>17,317,289.90</b>	17,080,408.62
<b>Shareholders' equity:</b>			
Share capital		48,000,000.00	48,000,000.00
Other equity instruments			
Including: Premium			
Perpetual			
Capital reserve		77,308,349.20	77,308,349.20
Less: treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve		222,962.29	222,962.29
Undistributed profits		-52,432,307.27	-58,110,240.03
<b>Total owners' equity attributable to the parent company</b>		<b>73,099,004.22</b>	67,421,071.46
<b>Total liabilities and shareholders' equity</b>		<b>90,416,294.12</b>	84,501,480.08

Legal Representative:

Chief Financial Officer:

Head of Financial Department:



# CONSOLIDATED INCOME STATEMENT

2019

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited		Unit: RMB (Yuan)	
Item	Note	2019	2018
<b>I. Total operating income</b>	6.29	<b>74,496,520.52</b>	60,937,818.54
Including: Operating income	6.29	<b>74,496,520.52</b>	60,937,818.54
Interest revenue			
Earned Premium			
Charges and commission income			
<b>II. Total operating costs</b>		<b>73,660,015.95</b>	56,629,534.53
Including: Operating cost	6.29	<b>50,598,788.35</b>	40,784,830.95
Interest expenses			
Bank charges and commission fee			
Surrender charge fee			
Net payments for insurance claims			
Net reserves from insurance contract			
Bond insurance expense			
Reinsurance costs			
Tax and surcharges	6.30	<b>141,048.47</b>	89,586.87
Selling expenses	6.31	<b>4,745,512.59</b>	4,930,708.77
Administrative expenses	6.32	<b>13,196,742.71</b>	8,632,611.19
Research and development expenses	6.33	<b>5,140,632.64</b>	3,130,221.43
Financial expenses	6.34	<b>-162,708.81</b>	-938,424.68
Including: Interest expenses		<b>199,704.10</b>	
Interest revenue		<b>388,175.81</b>	940,644.51
Add: Other gain (losses are represented by -)	6.35	<b>169,661.81</b>	
Investment income (losses are represented by -)	6.36	<b>2,558,392.59</b>	2,217,812.38
Including: Income from investment in associates and joint ventures		<b>2,125,297.67</b>	2,007,812.38
Exchange gain (losses are represented by "-")			
Net hedging return (losses are represented by -)			
Profit and loss from fair value changes(losses are represented by -)	6.37	<b>351,325.18</b>	-172,019.09
Loss of credit impairment(losses are represented by "-")	6.38	<b>1,131,680.13</b>	-875,997.18
Loss on assets impairment(losses are represented by "-")	6.39		-21,887.18
Asset disposal gain(losses are represented by "-")			
<b>III. Operating profit (losses are represented by "-")</b>		<b>5,047,564.28</b>	5,456,192.94
Add: Non-operating income	6.40	<b>204,337.19</b>	322,849.90
Less: Non-operating expense	6.41	<b>162,600.54</b>	128,358.31
<b>IV. Total profit (losses are represented by "-")</b>		<b>5,089,300.93</b>	5,650,684.53
Less: Income tax expenses		<b>—</b>	—
<b>V. Net Profit (losses are represented by "-")</b>		<b>5,089,300.93</b>	5,650,684.53
1. Classified by continuing operation		<b>5,089,300.93</b>	5,650,684.53
Net profit from continues operation (losses are represented by "-")		<b>5,089,300.93</b>	5,650,684.53
Net profit from discontinued operation (losses are represented by "-")			
2. Classified by ownership		<b>5,089,300.93</b>	5,650,684.53
Net profit attribute to the equity holders of the parent company		<b>5,092,000.93</b>	5,653,384.53
Minority interest		<b>-2,700.00</b>	-2,700.00

# CONSOLIDATED INCOME STATEMENT

2019

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited		Unit: RMB (Yuan)	
Item	Note	2019	2018
<b>VI. Other comprehensive income, net of tax</b>		<b>68,191.77</b>	181,528.40
other comprehensive income, net of tax attribute to the equity holders of the parent company		<b>68,191.77</b>	181,528.40
(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			
3. Gains or losses from changes in fair value of other equity investments			
4. Gains or losses from changes in the fair value of the company's own credit			
5. Others			
(2) Other comprehensive income that may be reclassified subsequently to profit or loss		<b>68,191.77</b>	181,528.40
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 other debt investments			
3. The amount of financial assets reclassified into other comprehensive income			
4. Gains or losses from credit impairment of other debt investments			
5. Effective portion of cash flow adjusted for hedging gains or losses			
6. Exchange differences from retranslation of financial statements		<b>68,191.77</b>	181,528.40
7. Others			
Other comprehensive income attributable to minority shareholders, net of tax			
<b>VII. Total comprehensive income</b>		<b>5,157,492.70</b>	5,832,212.93
Total comprehensive income attributable to the shareholders of the parent company		<b>5,160,192.70</b>	5,834,912.93
Total comprehensive income attributable to the minority shareholders		<b>-2,700.00</b>	-2,700.00
<b>VIII. Earnings per share:</b>			
(1) Basic earnings per share		<b>0.0106</b>	0.0118
(2) Diluted earnings per share		<b>0.0106</b>	0.0118

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# INCOME STATEMENT OF THE PARENT COMPANY

2019

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited		Unit: RMB (Yuan)	
Item	Note	2019	2018
<b>I. Operating income</b>	15.4	<b>74,496,520.52</b>	60,937,818.54
Less: Operating cost	15.4	<b>50,598,788.35</b>	40,784,830.95
Taxes and surcharges		<b>141,048.47</b>	89,586.87
Selling expenses		<b>4,745,512.59</b>	4,930,708.77
Administrative expenses		<b>13,196,430.12</b>	8,632,522.54
Research and development expenses		<b>5,140,632.64</b>	3,130,221.43
Financial expenses		<b>-173,228.24</b>	-926,624.45
Including: Interest expenses		<b>199,704.10</b>	
Interest revenue		<b>380,297.25</b>	935,459.02
Add: Other gain		<b>169,661.81</b>	
Investment income (losses are represented by -)	15.5	<b>2,558,392.59</b>	2,217,812.38
Including: Income from investment in associates and joint ventures			
Exchange gain		<b>2,125,297.67</b>	2,007,812.38
Net hedging return (losses are represented by -)			
Profit and loss from fair value changes (losses are represented by -)		<b>351,325.18</b>	-172,019.09
Loss of credit impairment (losses are represented by "-")		<b>1,744,623.58</b>	-478,644.90
Loss on assets impairment (losses are represented by "-")			-21,887.18
Asset disposal gain (losses are represented by "-")			
<b>II. Operating profit (losses are represented by "-")</b>		<b>5,671,339.75</b>	5,841,833.64
Add: Non-operating income		<b>204,337.19</b>	322,849.90
Less: Non-operating expenses		<b>162,600.54</b>	128,358.31
<b>III. Total profit (losses are represented by "-")</b>		<b>5,713,076.40</b>	6,036,325.23
Less: Income tax expenses			
<b>IV. Net Profit (losses are represented by "-")</b>		<b>5,713,076.40</b>	6,036,325.23
1. Net profit from continues operation (losses are represented by "-")		<b>5,713,076.40</b>	6,036,325.23
2. Net profit from discontinued operation (losses are represented by "-")			
<b>V. Other comprehensive income, net of tax</b>		<b>—</b>	—
(1) Other comprehensive income that will not be reclassified subsequently to profit or loss		<b>—</b>	—
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			
3. Gains or losses from changes in fair value of other equity investments			
4. Gains or losses from changes in the fair value of the company's own credit			
5. Others			
(2) Share of other comprehensive income (that will not be reclassified subsequently to profit or loss) of investees accounted for using equity method		<b>—</b>	—

# INCOME STATEMENT OF THE PARENT COMPANY

2019

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited		Unit: RMB (Yuan)	
Item	Note	2019	2018
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 other debt investments			
3. The amount of financial assets reclassified into other comprehensive income			
4. Gains or losses from credit impairment of other debt investments			
5. Effective portion of cash flow adjusted for hedging gains or losses			
6. Exchange differences from retranslation of financial statements			
7. Others			
<b>VI. Total comprehensive income</b>		<b>5,713,076.40</b>	6,036,325.23
<b>VII. Earnings per share:</b>			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# CONSOLIDATED CASH FLOW STATEMENT

2019

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited		Unit: RMB (Yuan)	
Item	Note	2019	2018
<b>I. Cash flows from operating activities</b>			
Cash received from sales of goods and rendering of services		77,318,387.83	64,233,887.95
Net increase in customer deposit and inter-bank deposit			
Net increase in borrowings from central bank			
Net increase in loans from other financial institutions			
Cash received from insurance contract premium			
Net cash received from reinsurance business			
Net increase in insurance deposit and investment funds			
Net increase in disposing financial assets at fair value through profit or loss			
Cash received of interest, charges and commission.			
Net increase in deposits from other banks			
Net increase in funds for repurchasing business			
Net income from buying and selling securities as broker			
Refund of taxes and surcharges			
Cash received relating to other operating activities		59,350.29	862,881.93
<b>Sub-total of cash inflows from operating activities</b>		<b>77,377,738.12</b>	<b>65,096,769.88</b>
Cash paid for goods and services		48,825,086.64	44,990,766.54
Net increase in customer loans and advances			
Net increase in savings in central bank and inter-bank			
Cash paid for insurance contract			
Net increasing from financial assets held for trading purpose			
Cash for lendings to banks and other financial institutions			
Cash paid for interest, charges and commission			
Cash paid for dividend of the insurance			
Cash paid to and on behalf of employees		21,760,002.33	18,102,751.96
Payments of tax charges		744,863.32	2,215,081.99
Cash paid relating to other operating activities		5,432,675.13	5,904,846.07
<b>Sub-total of cash outflows from operating activities</b>		<b>76,762,627.42</b>	<b>71,213,446.56</b>
<b>Net cash flows from operating activities</b>		<b>615,110.70</b>	<b>-6,116,676.68</b>
<b>II. Cash flows from investing activities</b>			
Cash received from disposal of investments			
Cash received from returns on investments		433,094.92	210,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			6,446.90
Net cash received from disposal of subsidiaries and other operating entities			
Cash received relating to other investing activities		31,994,429.63	6,367,530.60
<b>Sub-total of cash inflows from investing activities</b>		<b>32,427,524.55</b>	<b>6,583,977.50</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		61,383.95	45,537.26
Cash paid to acquire investments			
Net increase in mortgage loan			
Net cash paid to acquire subsidiaries and other operating entities			

# CONSOLIDATED CASH FLOW STATEMENT

2019

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited		Unit: RMB (Yuan)	
Item	Note	2019	2018
Cash paid relating to other investing activities		20,571,878.08	
<b>Sub-total of cash outflows from investing activities</b>		<b>20,633,262.03</b>	45,537.26
<b>Net cash flows from investing activities</b>		<b>11,794,262.52</b>	6,538,440.24
<b>III. Cash flows from financing activities</b>			
Cash received from capital contributions			
Including: cash received from subsidiaries absorbing minority shareholders' investments			
Cash received from borrowings			
Cash received from issuing of bonds			
Cash received from other financing activities			
<b>Sub-total of cash inflows from financing activities</b>		<b>—</b>	<b>—</b>
Cash repayments of borrowings			
Cash payments for distribution of dividends or profits and interest expenses			
Cash paid to other financing activities		2,416,723.40	
<b>Sub-total of cash outflows from financing activities</b>		<b>2,416,723.40</b>	<b>—</b>
<b>Net cash flows from financing activities</b>		<b>-2,416,723.40</b>	<b>—</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>48,097.50</b>	163,683.03
<b>V. Net increase in cash and cash equivalents</b>		<b>10,040,747.32</b>	585,446.59
Add: Cash and cash equivalents at beginning of period		19,961,894.27	19,376,447.68
<b>VI. Cash and cash equivalent at end of period</b>		<b>30,002,641.59</b>	19,961,894.27

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# CASH FLOW STATEMENT OF THE PARENT COMPANY

2019

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited		Unit: RMB (Yuan)	
Item	Note	2019	2018
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering of services		77,318,387.83	64,233,887.95
Refund of taxes and surcharges			
Cash received relating to other operating activities		51,471.73	857,696.44
<b>Sub-total of cash inflows from operating activities</b>		<b>77,369,859.56</b>	65,091,584.39
Cash paid for goods and services		48,827,628.22	45,017,138.86
Cash paid to and on behalf of employees		21,760,002.33	18,102,751.96
Payments of tax charges		744,863.32	2,215,081.99
Cash paid relating to other operating activities		4,818,573.79	5,505,480.18
<b>Sub-total of cash outflows from operating activities</b>		<b>76,151,067.66</b>	70,840,452.99
<b>Net cash flows from operating activities</b>		<b>1,218,791.90</b>	-5,748,868.60
<b>II. Cash flows from investing activities</b>			
Cash received from disposal of investments			
Cash received from returns on investments		433,094.92	210,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			6,446.90
Net cash received from disposal of subsidiaries and other operating entities			
Cash received relating to other investing activities		31,994,429.63	6,367,530.60
<b>Sub-total of cash inflows from investing activities</b>		<b>32,427,524.55</b>	6,583,977.50
Cash paid to acquire fixed assets, intangible assets and other long-term assets		61,383.95	45,537.26
Cash paid to acquire investments			
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities		20,571,878.08	
<b>Sub-total of cash outflows from investing activities</b>		<b>20,633,262.03</b>	45,537.26
<b>Net cash flows from investing activities</b>		<b>11,794,262.52</b>	6,538,440.24
<b>III. Cash flows from financing activities</b>			
Cash received from capital contributions			
Cash received from borrowings			
Cash received from issuing of bonds			
Cash received from other financing activities			
<b>Sub-total of cash inflows from financing activities</b>		<b>—</b>	—
Cash repayments of borrowings			
Cash payments for distribution of dividends or profits and interest expenses			
Cash paid to other financing activities		2,416,723.40	
<b>Sub-total of cash outflows from financing activities</b>		<b>2,416,723.40</b>	—
<b>Net cash flows from financing activities</b>		<b>-2,416,723.40</b>	—
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
			-12.75
<b>V. Net increase in cash and cash equivalents</b>		<b>10,596,331.02</b>	789,558.89
Add: Cash and cash equivalents at beginning of period		16,402,831.20	15,613,272.31
<b>VI. Cash and cash equivalent at end of period</b>		<b>26,999,162.22</b>	16,402,831.20

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2019

Item	Share Capital						Other equity instrument				Current Year				Unit: RMB (Yuan)	
	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 interest	Total shareholders' equity
<b>I. Ending balance of previous year</b>	48,000,000.00	—	—	—	—	77,300,349.20	—	—	1,459,008.20	—	222,962.29	—	-56,400,630.85	-27,426.33	70,582,662.51	
Add: changes in accounting policies																
Correction of prior period errors																
Business combinations under the same administration																
Others																
<b>II. Beginning balance of current year</b>	48,000,000.00	—	—	—	—	77,300,349.20	—	—	1,459,008.20	—	222,962.29	—	-56,435,774.49	-27,426.33	70,527,188.87	
<b>III. Change through current year ("—" for losses)</b>																
(1) Total comprehensive income									68,917.77				5,082,000.93	-2,700.00	5,157,492.70	
(2) Contribution and withdrawal of capital by shareholders													5,082,000.93	-2,700.00	5,157,492.70	
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. Changes of benefits plan transferring retained earnings																
5. Other comprehensive transferring retained earnings																
6. Others																
(5) Special reserve																
1. Current year appropriation																
2. Current year usage																
6) Others																
<b>IV. Ending balance of current year</b>	48,000,000.00	—	—	—	—	77,300,349.20	—	—	1,527,925.97	—	222,962.29	—	-51,343,773.56	-30,126.33	75,685,211.57	

Legal Representative:

Chief Financial Officer:

Head of Financial Department:



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2018

Item	Share Capital						Other equity instrument				Previous Year					Unit: RMB (Yuan)	
	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 interest	Total shareholders' equity		
<b>I. Ending balance of previous year</b>	48,000,000.00	—	—	—	—	77,308,349.20	—	—	1,278,079.80	222,962.29	—	-65,624,220.87	-24,726.33	61,160,444.09			
Add: changes in accounting policies																	
Correction of prior period errors																	
Business combinations under the same administration																	
Others																	
<b>II. Beginning balance of current year</b>	48,000,000.00	—	—	—	—	77,308,349.20	—	—	1,278,079.80	222,962.29	—	-62,054,015.38	-24,726.33	64,730,649.58			
<b>III. Change through current year ("—" for losses)</b>	—	—	—	—	—	—	—	—	181,528.40	—	—	5,653,384.53	-2,700.00	5,632,212.93			
(1) Total comprehensive income									181,528.40			5,653,384.53	-2,700.00	5,632,212.93			
(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. Changes of benefits plan transferring retained earnings																	
5. Other comprehensive transferring retained earnings																	
6. Others																	
(5) Special reserve																	
1. Current year appropriation																	
2. Current year usage																	
6) Others																	
<b>IV. Ending balance of current year</b>	48,000,000.00	—	—	—	—	77,308,349.20	—	—	1,459,608.20	222,962.29	—	-56,400,630.85	-27,426.33	70,622,862.51			

Prepared by: Shanghai Jiada Withub Information Industrial Company Limited

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# STATEMENT OF CHANGES OF EQUITY OF THE PARENT COMPANY

2019

Item	Current Year										Total shareholders' equity
	Share Capital	Other equity instrument			Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Undistributed profits	
		Preferred shares	Perpetual bond	Others							
<b>I. Ending balance of previous year</b>	48,000,000.00	—	—	—	77,308,349.20	—	—	222,962.29	-36,110,240.03	-35,143.64	67,421,071.46
Add: changes in accounting policies											
Correction of prior period errors											
Others											
<b>II. Beginning balance of current year</b>	48,000,000.00	—	—	—	77,308,349.20	—	—	222,962.29	-36,110,240.03	-35,143.64	67,385,927.82
<b>III. Change through current year ("—" for losses)</b>	—	—	—	—	—	—	—	—	—	—	—
(1) Total comprehensive income											
(2) Contribution and withdrawal of capital by shareholders											
1. Ordinary shares contributed by shareholders											
2. Capital contributed by other equity instruments holders											
3. Amounts of share-based payments recognized in shareholder's equity											
4. Others											
(3) Profit distribution											
1. Appropriation of surplus Reserve											
2. Distribution to shareholders											
3. Others											
(4) Internal carry-over of shareholders' equity											
1. Capitalized capital reserve											
2. Capitalized surplus reserve											
3. Surplus reserve for covering up losses											
4. Changes of benefits plan transferring retained earnings											
5. Other comprehensive transferring retained earnings											
6. Others											
(5) Special reserve											
1. Current year appropriation											
2. Current year usage											
6) Others											
<b>IV. Ending balance of current year</b>	48,000,000.00	—	—	—	77,308,349.20	—	—	222,962.29	-36,110,240.03	-35,143.64	73,089,004.22

Prepared by: Shanghai Jiada Withub Information Industrial Company Limited

Legal Representative: Chief Financial Officer: Head of Financial Department:

# STATEMENT OF CHANGES OF EQUITY OF THE PARENT COMPANY

2018

Item	Previous Year										Total shareholders equity
	Share Capital	Other equity instrument			Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Undistributed profits	
		Preferred shares	Perpetual bond	Others							
<b>I. Ending balance of previous year</b>	48,000,000.00	—	—	77,308,349.20	—	—	—	222,962.29	-67,716,770.75	3,570,205.49	57,814,540.74
Add: changes in accounting policies											
Correction of prior period errors											
Others											
<b>II. Beginning balance of current year</b>	48,000,000.00	—	—	77,308,349.20	—	—	—	222,962.29	-64,146,565.26	3,570,205.49	61,384,746.23
<b>III. Change through current year ("—" for losses)</b>	—	—	—	—	—	—	—	—	6,036,325.23	6,036,325.23	6,036,325.23
(1) Total comprehensive income											
(2) Contribution and withdrawal of capital by shareholders											
1. Ordinary shares contributed by shareholders											
2. Capital contributed by other equity instruments holders											
3. Amounts of share-based payments recognized in shareholder's equity											
4. Others											
(3) Profit distribution											
1. Appropriation of surplus Reserve											
2. Distribution to shareholders											
3. Others											
(4) Internal carry-over of shareholders' equity											
1. Capitalized capital reserve											
2. Capitalized surplus reserve											
3. Surplus reserve for covering up losses											
4. Changes of benefits plan transferring retained earnings											
5. Other comprehensive transferring retained earnings											
6. Others											
(5) Special reserve											
1. Current year appropriation											
2. Current year usage											
6) Others											
<b>IV. Ending balance of current year</b>	48,000,000.00	—	—	77,308,349.20	—	—	—	222,962.29	-58,110,240.03	9,606,530.72	67,421,071.46

Prepared by: Shanghai Jiada Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 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 2019, 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: information security in the electronic information industry, research and development of information management technology, product design, production and engineering undertaking of related technologies, software development and production (except audio and video products, electronic publications), intelligent integration of computer internet, network product design and production, software programming, technical services, sales agency products, construction of mechanical and electrical installation engineering, integration of design and construction of decoration and construction engineering project and web design.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The scope of the Company's consolidated financial statements during the reporting period includes Jiaoda Withub (Hong Kong) Limited, Shanghai Withub Zhirui Hi-Tech Co., Limited, and Shanghai Withub Information and Professional Training School.

## 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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

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

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

### 4.2 Accounting period

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

### 4.3 Operating cycle

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.4 Reporting currency

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

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

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

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

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

### 4.6 Preparation of consolidated financial statements

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

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

For the business combinations achieved in stages under common control, it is deemed that the adjustments are made by the participants from the current status, since the final controller began to taking control. When preparing comparative consolidated financial statements, the acquiree's related assets and liabilities shall be included, and the net assets arising from the acquisition shall adjust related equity not early than the timing that both the Company and the acquiree are taken control of the final controller. To avoid redundant calculation of the value of the acquiree 's net assets, the long-term investment acquired prior to the acquisition and the related gain or loss, other comprehensive income and other changes in net assets recognised from the later of the date that acquiring the existing and the date that both the Company and the acquiree are under the control over the final controller to the acquisition date, shall be eliminated from the retained earnings at the beginning of the period and the profit or loss of the reporting period respectively.

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

For the business combinations achieved in stages not under common control, the Company shall remeasure the its previous holdings of the acquiree's equity at the fair value on acquisition date. Any gain or loss on remeasurement is recognised in profit or loss for the period. If the acquirer had previously recognised equity in equity method, its equity interest in the acquiree in other comprehensive income, other changes in equity excluding net gain or loss, other comprehensive income or profit distribution shall be reclassified as the entity's share of the acquiree's profit or loss for the year, excluding of the recalculation of net assets and net liabilities arising from acquiree's employee benefit plans.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

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

### 4.7 Cash and cash equivalents

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

### 4.8 Foreign currency

#### (1) Foreign currency transaction

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

On the balance sheet date, monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance sheet date. Except for the exchange difference caused by specific foreign currency loans made to purchase or manufacture assets which will be capitalized, the exchange difference is accounted into profit and loss for the period.

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.9 Financial assets and financial liabilities

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

#### (1) Financial assets

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

The Company classifies financial assets into financial assets measured at amortized cost based on the business pattern of the management of the financial assets and the contractual cash flow characteristics of the financial assets, and the financial assets measured at fair value and whose changes are included in other comprehensive income, Financial assets whose value is measured and whose changes are included in the current profit and loss.

##### ① financial assets measured at amortized cost

The Company classifies financial assets that meet the following conditions into financial assets measured at amortized cost: ① The business model for managing the financial assets is to collect contractual cash flows. ② The contractual terms of the financial assets stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. Such financial assets are initially measured at fair value, and related transaction costs are counted to the initial recognition amount; they are subsequently measured at amortized cost. Except for those designated as hedged items, the margin between the initial amount and the amount due is amortized in accordance using the actual interest rate method. Amortisation, impairment, exchange gains and losses, and gains or losses arising from derecognition are recognised in profit or loss.

##### ② Financial assets at fair value through other comprehensive income

The Company classifies financial assets that meet the following conditions into financial assets that are measured at fair value and whose changes are included in other comprehensive income: ① The business model for managing the financial assets is not only to collect contractual cash flows but also to sell the financial assets. For the goal. ② The contractual terms of the financial assets stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. Such financial assets are initially measured at fair value, and related transaction costs are included in the initial recognition amount. Except for those designated as hedged items, such financial assets, other than credit impairment losses or gains, exchange gains and losses and interest on the financial assets calculated according to the actual interest rate method, are included in other gains or losses. When the financial assets are derecognised, the accumulated gains or losses previously recognised in other comprehensive income should be transferred from other comprehensive income and recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

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

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

##### ② Financial assets at fair value through other comprehensive income (Continued)

The company recognizes interest income according to the actual interest rate method. Interest income is calculated based on the book balance of financial assets multiplied by the actual interest rate, except for the following cases: ① For a purchased or sourced financial asset that has suffered credit impairment, from the initial recognition, according to the amortized cost of the financial asset and The interest rate is determined by the credit-adjusted real interest rate calculation. ② For a financial asset that has not suffered credit impairment at the time of purchase or source, but has become credit impaired in the subsequent period, in the subsequent period, the interest income is calculated according to the amortized cost of the financial asset and the actual interest rate.

The Company assigns non-trading equity instrument investments as financial assets measured at fair value through other comprehensive income. Once the designation is made, it cannot be revoked. The non-trading equity instrument investment designated by the Company at fair value through profit or loss is recognised initially at fair value, and related transaction expense is included in the initial recognition amount; Except for the current profit and loss, other related gains and losses (including exchange gains and losses) are included in other comprehensive income and may not be transferred to the current profits and losses. When it is derecognised, the accumulated gain or loss previously included in other comprehensive income is transferred from other comprehensive income and is included in retained earnings.

##### ③ Financial assets at fair value through profit or loss

Except for the above-mentioned financial assets that are measured at amortized cost and financial assets that are measured at fair value and whose changes are included in other comprehensive income, the Company classifies them as measured at fair value Financial assets that are included in the current profit and loss. Such financial assets are initially measured at fair value, and related transaction costs are directly recognised in profit or loss. The gains or losses on such financial assets are included in the current profits and losses.

If the contingent consideration recognized in a business combination not under the same control constitutes a financial asset, the financial asset is classified as financial assets measured at fair value through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

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

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

The Company will terminate the recognition of financial assets that meet one of the following conditions: ① The contractual right to receive the cash flow of the financial assets is terminated; ② When the financial assets are transferred, the Company transfers almost all the risks and rewards of the ownership of the financial assets; ③ Financial assets in the event of a transfer, the company neither transferred nor retained almost all the risks and rewards of ownership of the financial assets, and did not retain control over the financial assets.

When the Company has neither transferred nor retained substantially all the risks and rewards of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement, in which case, the Company also recognizes an associated liability. Continuing involvement refers to the level of risk exposed by the Company as a result of changes in the value of the financial assets.

If the overall transfer of financial assets meets the conditions for derecognition, the book value of the transferred financial assets, and the consideration received as a result of the transfer and the amount of the fair value changes directly included in other comprehensive income. The contractual terms of the transferred financial assets stipulate that the difference between the cash flow generated on a specific date and the payment of the principal and the interest based on the outstanding principal amount is included in the current profit and loss.

If the partial transfer of financial assets meets the conditions for derecognition, the book value of the transferred financial assets will be apportioned between the derecognised portion and the non-recognised portion according to their respective fair values, and the consideration received as a result of the transfer. And the amount corresponding to the derecognition part of the cumulative amount of changes in fair value that should be allocated to other comprehensive income, which should be allocated to the derecognition part (the contractual terms relating to the transferred financial assets stipulate that the cash flow generated on a specific date is only the principal. The difference between the sum of the payment and the amount of the interest on the basis of the outstanding principal amount is recognised in profit or loss for the current period.

#### 3) *Impairment testing and accounting of financial assets (excluding account receivable)*

The Company assesses its financial assets on the basis of expected credit losses and recognizes provision for loss for the current period, excluding the financial assets measured subsequently at fair value through profit or loss.

The Company estimate impairment losses of financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income, with the consideration of complex businesses, such as those involved in lending, the development of models that will need to consider historic as well as forward-looking information to be able to reliably measure expected credit losses. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

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

##### 3) *Impairment testing and accounting of financial assets (excluding account receivable)* (Continued)

For financial instruments where there has been a significant increase in credit risk since initial recognition, a loss allowance for lifetime expected credit losses will be recognized. For financial instruments where there has not been any significant increase in credit risk since the date of initial recognition, the loss allowance recognized shall represent the 12-month expected credit loss °

There have been significant increases in credit risk when financial assets are more than 30 days past due, unless there is conclusive evidence that the credit risk of the financial instrument has not increased significantly since initial recognition

Financial instruments are considered to have low credit risk when it is low at the reporting date.

#### (2) **Financial liabilities**

##### 1) *Classification of financial liabilities, recognition basis and measure method:*

The financial liabilities of the Company are classified as financial liabilities and other financial liabilities at fair value through profit or loss.

##### ① Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss, including financial liabilities(including derivatives that are liabilities) and financial liabilities that are designated at fair value through profit or loss. Subsequent measurement is based on fair value.

Financial liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value subsequently and the changes in fair value are recognised in profit or loss.

The amount of change in the fair value of the financial liability that is attributable to changes in the own credit risk of the issuer shall be presented in other comprehensive income. When derecognising of the financial liability, the cumulative changes in fair value shall be transferred to retained earnings. The remaining amount of change in the fair value of the liability shall be presented in profit or loss unless the treatment of the effects of changes in the liability's credit risk described above would create or enlarge an accounting mismatch in profit or loss, in which case the total change is presented in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

#### (2) *Financial liabilities* (Continued)

##### 1) *Classification of financial liabilities, recognition basis and measure method:* (Continued)

###### ② Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. In addition to the following, the Company classifies financial liabilities as financial liabilities measured at amortized cost: ① Financial liabilities measured at fair value through profit or loss, including transaction financial liabilities (including derivative financial liabilities) The instrument is a financial liability that is measured at fair value through profit or loss. ② Financial assets that do not meet the conditions for derecognition transfer or continue to be involved in the financial liabilities formed by the transferred financial assets. ③ Financial guarantee contracts that do not fall into the above 1 or 2 cases, and loan commitments that are not subject to the above 1 situation and are loans at a lower than market rate.

The Company will account for the financial liabilities that are recognized by the purchaser and are included in the combination of the Group's financial assets.

##### 2) *Conditions of derecognition of financial liabilities*

When all or part of the current obligations of a financial liability have been discharged, the portion of the financial liability or obligation that has been discharged is derecognised. When the company and the creditor sign an agreement to replace the existing financial liabilities with new financial liabilities, and the new financial liabilities are substantially different from the existing financial liabilities, the existing financial liabilities are derecognised, and the new financial liabilities are recognized. If the company makes substantial changes to the contractual terms of all or part of the existing financial liabilities, the existing financial liabilities or part of them are derecognised, and the financial liabilities after the modification of the terms are recognized as a new financial liability. The difference between the book value of the derecognition portion and the consideration paid is recognised in profit or loss for the current period.

In the event that all or part of the financial liabilities are derecognized, the company shall record the difference between the book value and the consideration paid (including the non cash assets transferred out or the liabilities assumed) into the current profit and loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

#### (3) *Determination method of the fair value of financial assets and financial liabilities*

The Company measures the fair value of financial assets and financial liabilities at the prices of major markets. If there is no major market, the fair value of financial assets and financial liabilities is measured at the most favourable market price and is applicable at the time and has sufficient available data and Valuation techniques supported by other information. The input value used in fair value measurement is divided into three levels, that is, the first level input value is the unadjusted quotation of the same asset or liability that can be obtained in the active market on the measurement date; the second level input value is the first level. Inputs that are directly or indirectly observable for related assets or liabilities outside the input value; Level 3 inputs are unobservable inputs to related assets or liabilities. The company prefers to use the first level of input values, and finally use the third level of input values. The level to which the fair value measurement result belongs is determined by the lowest level to which the input value that is significant to the fair value measurement belongs.

The Company's investment in equity instruments is measured at fair value. However, in limited circumstances, if the short-term information used to determine the fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of the fair value within the scope, the cost may represent Appropriate estimates of fair value within this distribution.

#### (4) *Offset of financial assets and financial liabilities*

The company's financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, when the following conditions are met, the net amount after offsetting is presented in the balance sheet: (1) The company has the statutory right to offset the confirmed amount, and the legal right is currently enforceable; (2) The company plans to settle the net assets or realize the financial assets and pay off the financial liabilities at the same time.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

#### (5) *Distinction between financial liabilities and equity instruments and related treatment methods*

The Company distinguishes financial liabilities and equity instruments according to the following principles: (1) If the Company cannot unconditionally avoid the delivery of cash or other financial assets to perform a contractual obligation, the contractual obligation is in line with the definition of financial liabilities. Some financial instruments, although not explicitly containing the terms and conditions of delivery of cash or other financial assets obligations, may indirectly form contractual obligations through other terms and conditions. (2) If a financial instrument is required or can be settled by the company's own equity instruments, it is necessary to consider the company's own equity instruments used to settle the instrument, whether it is a substitute for cash or other financial assets, or to make the holder of the tool owns remaining interest in the assets of the issuer after deducting all liabilities. In the former case, the instrument is the issuer's financial liability; if it is the latter situation, the instrument is the issuer's equity instrument. In some cases, a financial instrument contract requires the company to settle the financial instrument with or with its own equity instrument, where the amount of contractual or contractual obligations equals the number of equity instruments available or to be delivered multiplied by its settlement. The fair value of the contract is classified as a financial liability, regardless of whether the amount of the contractual rights or obligations is fixed or is based, in whole or in part, on changes in variables other than the market price of the Group's own equity instruments.

When the company classifies financial instruments (or their components) in a consolidated statement, it considers all the terms and conditions between the company's members and the holders of financial instruments. If the company which seemed as whole entity assumes the obligation to settle cash, other financial assets, or other means of causing the instrument to become a financial liability because of the instrument, the instrument should be classified as a financial liability.

Financial instruments or their components are financial liabilities, related interest, dividends (or dividends), gains or losses, and gains or losses arising from redemption or refinancing, etc., the Company is included in the current profits and losses.

Where a financial instrument or a component thereof is an equity instrument, the company's issuance (including refinancing), repurchase, sale or cancellation is treated as a change in equity and does not recognize changes in the fair value of the equity instrument.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.10 Accounts receivable

Method for determining the expected credit losses of accounts receivable and accounting treatment methods.

The Company's receivables formed by transactions regulated by the "Accounting Standards for Business Enterprises No. 14 — Revenue Standards" and which do not contain significant financing components are always measured at the amount of the expected credit losses for the entire duration of the period.

The judgment of whether the credit risk has increased significantly since the initial confirmation. The Company determines whether the financial instrument credit risk has increased significantly by comparing the default probability of the financial instrument at the initial recognition period and the probability of default of the instrument during the expected life period determined on the balance sheet date. However, if the company determines that the financial instrument has only a low credit risk on the balance sheet date, it can be assumed that the credit risk of the financial instrument has not increased significantly since the initial confirmation. In general, if the overdue period exceeds one year, it indicates that the credit risk of financial instruments has increased significantly. Unless the Company obtains reasonable and evidence-based information without unnecessary additional costs or effort, it proves that even if the overdue period exceeds one year, the credit risk has not increased significantly since the initial confirmation. In determining whether the credit risk has increased significantly since the initial recognition, the Company considers reasonable and evidence-based information, including forward-looking information, that can be obtained without unnecessary additional costs or effort.

A combination-based assessment. For accounts receivable, the Company is unable to obtain sufficient evidence of a significant increase in credit risk at a reasonable cost at the individual instrument level, and it is feasible to assess whether the credit risk is significantly increased on a portfolio basis, so the company follows the financial The type of the tool, the credit risk rating, the type of collateral, the initial confirmation date, the remaining contract term, the industry in which the borrower is located, the geographic location of the borrower, and the loan mortgage rate are common risk characteristics. The corresponding receipts are grouped and combined into the basis for consideration is to assess whether credit risk has increased significantly. According to the type of financial instrument, credit risk rating, collateral type, initial confirmation date, and remaining contract term as the common risk characteristics, the receivables are grouped, and the credit risk is significantly increased based on the combination.

Expected credit loss measurement. The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Company at the original effective interest rate, that is, the present value of all cash shortages.

The Company calculates the expected credit losses of the accounts receivable on the balance sheet date. If the expected credit losses are greater than the carrying amount of the current receivables impairment provision, the Company recognizes the difference as For the collection of receivables impairment losses, debit "credit impairment losses", credit "debt provision". On the contrary, the company recognizes the difference as an impairment gain and makes the opposite accounting record.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.10 Accounts receivable (Continued)

The Company incurred credit losses and determined that the relevant accounts receivable could not be recovered. If it was approved for written-off, according to the approved write-off amount, debit "debt reserve preparation" and credit "accounts receivable". If the write-off amount is greater than the provision for loss, the "credit impairment loss" is debited on the difference.

Based on the actual credit losses of previous years and considering the forward-looking information of the current year, the accounting estimation policy for measuring expected credit losses is:

Project	Not overdue	Overdue 1 day to 6 months	Overdue over 6 months
Default loss rate	0%	0%	100.00%

### 4.11. Other receivables

Determination method and accounting treatment of expected credit losses of other receivables.

The Company measures the loss of other receivables according to the following circumstances: 1 Financial assets that have not increased significantly since the initial recognition, the Company measures the loss according to the amount of expected credit losses in the next 12 months; 2 Credit risk is initially confirmed After the financial assets have increased significantly, the Company measures the loss according to the amount of expected credit losses for the entire duration of the financial instrument; 3 the financial assets that have been credit-depleted after purchase or source, the company is equivalent to the entire surviving The amount of expected credit losses during the period is measured for loss.

A combination-based assessment. For other receivables, the company is unable to obtain sufficient evidence of a significant increase in credit risk at a reasonable cost at the individual instrument level, and it is feasible to assess whether the credit risk is significantly increased on a portfolio basis, so the company according to the type of financial instrument, credit Risk rating, type of collateral, initial confirmation date, remaining contract term, industry in which the borrower is located, geographical location of the borrower, loan mortgage rate are common risk characteristics, grouping other receivables and considering the combination Assess whether credit risk has increased significantly.

Expected credit loss measurement. The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Company at the original effective interest rate, that is, the present value of all cash shortages.

The Company calculates the expected credit loss of other receivables on the balance sheet date. If the expected credit loss is greater than the carrying amount of the current other receivables impairment provision, the Company recognizes the difference as other receivables impairment losses, borrowing Write "credit impairment loss" and credit "debt provision". On the contrary, the company recognizes the difference as an impairment gain and makes the opposite accounting record.

The Company incurred credit losses and determined that other related receivables could not be recovered. If it is approved for write-off, it will debit "debt provision" and credit "other receivables" according to the approved write-off amount. If the write-off amount is greater than the provision for loss, the "credit impairment loss" is debited on the difference.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.11. Other receivables (Continued)

Based on the actual credit losses of previous years and considering the forward-looking information of the current year, the accounting estimation policy for measuring expected credit losses is:

Project	Not overdue	Overdue 1 day to 6 months	Overdue over 6 months
Default loss rate	0%	0%	100.00%

### 4.12 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.

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.

### 4.13 Contract assets

#### (1) Method and standard for confirmation of contract assets

Contract assets refer to the right of the company to transfer the goods to the customer and have the right to receive the consideration, and the rights depend on other factors than the passage of time. If the company sells two clearly distinguishable items to the customer, it has the right to receive the payment because one of the goods has been delivered, but the payment depends on the delivery of another item. assets.

#### (2) Method for determining expected credit losses of contract assets and accounting treatment methods

The method for determining the expected credit loss of contract assets: the judgment of whether the credit risk has increased significantly since the initial confirmation. The Company determines whether the credit risk of contract assets has increased significantly by comparing the default probability of the contractual assets at the initial recognition period and the probability of default in the expected duration determined on the balance sheet date. However, if the company determines that the contract asset has only a low credit risk on the balance sheet date, it can be assumed that the credit risk of the contract asset has not increased significantly since the initial confirmation. Normally, if the overdue period is more than one year, the credit risk of the contract asset has increased significantly. Unless the Company obtains reasonable and evidence-based information without unnecessary additional costs or effort, it proves that even if the overdue period exceeds one year, the credit risk has not increased significantly since the initial confirmation. In determining whether the credit risk has increased significantly since the initial recognition, the Company considers reasonable and evidence-based information, including forward-looking information, that can be obtained without unnecessary additional costs or effort.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.13 Contract assets (Continued)

#### (2) *Method for determining expected credit losses of contract assets and accounting treatment methods* (Continued)

A combination-based assessment. For contract assets, the company is unable to obtain sufficient evidence of a significant increase in credit risk at a reasonable cost at the individual instrument level, and it is feasible to assess whether the credit risk is significantly increased on a portfolio basis, so the company follows the type of financial instrument and credit risk rating. The type of collateral, the initial confirmation date, and the remaining contract period are common risk characteristics. Group the contract assets and consider whether the credit risk is significantly increased based on the combination.

Expected credit loss measurement. The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Company at the original effective interest rate, i.e. the present value of all cash shortages.

Accounting treatment method, the company calculates the expected credit loss of contract assets on the balance sheet date. If the expected credit loss is greater than the carrying amount of the current contract asset impairment provision, the Group recognizes the difference as impairment loss, debit "credit reduction" "Value loss", credited "contract asset impairment provision". On the contrary, the Group recognizes the difference as an impairment gain and makes the opposite accounting record.

The Company incurred credit losses and determined that the relevant contract assets could not be recovered. If it was approved for write-off, it shall debit the "contract assets impairment provision" and credit the "contract assets" according to the approved write-off amount. If the write-off amount is greater than the provision for loss, the "credit impairment loss" is debited on the difference.

### 4.14. Contract costs

#### (1) *Method for determining the amount of assets related to contract costs*

The company's assets related to contract costs include contract performance costs and contract acquisition costs.

The contract performance cost, that is, the cost incurred by the company for the performance of the contract, does not fall within the scope of other accounting standards and meets the following conditions, and the contract performance cost is recognized as an asset: the cost and a current or expected contract Directly related, including direct labor, direct materials, manufacturing expenses (or similar expenses), clear costs incurred by customers, and other costs incurred solely for the contract; this cost increases the company's future resources for fulfilling performance obligations; This cost is expected to be recovered.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.14. Contract costs (Continued)

#### (1) *Method for determining the amount of assets related to contract costs* (Continued)

The contract acquisition cost, which is expected to be recovered by the Company to obtain the incremental cost of the contract, is recognized as an asset as the acquisition cost of the contract; if the amortization period of the asset is less than one year, it is recognised in profit or loss in the period in which it arises. Incremental cost refers to the cost that will not occur if the company does not obtain a contract. Other expenses incurred by the Company in addition to the incremental costs expected to be recovered (such as travel expenses incurred regardless of whether the contract is obtained or not) are included in the current profit and loss when incurred but are clearly borne by the customer.

#### (2) *Amortization of assets related to contract costs*

The assets related to the contract costs of the Company are amortized on the same basis as the revenue recognition of the goods related to the assets and are included in the current profit and loss.

#### (3) *Impairment of assets related to contract costs*

When determining the impairment loss of assets related to contract costs, the company first determines the impairment loss for other assets related to the contract recognized in accordance with other relevant accounting standards; then, based on its book value, it is higher than the company's For the difference between the remaining consideration that the asset-related commodity is expected to be able to obtain and the cost to be estimated for the transfer of the relevant commodity, the excess should be depreciated and recognized as an asset impairment loss.

The factors of impairment in the previous period have changed, so that the aforesaid difference is higher than the book value of the asset, and is transferred back to the original provision for impairment of assets, and is included in the current profit and loss, but the book value of the transferred assets should not exceed Assume that the book value of the asset on the reversal date is not accrued.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.15 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.15 Long-term equity investment (Continued)

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.15 Long-term equity investment (Continued)

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.

### 4.16 Fixed assets

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.16 Fixed assets (Continued)

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

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

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

### 4.17 Right-of-use asset

Right-of-use asset is an asset that represents a lessee's right to use an underlying asset for the lease term.

#### (1) Initial measurement

At the commencement date, the company shall recognise and measure the right-of-use asset at the present value of the lease payments that are not paid at that date. Lease payments include: ① Amount of the initial measurement of the lease liability; ② Any lease payments made at or before the commencement date, less any lease incentives received; ③ Any initial direct costs incurred by the lessee; ④ An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions contained in the lease, unless those costs are to produce inventories.

#### (2) Subsequent measurement

Subsequently, the Company measures the right-of-use asset using cost model under which depreciation and impairment loss are deducted from the cost of the right-of-use asset.

The company adjusts the carrying value of the right-of-use asset correspondingly, when the leasing liability is revaluated under the leasing standard.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.17 Right-of-use asset (Continued)

#### (3) *Depreciation of the right-of-use asset*

Depreciation must be provided over the useful life of the underlying asset from the month of the commencement date, and the depreciation expense should be accounted into the cost of the underlying asset or profit or loss on the basis of the intended use the right-of-use asset.

The company chooses the depreciation method according to the expected consumption pattern of the economic benefits which relevant to the right-of-use asset.

In terms of the period of depreciation of the right-of-use asset, if there is reasonable certainty that the Company will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life; otherwise the asset is depreciated over the shorter of the lease term and its remaining useful life.

If there is impairment loss, the depreciation expense of the right-of-use asset is substantially computed on the basis of the recoverable amount which eliminated impairment loss from the carrying amount.

### 4.18. Intangible assets

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

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

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

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

- 1) It is technically feasible that the intangible asset can be used or sold upon completion;
- 2) There is intention to complete the intangible asset for use or sale;

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.18. Intangible assets (Continued)

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

### 4.19. 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.

### 4.20. Contract liabilities

The contract liability reflects the obligation of the company to transfer goods to and from the customer. Before the company transfers the goods to the customer, the customer has already paid the contract consideration or the company has obtained the unconditional contractual consideration right, and the customer's actual payment and the due payment are early, according to the received or receivable. The amount of the contract is recognized.

### 4.21. Employee remuneration

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.21. Employee remuneration (Continued)

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

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

### 4.22. Lease liability

#### (1) *Initial measurement*

The company initially measures the lease liabilities according to the present value of the unpaid lease payments at the beginning of the lease term.

#### 1) *Lease payments*

Lease payments represent the payments made a lessee to a lessor relating to the right to use an underlying asset during the lease term, comprising the following: a) Fixed payments (including in-substance fixed payments), less any lease incentives; b) Variable lease payments that depend on an index or a rate; c) The exercise price of a purchase option if the lessee is reasonable certain to exercise that option; d) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease; e) Amounts expected to be payable by the lessee under residual value guarantees.

#### 2) *Discount rate*

The Company determined to use the interest rate implicit in the lease as discount rate when computing the lease payments. The interest rate implicit in the lease accounts for the rate of interest that causes the present value of the lease payments and the unguaranteed residual value to equal the sum of the fair value of the underlying asset and any initial direct costs of the lessor. If that rate cannot be readily determined, the borrowing rate should be used. The incremental borrowing rate represents the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental rate is therefore a lessee-specific rate, taking into account the credit-worthiness of the lessee, the terms of the contract, the amount of the funds borrowed, the type and quality of asset leased and the economic environment in which the lessee operates including the political area, currency and contract timing. The Company determines the incremental rate on the basis of benchmark interest rate of loans for the same period announced by the people's Bank of China with the consideration of these factors.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.22. Lease liability (Continued)

#### (2) *The follow-up measurement*

After the commencement date, the Company shall measure the lease liability by: a) Increasing the carrying amount to reflect interest on the lease liability; b) Reducing the carrying amount to reflect lease payments made; c) Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The finance income or interest earned on the lease receivable to be spread over the lease term based on a pattern reflecting a constant periodic rate of return on either the lessor's net investment outstanding or the net cash investment outstanding in respect of the finance lease. The periodic rate is the discount rate applied in the initial measurement of the lease liability, or the revised discount rate adopted in the remeasurement of lease liability when there is modification of the lease payment or lease options. The Company adopts the revised discount rate.

#### (3) *Remeasurement*

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever: 1) The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate; 2) The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); 3) A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

### 4.23 Estimated liabilities

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.24. Recognition and measurement of revenue

The company's operating income mainly includes sales of goods, income from labor services, income from assets transferred, etc. The revenue recognition policy is as follows:

The company fulfills its performance obligations in the contract, that is, the revenue is recognized when the customer obtains control of the relevant goods or services.

Where the contract includes two or more performance obligations, at the beginning of the contract, the company shall distribute the transaction price to each individual performance obligation according to the relative proportion of the individual sales price of the goods or services promised by the individual performance obligation, according to the apportionment to the transaction price of each individual performance obligation measures income.

The transaction price is the amount of consideration that the company is expected to receive due to the transfer of goods or services to customers and does not include payments received on behalf of third parties. The transaction price confirmed by the company does not exceed the amount that the accumulative recognized income is unlikely to undergo a major reversal when the relevant uncertainty is eliminated. The amount that is expected to be refunded to the customer as a liability is not included in the transaction price. Where there is a significant financing component in the contract, the company determines the transaction price based on the amount payable in cash when the client assumes control of the goods or services. The difference between the transaction price and the contract consideration is amortized using the effective interest method during the contract period. On the contract start date, the company expects that the customer's control over the purchase of goods or services and the payment of the customer's price are not more than one year and does not consider the major financing components existing in the contract.

When one of the following conditions is met, the company is subject to performance obligations within a certain period of time; otherwise, it is subject to performance obligations at a certain point in time:

- (1) The customer obtains and consumes the economic benefits brought by the performance of the company while the company is performing.
- (2) The customer can control the goods under construction during the company's performance.
- (3) The goods produced during the performance of the company have irreplaceable use, and the company has the right to collect the accumulated part of the performance that has been completed so far throughout the contract period.

For the performance obligations performed during a certain period of time, the company confirms the income according to the progress of the performance during the period and determines the progress of the performance according to the input method. If the performance of the company cannot be reasonably determined, if the cost incurred by the company is expected to be compensated, the revenue will be recognized according to the amount of cost incurred, until the performance of the performance can be reasonably determined.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.24. Recognition and measurement of revenue (Continued)

For performance obligations performed at a certain point in time, the company confirms revenue when the customer obtains control of the relevant goods or services. In determining whether a customer has acquired control of goods or services, the company considers the following signs:

- (1) The company has the current right to collect the goods or services.
- (2) The company has transferred the legal title of the goods to the customer.
- (3) The company has transferred the physical goods to the customer.
- (4) The company has transferred the main risks and rewards of ownership of the goods to the customer.
- (5) The customer has accepted the goods or services.

The Company has the right to transfer the goods or services to the customer and has the right to receive the consideration as the contract assets. The contract assets are depreciated in the basis of the expected credit losses. The company's unconditional right to receive consideration from customers is presented as receivables. The obligation of the Company to receive goods receivable from customers and to transfer goods or services to customers shall be presented as contract liabilities.

### 4.25. Government grants

The Company classifies government grants into asset-related grants and income-related grants. Asset-related government grants refer to that obtained by the Company for forming long-term assets by acquisition, construction or other manners. Income-related government grants refer to that other than asset-related grants. For government grants without specified beneficiary, the Company shall classify them into income-related government grants.

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

The asset-related government grants of the Company are recognized as deferred revenue, and equally amortized into current profit and loss within the useful life.

If related assets being sold, transferred, disposal or damaged, undistributed related deferred revenues shall be transferred to current profit or loss.

The income-related grants and used to compensate the related expenses or losses in subsequent periods are recognized as deferred revenue, and recorded into profit and loss during the period when the related expenses are recognized;

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.25. Government grants (Continued)

If government grants are related operating activity, the government grants used to compensate the related expenses or losses already incurred are directly recognized in current profit or loss. If not, the government grants shall be recorded into non-operating revenue and expenses.

For interest discount grants policy, Company performs two classifications: government grants received by bank or by Company. For government grants received by bank, Company calculated related debt expenses using policy discount rate. For government grants received by Company, Company uses grants compensate related debt expenses.

If recognized government grants need return accounting treatments will be adopted depending on the circumstances of deposit period: adjusting asset book value if writing down asset book value at the beginning; writing down related deferred revenue, the exceeding part accounting to current profit or loss; in other circumstance, directly, account into current profit or loss.

### 4.26. Deferred tax assets and deferred tax liabilities

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

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

### 4.27. Lease

#### (1) Classification of Leases

Lease, a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. At the commencement date, the Company shall apply the same principles in determining whether a contract contains a lease or not. It is classified as lease if the entity transfers the right to control one or multiple identified assets for consideration. The Company evaluates whether the customer have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use or the customer have the right to direct how and for what purpose the asset is used throughout the period of use.

The Company shall account for the lease component of the xontract separately from the non-lease component. The Company shall split the rental or lease payment and account them separately.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.27. Lease (Continued)

#### (2) *As a Lessee*

As a lessee, the Company shall recognize the right-of-use asset and measure the lease liability.

#### 1) *Lease modifications*

A change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, including adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term). Effective date of the modification represents the date when both parties agree to a lease modification.

Modifications to lease contracts shall be treated as separate leases only if: a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and b) The consideration for the lease increases by an amount commensurate with the stand-alone price to reflect the circumstances of the particular contract.

If the lease modification is not considered to be a separate lease, the Company shall at the effective date of the modification: allocate the consideration in the modified contract to all lease and non-lease components (if applicable) using their stand-alone prices; determine the amended lease term; and compute the modified lease payment applying the revised discount rate to remeasure the lease liability. The discount rate that should be used in measuring the present value of the lease payment should be the rate implicit in the lease. If that rate cannot be readily determined, the incremental borrowing rate should be used. For the lease modifications resulting in the decreasing of lease scope or shorten of period, the lessee shall reduce the carrying value of the right-of use asset and account gain or loss of the termination of lease in the reporting period. For other modifications of lease, the lessee shall adjust the carrying amount of the right-of-use asset correspondingly.

#### 2) *Short-term lease and Low-value Lease*

Instead of applying the recognition requirements of right-of- asset and lease liability, the Company elect to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for short-term leases(leases with a lease term of 12 months or less) and low-value leases(leases where the underlying asset has a low value when new).



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.27. Lease (Continued)

#### (3) *As a lessor*

##### 1) *Accounting for operating lessor*

Accounting for rental income

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

Contemplation

If the lease agreement provides for a scheduled increase(s) in contemplation of the lessee's increased physical use of the leased property, the total amount of rental payments, including the scheduled increase(s), is allocated to revenue over the lease term on a straight-line basis. However, if the scheduled increase(s) is due to additional leased property, recognition should be proportional to the leased property, with the increased rents recognised over the years that the lessee has control over use of the additional leased property.

Initial direct expense

Under the leasing standard all initial direct costs incurred must be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Depreciation

The Company account for depreciation of operating lease applying the similar depreciation policies as the non-current asset recognised on a straight-line basis, otherwise, an alternative basis of systematically rational method applying to other assets for operating lease.

Variable lease payments

Income relating to variable lease payments not included in the measurement of the net investment in the lease shall be disclosed in profit or loss for the reporting period.

Change of operating lease

The Company shall account for the modification to the original operating lease contract as a new lease contract after the effective date of the modification and treat the deposit received and account receivables relating to the original lease as the payment of the new lease.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.28. Holding for sale

- (1) A non-current asset or disposed group is classified as holding for sale if it meets the following criteria at the same time: 1. asset can be sold under current conditions according to convention that similar trade of this kind of asset or disposed group; 2. Sale likely occurs, that sales contract has been signed for a resolved sale plan, and the sale will be completed within one year. Approval of related authority or supervision department is required. Before the company classify non-current asset or disposed group as holding for sale for the first time, according to related accounting policy, non-current asset or disposed group are recorded by their book value. When non-current asset or disposed group recorded for the first time or for balance sheet, if the book value is higher than the net value which is the amount fair value minus selling value, book value should be written down to the net value which is the fair value minus selling value, the amount of written down is recognized to impairment of asset, recorded into current profit or loss, which is the provision of the impairment of holding for sale asset.
- (2) Non-current asset or disposed group that the company gets for sale, should meet the requirement that expected sale will be completed in one year. And is likely meet the requirement of other criteria of holding for sale in short term (3 month), is classified into holding for sale. For the first time, compared initial price which assumed not classify as holding for sale with net value which is the amount that fair value minus selling value, the company account for lower one. Except non-current asset or disposed group acquired in merge, the balance of fair value of non-current asset or disposed group minus sale price shall be recorded to current profit or loss.
- (3) The company loss the right of control on it subsidiary because of selling the subsidiary, no matter if the company holds part of equity investment, when the subsidiary is intended to sell meeting the criteria of holding for sale, the company shall classify the whole investment of the subsidiary to holding for sale in financial statements, and classify all assets and liabilities of the subsidiary to holding for sale in the consolidated financial statements.
- (4) If the net amount of holding for sale that the non-current asset fair value minus selling value is increased after the balance sheet date, the write down amount in previous shall be reversed, the amount that lower than the value of impairment loss if it is recognized after being classified as holding for sale, the amount shall be recorded in current profit or loss. If it is recognized before being classified as holding for sale, the impairment loss shall not be reversed.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.28. Holding for sale (Continued)

- (5) The amount of impairment loss of holding for sale shall firstly write down the book value of goodwill in disposed group, then write down the book value according to the proportion of non-current asset's book value. If the net amount of holding for sale that non-current asset fair value minus selling value is increased after the balance sheet date, the write down amount in previous shall be reversed, the amount shall lower than the value of impairment loss if it is recognized after being classified as holding for sale, the amount shall be recorded in current profit or loss. If it is recognized before being classified as holding for sale, the impairment loss shall not be reversed. If the net amount of holding for sale that disposed asset's fair value minus selling value is increased after the balance sheet date, the write down amount of previous should be reversed, the amount shall be lower than the value of impairment loss if it is recognized after being classified as holding for sale, the amount shall be recorded in current profit or loss. If it is recognized before being classified as holding for sale or book value of goodwill has already been written down, the impairment loss shall not be reversed.

The reversed amount of impairment loss accounted after being recognized as holding for sale increase its book value according to the proportion of other non-current asset's book value.

- (6) The non-current asset or disposed group which is classified as holding for sale needn't accrue depreciation or amortization, but the liability interest and other expense of disposed group of holding for sale shall be recognized.
- (7) If the non-current asset or disposed group is removed from the classification of holding for sale or doesn't meet the criteria, it shall meet the lower of the following circumstances: 1 the amount adjusted from the book value before being classified as holding for sale by depreciation, amortization or impairment if it is not classified as holding for sale; 2 recoverable value.
- (8) When non-current asset or disposed group isn't classified as holding for sale, unrecognized gains or loss shall be recorded in current profits or loss.

### 4.29. Terminating operation

Terminating operation refers to the company meets one of the following requirements and component which can be distinguish separately, and this component has been already disposed or classified as holding for sale: 1) this component represents an independent primary service or individual primary operation area; 2) this component is a part of related plan on disposing an independent primary service or individual primary operation area; 3) this component is a subsidiary that is got for resell.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.30. Other significant accounting policies and estimates

#### (1) Division information

The Company determines its operating segments based on internal organizational structure, management requirements and internal reporting system. Operating segments are components of the company that meet all of the following conditions:

- (a) This part is capable of generating revenue and causing expenses in daily activities;
- (b) The management of the Company regularly reviews the operating results of the segment to determine the resources to be allocated to it and to assess its performance;
- (c) The Company has access to information on the financial position, results of operations and cash flows of the segment.

The Company determines the reportable segments based on the operating segments. Inter-segment revenue is measured based on the actual transaction price of such transactions.

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

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

##### ① Changes in accounting policies resulting from the implementation of the new lease accounting standards

On 2018, the Ministry of Finance promulgated the "Accounting Standards for Business Enterprises No. 21 — Lease (Revised in 2018)" (Accounting (2018) No. 35). Enterprises that require simultaneous listing at home and abroad, as well as companies that are listed overseas and use IFRS or corporate accounting standards to prepare financial reports, was implemented on January 1, 2019.

The "Proposal on Changes in Accounting Policies" was reviewed and approved by the board of directors of the Company.

The Company traces the application of the new lease accounting standards, but the company chooses not to repeat the classification and measurement of the inconsistency between the previous comparative financial statement data and the new lease accounting standards.

##### ② Other accounting policy changes

On April , 2019, the Ministry of Finance promulgated the Notice on Amending the 2019 Annual Financial Statements of General Enterprises (Accounting [2019] No. 6) to amend the financial statements of general enterprises. On September, 2019, the Ministry of Finance promulgated the Notice on Amending the 2019 Consolidated Financial Statement Format (Accounting [2019] No. 16) to amend the consolidated financial statements. The Company has prepared 2019 annual statements in accordance with these regulations, and adopted the retrospective adjustment method to adjust the format and presentation of relevant financial statements in the previous year.

The "Proposal on Changes in Accounting Policies" was reviewed and approved at the meeting of the board of directors of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.31. Significant changes in accounting policies and changes in accounting estimates (Continued)

(1) **Significant changes in accounting policies:** (Continued)

② *Other accounting policy changes* (Continued)

Notes 1: The affected accounts are as follows:

Affected accounts	December 31, 2018			January 1, 2019		
	Before adjustment	Adjustment amount	After adjustment	Before adjustment	Adjustment amount	After adjustment
<b>Total assets</b>	88,061,798.28		88,061,798.28	88,061,798.28	5,788,966.52	93,850,764.80
Including: Right-of-use assets					5,788,966.52	5,788,966.52
<b>Total liabilities</b>	17,498,935.77		17,498,935.77	17,498,935.77	5,824,110.16	23,323,045.93
Including: Other payables	3,072,316.55		3,072,316.55	3,072,316.55	1,519,291.60	4,591,608.15
Non-current liabilities due within one year					2,101,937.24	2,101,937.24
Lease liabilities					2,202,881.32	2,202,881.32
<b>Total shareholders' equity</b>	70,562,862.51		70,562,862.51	70,562,862.51	-35,143.64	70,527,718.87
Including: Undistributed profits	-56,400,630.85		-56,400,630.85	-56,400,630.85	-35,143.64	-56,435,774.49
Total owners' equity attributable to the parent company	70,590,288.84		70,590,288.84	70,590,288.84	-35,143.64	70,555,145.20

Notes 2: The details of the financial statement format adjustment changes are as follows:

Affected accounts	December 31, 2018		
	Before adjustment	Adjustment amount	After adjustment
<b>Total assets</b>	88,061,798.28		88,061,798.28
Including:			
Notes receivable and accounts receivables	12,884,410.76	-12,884,410.76	
Accounts receivables		12,884,410.76	12,884,410.76
<b>Total liabilities</b>	17,498,935.77		17,498,935.77
Including:			
Notes payable and accounts payables	12,183,388.49	-12,183,388.49	
Accounts payables		12,183,388.49	12,183,388.49

(2) **Changes in important accounting estimates**

None.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.31. Significant changes in accounting policies and changes in accounting estimates (Continued)

(3) *The first implementation of the new lease accounting standards, the first implementation of the relevant financial statements at the beginning of the year.*

1) *Consolidated balance sheet*

Accounts	December 31, 2018	January 1, 2019	Adjustment amount
<b>Current assets:</b>			
Cash and bank balances	51,430,479.76	51,430,479.76	
Accounts receivables	12,884,410.76	12,884,410.76	
Prepayments	146,741.37	146,741.37	
Other receivables	2,647,072.35	2,647,072.35	
Including: Interest receivable	267,981.82	267,981.82	
Inventories	3,051,345.19	3,051,345.19	
Other current assets	572,936.12	572,936.12	
Total current assets	70,732,985.55	70,732,985.55	
<b>Non-current assets:</b>			
Long-term equity investment	11,777,753.54	11,777,753.54	
Other non-current financial assets	5,314,340.40	5,314,340.40	
Fixed assets	236,718.79	236,718.79	
Right-of-use assets		5,788,966.52	5,788,966.52
Total non-current assets	17,328,812.73	23,117,779.25	5,788,966.52
Total assets	88,061,798.28	93,850,764.80	5,788,966.52
<b>Current liabilities:</b>			
Accounts payables	12,183,388.49	12,183,388.49	
Contract liability	889,692.29	889,692.29	
Payroll payable	1,311,568.04	1,311,568.04	
Taxes payable	41,970.40	41,970.40	
Other payables	3,072,316.55	4,591,608.15	1,519,291.60
Non-current liabilities due within one year		2,101,937.24	2,101,937.24
Total current liabilities	17,498,935.77	21,120,164.61	3,621,228.84
<b>Non-current liabilities:</b>			
Lease liabilities		2,202,881.32	2,202,881.32
Total non-current liabilities		2,202,881.32	2,202,881.32
Total liabilities	17,498,935.77	23,323,045.93	5,824,110.16
<b>Shareholders' equity:</b>			
Share capital	48,000,000.00	48,000,000.00	
Capital reserve	77,308,349.20	77,308,349.20	
Other comprehensive income	1,459,608.20	1,459,608.20	
Surplus reserve	222,962.29	222,962.29	
Undistributed profits	-56,400,630.85	-56,435,774.49	-35,143.64
Total owners' equity attributable to the parent company	70,590,288.84	70,555,145.20	-35,143.64
Minority interests	-27,426.33	-27,426.33	
Total shareholders' equity	70,562,862.51	70,527,718.87	-35,143.64
Total liabilities and shareholders' equity	88,061,798.28	93,850,764.80	5,788,966.52

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 4.31. Significant changes in accounting policies and changes in accounting estimates (Continued)

(3) *The first implementation of the new lease accounting standards, the first implementation of the relevant financial statements at the beginning of the year.*

2) *Parent company balance sheet*

Accounts	December 31, 2018	January 1, 2019	Adjustment amount
<b>Current assets:</b>			
Cash and bank balances	47,871,416.69	47,871,416.69	
Accounts receivables	12,884,410.76	12,884,410.76	
Prepayments	146,741.37	146,741.37	
Other receivables	2,645,817.22	2,645,817.22	
Including: Interest receivable	267,981.82	267,981.82	
Inventories	3,051,345.19	3,051,345.19	
Other current assets	572,936.12	572,936.12	
Total current assets	67,172,667.35	67,172,667.35	
<b>Non-current assets:</b>			
Long-term equity investment	11,777,753.54	11,777,753.54	
Other non-current financial assets	5,314,340.40	5,314,340.40	
Fixed assets	236,718.79	236,718.79	
Right-of-use assets		5,788,966.52	5,788,966.52
Total non-current assets	17,328,812.73	23,117,779.25	5,788,966.52
Total assets	84,501,480.08	90,290,446.60	5,788,966.52
<b>Current liabilities:</b>			
Accounts payables	12,079,032.17	12,079,032.17	
Contract liability	889,692.29	889,692.29	
Payroll payable	1,202,523.46	1,202,523.46	
Taxes payable	41,970.40	41,970.40	
Other payables	2,867,190.30	4,386,481.90	1,519,291.60
Non-current liabilities due within one year		2,101,937.24	2,101,937.24
Total current liabilities	17,080,408.62	20,701,637.46	3,621,228.84
<b>Non-current liabilities:</b>			
Lease liabilities		2,202,881.32	2,202,881.32
Total non-current liabilities		2,202,881.32	2,202,881.32
Total liabilities	17,080,408.62	22,904,518.78	5,824,110.16
<b>Shareholders' equity:</b>			
Share capital	48,000,000.00	48,000,000.00	
Capital reserve	77,308,349.20	77,308,349.20	
Surplus reserve	222,962.29	222,962.29	
Undistributed profits	-58,110,240.03	-58,145,383.67	-35,143.64
Total owners' equity attributable to the parent company	67,421,071.46	67,385,927.82	-35,143.64
Total liabilities and shareholders' equity	84,501,480.08	90,290,446.60	5,788,966.52

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 5. TAXATION

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

Category	Tax base	Tax rate (Before April of 2019)	Tax rate (After April of 2019)
Value-added Tax	Income of sales of goods and technical service	16%/6%/10%	13%/6%/9%
Urban Construction & Maintenance Tax	Taxable value-added tax	7%	7%
Education Surcharges	Taxable value-added tax	5%	5%
Enterprise Income Tax	Taxable Enterprise Income	25%	25%

Different rate of enterprise income tax:

Subject of taxation	Enterprise Income Tax Rate
the Company	15%
Jiaoda Withhub(Hongkong),Ltd	16.50%

### 5.2 Tax preference and approval documentation

#### (1) Enterprise Income Tax

On October 28, 2019, the Company obtained the certificate of high-tech enterprise (certificate number GR GR201931002885) issued by Shanghai Science and Technology Department, Shanghai Municipal Bureau of Finance, State Administration of Taxation Shanghai 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 2019 is 15%.

#### (2) VAT

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

According to the No. 7 of Announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on deepening the VAT reform (Announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, No. 39, 2019), taxpayers of production and living services are allowed to add 10% of the deductible input tax of the current period to offset the amount of tax payable (hereinafter collectively referred to as "the policy of additional tax deductions") from April 1st, 2019 to December 31st, 2021. The company belongs to the taxpayers of the life service industry mentioned above.

The Company applied the above VAT preferential policy during 2019.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

For the financial statement data disclosed below, unless specifically indicated, “Beginning Balance” refers to January 1, 2019; and “Ending Balance” refers to December 31, 2019. “Current Year” refers to the period from January 1, 2019 to December 31, 2019; and “Last Year” refers to the period from January 1, 2018 to December 31, 2018.

### 6.1 Cash and cash equivalents

Item	Ending Balance	Beginning Balance
Cash	1,626.32	7,999.35
Cash at bank	35,572,893.35	51,422,480.41
<b>Total</b>	<b>35,574,519.67</b>	<b>51,430,479.76</b>
Including: total amount deposited overseas	3,003,479.37	3,559,063.07

Note 1: Among the cash at bank of the Company, RMB5,571,878.08 was fixed-term deposit(2018: RMB 31,468,585.49 was fixed-term deposit and RMB 3,200,000.00 was seven-day call deposits).

The interest rate of deposits is according to the market rate, which was from 0.30% to 1.95% (2018: from 0.30% to 3.5%).

### 6.2 Financial assets held for trading

Item	Ending Balance	Beginning Balance
Financial assets-FVTPL	15,110,136.99	
Including:Equity instrument investment	15,110,136.99	
<b>Total</b>	<b>15,110,136.99</b>	

Note: The financial assets held for trading refer to the structured deposit of China CITIC Bank with secured principal and floated rate. The amount of the principal is CNY 15,000,000.00 with effect from December 25th , 2019 to February 10th, 2020. The Company recognizes the assets as financial assets measured at fair value through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.3 account receivables

(1) *Accounts receivable are classified according to bad debt provision method*

Category	Ending Balance				
	Book balance		Bad debt provision		Book value
	Amount	Percent %	Amount	Percent %	
Bad debt provision on portfolio	16,353,403.93	100.00	919,128.35	5.62	15,434,275.58
<b>Total</b>	<b>16,353,403.93</b>	<b>100.00</b>	<b>919,128.35</b>	<b>5.62</b>	<b>15,434,275.58</b>

Continued

Category	Ending Balance				
	Book balance		Bad debt provision		Book value
	Amount	Percent %	Amount	Percent %	
Bad debt provision on portfolio	15,098,179.04	100.00	2,213,768.28	14.66	12,884,410.76
<b>Total</b>	<b>15,098,179.04</b>	<b>100.00</b>	<b>2,213,768.28</b>	<b>14.66</b>	<b>12,884,410.76</b>

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

Aging	Ending Balance		
	Accounts receivables	Bad debt provision	Expected credit loss rate for the whole duration (%)
3 months (inclusive)	12,875,793.00		0
3 months to 6 months (inclusive)	8,000.00		0
7 months to 12 months (inclusive)	528,605.97		0
Over 1 year	919,128.35	919,128.35	100.00
<b>Total</b>	<b>14,331,527.32</b>	<b>919,128.35</b>	

Continued

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.3 account receivables (Continued)

#### (1) *Accounts receivable are classified according to bad debt provision method* (Continued)

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

	Beginning Balance		
	Accounts receivables	Bad debt provision	Expected credit loss rate for the whole duration (%)
<b>Aging</b>			
3 months (inclusive)	5,726,744.00		0
3 months to 6 months (inclusive)	1,474,841.00		0
7 months to 12 months (inclusive)	1,826,561.47		0
Over 1 year	2,213,768.28	2,213,768.28	100.00
<b>Total</b>	<b>11,241,914.75</b>	<b>2,213,768.28</b>	

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

	Ending Balance		
	Book balance	Bad debt provision	Expected credit loss rate for the whole duration (%)
<b>Aging</b>			
Guarantee deposit and project payment within credit period	1,374,168.61		0
Guaranteed recovery	568,423.00		0
Related party with regular transactions	79,285.00		0
<b>Total</b>	<b>2,021,876.61</b>		

Continued

	Beginning Balance		
	Book balance	Bad debt provision	Expected credit loss rate for the whole duration (%)
<b>Aging</b>			
Guarantee deposit and project payment within credit period	3,347,538.71		0
Guaranteed recovery	429,440.58		0
Related party with regular transactions	79,285.00		0
<b>Total</b>	<b>3,856,264.29</b>		

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.3 account receivables (Continued)

#### (2) Aging analysis

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

Age	Ending Balance	Beginning Balance
3 months (inclusive)	12,875,793.00	5,726,744.00
3 months to 6 months (inclusive)	8,000.00	1,474,841.00
7 months to 12 months (inclusive)	528,605.97	1,840,771.47
Over 1 year	2,021,876.61	3,842,054.29
<b>Total</b>	<b>15,434,275.58</b>	<b>12,884,410.76</b>

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

Aging	Ending Balance	Beginning Balance
Not overdue and no impairment	12,883,793.00	7,201,585.00
Overdue but no impairment		
7 months to 12 months (inclusive)	528,605.97	1,840,771.47
Over 1 year	2,021,876.61	3,842,054.29
<b>Total</b>	<b>15,434,275.58</b>	<b>12,884,410.76</b>

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.3 account receivables (Continued)

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

Aging	Ending Balance	Beginning Balance
At 1st January	2,213,768.28	5,692,110.54
Cancellation of bad debts	162,959.80	4,354,339.44
Additional bad debt provision	533,000.00	983,187.18
Deductible bad debt provision	1,664,680.13	107,190.00
At 31st December	919,128.35	2,213,768.28

The significant amounts of deductible bad debt provision:

Company Name	Amounts reversed (or received)	The way of receiving funds	Reasons for amounts reversed (or received)
No.1	768,000.00	Cash	Returned funds
No.2	551,000.00	Cash	Returned funds
No.3	233,880.13	Cash	Returned funds
No.4	111,800.00	Cash	Returned funds
<b>Total</b>	<b>1,664,680.13</b>		

#### (5) The actual written-off accounts receivables during this year

Item	Amounts
Project payment and payment for goods	162,959.80

Write off of situation in important accounts receivable:

Company	Nature of receivable	Written off amount	Written off reason	Fulfillment written procedure	Transactions with related party
No.1	Project payment	100,000.00	Unable to recover	Yes	No
<b>Total</b>		<b>100,000.00</b>			

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.3 account receivables (Continued)

#### (6) The top 5 of accounts receivable

Company	Ending Balance	Aging	Percentage of total ending balance of accounts receivables (%)	Ending balance of bad debt provision
No.1	3,115,500.00	Within 2 years	19.05	
No.2	2,251,500.00	0-3 months	13.77	
No.3	1,705,760.00	0-3 months	10.43	
No.4	1,339,500.00	0-3 months	8.19	
No.5	1,200,000.00	0-3 months	7.34	
<b>Total</b>	<b>9,612,260.00</b>		<b>58.78</b>	

### 6.4 Prepayments

#### (1) Aging analysis

Items	Ending Balance		Beginning Balance	
	Amounts	Ratio (%)	Amounts	Ratio (%)
Within 1 year	600.00	4.91	111,907.15	76.26
2-3 years	—	—	—	—
More than 3 years	11,624.18	95.09	34,834.22	23.74
<b>Total</b>	<b>12,224.18</b>	<b>100.00</b>	<b>146,741.37</b>	<b>100.00</b>

### 6.5 Other receivables

Item	Ending Balance	Beginning Balance
Interest receivable	70,963.41	267,981.82
Dividend receivable		
Other receivables	3,481,579.39	2,379,090.53
<b>Total</b>	<b>3,552,542.80</b>	<b>2,647,072.35</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.5 Other receivables (Continued)

#### 6.5.1 Interest receivable

(1) Classification of interest receivable

Item	Ending Balance	Beginning Balance
Term deposit	70,963.41	267,981.82
<b>Total</b>	<b>70,963.41</b>	<b>267,981.82</b>

#### 6.5.2 Other receivables

(1) Other receivables by nature

Nature	Ending Balance	Beginning Balance
Bond, petty cash, deposit	3,553,162.43	2,185,845.73
Current account	566,302.66	831,130.50
<b>Total</b>	<b>4,119,465.09</b>	<b>3,016,976.23</b>

(2) Aging analysis

Aging	Ending Balance	Beginning Balance
Within 1 year	1,976,412.51	968,932.50
More than 1 year	1,505,166.88	1,410,158.03
<b>Total</b>	<b>3,481,579.39</b>	<b>2,379,090.53</b>

(3) The movement of bad debt provision during this year

Aging	Ending Balance	Beginning Balance
At 1 January	637,885.70	637,885.70
Additional bad debt provision		
Deductible bad debts provision		
At 31 December	637,885.70	637,885.70

Note: As at 31 December 2019, the bad debt provision of other receivables is RMB 637,885.70 (2018: RMB 637,885.70), which has a long aging. The Company does not have any collateral for this bad debt provision.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.5 Other receivables (Continued)

#### 6.5.2 Other receivables (Continued)

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

Company	Nature	Ending Balance	Aging	Percentage of total ending balance of other receivable (%)	Ending balance of bad debt provision
No.1	deposit	989,245.00	within 1 year	24.01	
No.2	deposit	479,900.00	within 1 year	11.65	
No.3	deposit	366,555.70	more than 1 year	8.90	
No.4	current account	280,460.00	more than 1 year	6.81	280,460.00
No.5	deposit	200,898.25	within 1 year	4.88	
<b>Total</b>		<b>2,317,058.95</b>		<b>56.25</b>	<b>280,460.00</b>

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

Department	Administration and Management Department	Software department	Total
Purpose	Petty cash	Petty cash	—
Amount	—	—	—
- Current year	37,092.60	52,385.00	89,477.60
- Last year	62,485.40	15,900.00	78,385.40
Bad debt provision	24,835.70		24,835.70

### 6.6 Inventories

#### (1) Inventories by nature

Item	Ending Balance			Beginning Balance		
	Book Balance	Inventory Impairment	Book Value	Book Balance	Inventory Impairment	Book Value
Merchandises	635,677.32	292,060.47	343,616.85	778,635.36	312,179.14	466,456.22
Goods in Process	98,119.07		98,119.07	2,584,888.97		2,584,888.97
<b>Total</b>	<b>733,796.39</b>	<b>292,060.47</b>	<b>441,735.92</b>	<b>3,363,524.33</b>	<b>312,179.14</b>	<b>3,051,345.19</b>

Note: The year-end balance of inventories decreased significantly compared with the balance at the beginning of the year, mainly due to the fact that the performance obligation of the Company's integration project has been highly satisfied.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.6 Inventories (Continued)

#### (2) Inventory Impairment

Item	Beginning Balance	Addition	Deduction		Ending Balance
			Reversal	Transferred out	
Merchandises	312,179.14			20,118.67	292,060.47
<b>Total</b>	<b>312,179.14</b>			<b>20,118.67</b>	<b>292,060.47</b>

Note: The transferred out were due to sales realised.

#### (3) Provisions of inventory impairment

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

### 6.7 Other current asset

Item	Ending Balance	Beginning Balance
Deductible input tax	51,190.79	572,936.12
<b>Total</b>	<b>51,190.79</b>	<b>572,936.12</b>

### 6.8 Long-term equity investment

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

Item	Ending Balance	Beginning Balance
Under equity method	52,317,000.00	52,317,000.00
Proportion of takeover loss and other comprehensive (deduct received dividend)	-25,789,948.79	-27,915,246.46
<b>Total of long-term equity investment</b>	<b>26,527,051.21</b>	<b>24,401,753.54</b>
Less: Impairment of the long-term equity investment	12,624,000.00	12,624,000.00
<b>Value of long-term equity investment</b>	<b>13,903,051.21</b>	<b>11,777,753.54</b>

Note: As at 31 December 2019, the investment costs, coming from associated companies, include goodwill amounted to RMB 2,699,000.00 (31 December 2018: RMB 2,699,000.00). The related investment value with associated companies has been impaired gradually.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.8 Long-term equity investment (Continued)

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

Investee	Beginning Balance	Increase/Decrease for the year								Ending Balance	Ending Balance of provision for impairment
		Additional Investment	Reduction of Investment	Investment Gain or Loss recognized under equity method	Other comprehensive income adjustment	Changes in other equity	Announced cash dividends or profit	Provision for impairment	Others		
Under equity method	—	—	—	—	—	—	—	—	—	—	—
Shanghai Jiaoda Withub Technological Street Limited	2,913,067.65			1,434,222.81						4,347,290.46	—
Shanghai Jiaoda Technology Park and information technology (Shangrao) Limited	10,000,000.00									10,000,000.00	10,000,000.00
Shanghai Tongchuang Information and technology co.Limited	5,023,136.04			470,085.56						5,493,221.60	
Shanghai Huigu Duogao Information Engineer Limited	3,841,549.85			220,989.30						4,062,539.15	
Subsidiary holds											
Union Genesis Limited	2,624,000.00									2,624,000.00	2,624,000.00
<b>Total</b>	<b>24,401,753.54</b>			<b>2,125,297.67</b>						<b>26,527,051.21</b>	<b>12,624,000.00</b>

Note 1: On August 2, 2018, the company Shanghai Huigu Duogao Information Engineer Limited held the board meeting — <About transferring the equity of Shanghai Huigu Duogao Information Engineer Limited >. The meeting decided that the board of directors authorized the management team to transfer its equity, after the asset evaluation finished and authorized by Ministry of Education. In October 2018, Shanghai Jiaoda Withub Technology Co., Ltd made the agreement with Shanghai Guduo Investment Ltd that transferring 34% equity of Shanghai Huigu Duogao Information Engineer Limited to Shanghai Guduo Investment Ltd. As of 31 December 2019, relevant matters are still in progress.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.9 Other non-current financial assets

Investee	Ending Balance	Beginning Balance
Shanghai Jiaoda Withub Techonological Street Limited	4,540,640.97	4,521,688.46
Shanghai Huikang Informaiton Limited (Note 1)	864,887.62	642,651.94
Shanghai United Property Rights Exchange (Note 2)	150,000.00	150,000.00
<b>Total</b>	<b>5,555,528.59</b>	<b>5,314,340.40</b>

Note 1: At 24 August 2016, the resolution has been adopted by the Board of Directors: using 30 June 2016 as the base date, the Company was to transfer 7.02% equity of Shanghai Huikang Informaiton Limited. The Company has been reported to the Ministry of Education in according with the relevant procedures. As of 31 December 2019, relevant matters are still in progress.

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

### 6.10 Fixed Asset

Item	Ending Balance	Beginning Balance
Fixed asset	167,718.82	236,718.79
Fixed asset clean up		
<b>Total</b>	<b>167,718.82</b>	<b>236,718.79</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.10 Fixed Asset (Continued)

#### 6.10.1 Breakdown of fixed assets

Item	Lease Improvement Project	Transportation Equipment	Office Equipment and others	Total
<b>1. Original book value</b>				
1. Beginning balance	1,555,466.00	736,212.52	806,840.90	3,098,519.42
2. Increase for the period			54,322.08	54,322.08
(1) Purchase			54,322.08	54,322.08
3. Decrease for the period			352,573.97	352,573.97
(1) Disposal or scrapped			352,573.97	352,573.97
4. Ending balance	1,555,466.00	736,212.52	508,589.01	2,800,267.53
<b>2. Accumulated depreciation</b>				
1. Beginning balance	1,555,466.00	583,412.11	722,922.52	2,861,800.63
2. Increase for the period		41,770.80	63,911.13	105,681.93
(1) Depreciation		41,770.80	63,911.13	105,681.93
3. Decrease for the period			334,933.85	334,933.85
(1) Disposal or scrapped			334,933.85	334,933.85
4. Ending balance	1,555,466.00	625,182.91	451,899.80	2,632,548.71
<b>3. Impairment</b>				
1. Beginning balance				
2. Increase for the period				
3. Decrease for the period				
4. Ending balance				
<b>4. Net Value</b>				
1. Beginning balance		152,800.41	83,918.38	236,718.79
2. Ending balance		111,029.61	56,689.21	167,718.82

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.11 Right-of-use assets

Item	Houses and buildings	Total
<b>1. Original book value</b>		
1. Beginning balance	6,512,587.33	6,512,587.33
2. Increase for the period		
3. Decrease for the period		
4. Ending balance	6,512,587.33	6,512,587.33
<b>2. Accumulated depreciation</b>		
1. Beginning balance	723,620.81	723,620.81
2. Increase for the period	2,170,862.45	2,170,862.45
(1) Depreciation	2,170,862.45	2,170,862.45
3. Decrease for the period		
4. Ending balance	2,894,483.26	2,894,483.26
<b>3. Impairment</b>		
1. Beginning balance		
2. Increase for the period		
3. Decrease for the period		
4. Ending balance		
<b>4. Net Value</b>		
1. Beginning balance	5,788,966.52	5,788,966.52
2. Ending balance	3,618,104.07	3,618,104.07

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.12 Intangible assets

#### (1) Breakdown of intangible assets

Item	Acquired trade name	Development costs	Total
1. Original book value	—	—	—
1. Beginning Balance	6,000,000.00	3,679,082.63	9,679,082.63
2. Increase for the year	—	—	—
3. Decrease for the year	—	—	—
4. Ending Balance	6,000,000.00	3,679,082.63	9,679,082.63
2. Accumulated amortization	—	—	—
1. Beginning Balance	6,000,000.00	3,679,082.63	9,679,082.63
2. Increase for the year			
(1) Amortization			
3. Decrease for the year	—	—	—
4. Ending Balance	6,000,000.00	3,679,082.63	9,679,082.63
3. Impairment provisio	—	—	—
1. Beginning Balance	—	—	—
2. Increase for the year	—	—	—
3. Decrease for the year	—	—	—
4. Ending Balance	—	—	—
4. Net value	—	—	—
1. Ending book value			
2. Beginning book value	—	—	—

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

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

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

Acquired trade name	20 years
Development costs	over the project period

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.13 Deferred tax assets and deferred tax liabilities

#### (1) *Deferred tax assets without taking into consideration*

Item	Ending Balance	Beginning Balance
Deductible temporary differences		
Bad debt provision	1,557,014.05	2,851,653.98
Inventories impairment	292,060.47	312,179.14
Impairment of long-term equity investment	12,624,000.00	12,624,000.00
Deductible loss	35,303,945.54	31,420,492.04
<b>Total</b>	<b>49,777,020.06</b>	<b>47,208,325.16</b>

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

#### (2) *Unrecognized deferred tax liabilities*

Item	Ending Balance	Beginning Balance
Deductible temporary differences		
Changes in fair value of financial assets held for trading	110,136.99	
<b>Total</b>	<b>110,136.99</b>	

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

Item	Ending Balance	Beginning Balance
2018 and following years		31,420,492.04
2019 and following years	35,303,945.54	
<b>Total</b>	<b>35,303,945.54</b>	<b>31,420,492.04</b>

### 6.14 Accounts payables

#### (1) *Accounts payables*

Item	Ending Balance	Beginning Balance
Projects	6,718,195.73	9,179,867.05
Goods	2,384,742.87	3,003,521.44
<b>Total</b>	<b>9,102,938.60</b>	<b>12,183,388.49</b>

Note: compared with beginning balance of trade payable, the ending balance decreases due to the decreasing scale of Projects.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.14 Accounts payables (Continued)

#### (2) Significant trade payable and aging over 1 year

Company	Ending Balance	Reasons for non-repayment
No.1	650,000.00	Not settled
No.2	552,310.88	Not settled
No.3	489,434.50	Not settled
No.4	115,405.00	Not settled
<b>Total</b>	<b>1,807,150.38</b>	—

#### (3) Aged analysis of trade payables

As at 31 December 2019, the aging analysis based on the invoice date of trade payables presented as follows:

Item	Ending Balance	Beginning Balance
Within 1 year	4,325,417.31	6,192,152.24
More than 1 year	4,777,521.29	5,991,236.25
<b>Total</b>	<b>9,102,938.60</b>	<b>12,183,388.49</b>

### 6.15 Contract liabilities

#### (1) information about contract liabilities

Item	Ending balance	Beginning balance
Accrued receivables	328,301.64	889,692.29
<b>Total</b>	<b>328,301.64</b>	<b>889,692.29</b>

Note: The year-end balance was significantly lower than the balance at the beginning of the year, mainly due to the completion of the current implementation of the project in the previous period.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.16 Payroll Payable

#### (1) Classification of payroll payable

Item	Beginning Balance	Increasing during current year	Decreasing during current year	Ending Balance
Short-term payroll	1,176,046.77	19,559,398.17	19,529,560.76	1,205,884.18
Post-employment benefits — Defined contribution plan	135,521.27	1,779,470.40	1,809,896.61	105,095.06
Termination Benefits		413,296.55	413,296.55	
<b>Total</b>	<b>1,311,568.04</b>	<b>21,752,165.12</b>	<b>21,752,753.92</b>	<b>1,310,979.24</b>

#### (2) Short-term payroll

Item	Beginning Balance	Increasing during current year	Decreasing during current year	Ending Balance
Wages (including bonuses, allowances and subsidies)	951,414.36	17,496,274.88	17,461,024.48	986,664.76
Staff welfare	106,211.80	290,697.46	290,697.46	106,211.80
Social insurance	70,080.41	1,006,597.38	1,008,756.07	67,921.72
Including: Medical insurance	62,802.55	899,176.88	901,735.25	60,244.18
Work-related injury insurance	661.26	17,606.20	17,224.60	1,042.86
Maternity insurance	6,616.60	89,814.30	89,796.22	6,634.68
Housing fund	46,882.20	713,957.88	717,724.88	43,115.20
Labour union expenditure and employee education fund	1,458.00	51,870.57	51,357.87	1,970.70
<b>Total</b>	<b>1,176,046.77</b>	<b>19,559,398.17</b>	<b>19,529,560.76</b>	<b>1,205,884.18</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.16 Payroll Payable (Continued)

#### (3) Defined contribution plan

The Company participates in local social insurance and pays related fees according to local government policy. Except fees paid as mentioned, the Company don't undertake further payment. Related expenditures accounted in current profit or loss.

The amount the company pays to endowment insurance and unemployment insurance is as follow:

Item	Beginning Balance	Increasing during current year	Decreasing during current year	Ending Balance
Basic pension insurance	132,215.80	1,729,236.13	1,759,541.63	101,910.30
Unemployment insurance	3,305.47	50,234.27	50,354.98	3,184.76
<b>Total</b>	<b>135,521.27</b>	<b>1,779,470.40</b>	<b>1,809,896.61</b>	<b>105,095.06</b>

Note: The Company has RMB 1,779,470.40 of defined contribution plan need to be paid this year. At closing date 2019-12-31, the company still has RMB 105,095.06 need to be paid which has been paid after the report date.

### 6.17 Tax payable

Item	Ending Balance	Beginning Balance
Individual Income Tax	34,721.99	41,970.40
Others	35,608.58	
<b>Total</b>	<b>70,330.57</b>	<b>41,970.40</b>

### 6.18 Other payables

Nature	Ending Balance	Beginning Balance
Interest payables	—	—
Dividends payables	—	—
Other payables	4,720,385.68	4,591,608.15
<b>Total</b>	<b>4,720,385.68</b>	<b>4,591,608.15</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.18 Other payables (Continued)

#### 6.18.1 Other payables were classified by nature

Nature	Ending Balance	Beginning Balance
Estimated expenses	378,208.10	528,208.10
Others	4,342,177.58	4,063,400.05
<b>Total</b>	<b>4,720,385.68</b>	<b>4,591,608.15</b>

### 6.19 Current portion of non-current liabilities

Item	Ending Balance	Beginning Balance
Current portion of lease liabilities	2,202,881.32	2,101,937.24
<b>Total</b>	<b>2,202,881.32</b>	<b>2,101,937.24</b>

### 6.20 Lease liabilities

Item	Ending Balance	Beginning Balance
Non-current lease liabilities	2,202,881.32	4,304,818.56
Less: Current portion of lease liabilities	2,202,881.32	2,101,937.24
<b>Total</b>		<b>2,202,881.32</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.21 Share capital

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

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

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

### 6.22 Capital reserve

Item	Beginning Balance	Increasing during current year	Decreasing during current year	Ending Balance
Share capital premium	61,068,451.89	—	—	61,068,451.89
Other capital reserve	16,239,897.31	—	—	16,239,897.31
<b>Total</b>	<b>77,308,349.20</b>	<b>—</b>	<b>—</b>	<b>77,308,349.20</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.23 Other Comprehensive Income

Item	Beginning Balance	Amount for the year					Ending Balance
		Amount before income tax for the current year	Less: Transferred from other comprehensive income of previous year to current profit and loss	Less: Income tax expense	Attributable to parent company after tax	Attributable to minority shareholders after tax	
1. Item that may not be reclassified subsequently to profit and loss	—	—	—	—	—	—	—
2. Item that may be reclassified subsequently to profit and loss:	1,459,608.20	68,191.77			68,191.77		1,527,799.97
In which: Foreign currency translation difference	1,459,608.20	68,191.77			68,191.77		1,527,799.97
<b>Total</b>	<b>1,459,608.20</b>	<b>68,191.77</b>			<b>68,191.77</b>		<b>1,527,799.97</b>

### 6.24 Surplus reserve

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

### 6.25 Undistributed profits

Item	Current Year	Last Year
<b>Year-end balance at the end of last year</b>	<b>-56,400,630.85</b>	<b>-65,624,220.87</b>
Add: Undistributed profit adjustments at the beginning of the year	-35,143.64	3,570,205.49
Of which: changes in accounting policies	-35,143.64	3,570,205.49
<b>Beginning Balance</b>	<b>-56,435,774.49</b>	<b>-62,054,015.38</b>
Add: net profits of current year attribute to parent company's owners	5,092,000.93	5,653,384.53
<b>Ending Balance</b>	<b>-51,343,773.56</b>	<b>-56,400,630.85</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.26 Minority shareholders' interest

Name of subsidiaries	Percentage of minority shareholders' interests (%)	Ending Balance	Remark
Shanghai Withub Zhirui Hi-Tech Co., Limited	18%	-30,126.33	No operation
<b>Total</b>	<b>18%</b>	<b>-30,126.33</b>	

### 6.27 Net Current Asset

Item	Ending Balance	Beginning Balance
Total assets	70,176,625.93	70,732,985.55
Less: current liabilities	17,735,817.05	21,120,164.61
<b>Total assets less current liabilities</b>	<b>52,440,808.88</b>	<b>49,612,820.94</b>

### 6.28 Total assets less current liabilities

Item	Ending Balance	Beginning Balance
Total assets	93,421,028.62	93,850,764.80
Less: current liabilities	17,735,817.05	21,120,164.61
<b>Total assets less current liabilities</b>	<b>75,685,211.57</b>	<b>72,730,600.19</b>

### 6.29 Operating income & Operating cost

Item	Current Year		Last Year	
	Income	Cost	Income	Cost
Main operation	72,613,384.77	49,186,159.11	59,242,694.81	39,467,448.23
Other operation	1,883,135.75	1,412,629.24	1,695,123.73	1,317,382.72
<b>Toal</b>	<b>74,496,520.52</b>	<b>50,598,788.35</b>	<b>60,937,818.54</b>	<b>40,784,830.95</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.29 Operating income & Operating cost (Continued)

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

Items	Current Year		Last Year	
	Income	Cost	Income	Cost
the sales of electrical products	4,770,727.30	4,042,003.63	6,587,209.19	5,438,127.45
Commercial application program and software	60,826,383.64	40,728,206.78	47,024,773.93	30,965,207.60
Installation and maintenance of network and data security products	7,016,273.83	4,415,948.70	5,630,711.69	3,064,113.18
<b>Total</b>	<b>72,613,384.77</b>	<b>49,186,159.11</b>	<b>59,242,694.81</b>	<b>39,467,448.23</b>

### 6.30 Tax and surcharge

Item	Current Year	Last Year
Urban Construction & Maintenance Tax	44,324.41	45,336.57
Education Surcharge	31,660.28	15,072.70
Other	65,063.78	29,177.60
<b>Total</b>	<b>141,048.47</b>	<b>89,586.87</b>

### 6.31 Sales expense

Item	Current Year	Last Year
<b>Total</b>	<b>4,745,512.59</b>	<b>4,930,708.77</b>
In which: Personnel expenses	3,160,925.95	2,896,123.03
Rental, water and electricity expenses	241,304.72	443,396.43
Sales expenses	557,410.77	701,335.57
Sales travelling expenses	121,129.27	133,582.38
Sales office expense	225,368.50	232,884.71
Others	439,373.38	523,386.65

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.32 Administration expenses

Item	Current Year	Last Year
<b>Total</b>	<b>13,196,742.71</b>	<b>8,632,611.19</b>
In which: Personnel expenses	10,464,341.56	6,152,832.13
Outsourcing service fees	1,065,502.92	842,301.57
In which: Audit Services Fee	360,000.00	360,000.00
Federation Service Fee	259,743.45	187,000.00
Other Service Fee	445,759.47	295,301.57
Rental, water and electricity expenses	962,507.36	752,107.19
Amortization and depreciation	58,393.34	280,091.72
Operation expenses	264,336.67	319,624.02
Others	381,660.86	285,654.56

### 6.33 Research and development expenses

Item	Current Year	Last Year
<b>Total</b>	<b>5,140,632.64</b>	<b>3,130,221.43</b>
Research and development expenses	5,140,632.64	3,130,221.43

### 6.34 Financial expenses

#### (1) Breakdown of financial expense

Item	Current Year	Last Year
Interest changes	199,704.10	
Bank charge	8,210.21	10,746.78
Less: Interest income	388,175.81	940,644.51
Add: Exchange loss	17,552.69	-8,526.95
<b>Total</b>	<b>-162,708.81</b>	<b>-938,424.68</b>

#### (2) Breakdown of interest income

Item	Current Year	Last Year
Interest income of bank deposit	317,212.40	672,662.69
Interest income accrued at actual interest rates	70,963.41	267,981.82
<b>Total</b>	<b>388,175.81</b>	<b>940,644.51</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.35 Other gain

Sources of other income	Current Year	Last Year
Input tax plus deduction	169,661.81	—
<b>Total</b>	<b>169,661.81</b>	<b>—</b>

### 6.36 Investment Income

Item	Current Year	Last Year
Investment income of financial assets measured at fair value through profit or loss during the holding period	219,000.00	210,000.00
Long-term equity investment income calculated by equity method	2,125,297.67	2,007,812.38
Investment income from disposal of financial assets held for trading	214,094.92	—
<b>Total</b>	<b>2,558,392.59</b>	<b>2,217,812.38</b>

### 6.37 Gain or loss from changes in fair values

Item	Current Year	Last Year
Gains from changes in fair value of other non-current financial assets	241,188.19	-172,019.09
Financial assets held for trading	110,136.99	—
<b>Total</b>	<b>351,325.18</b>	<b>-172,019.09</b>

### 6.38 Credit impairment losses

Item	Current Year	Last Year
Notes receivable and bad debt losses of accounts receivable	1,131,680.13	-875,997.18
<b>Total</b>	<b>1,131,680.13</b>	<b>-875,997.18</b>

### 6.39 Assets impairment losses

Item	Current Year	Last Year
Inventory impairment loss	—	-21,887.18
<b>Total</b>	<b>—</b>	<b>-21,887.18</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.40 Non-operation Income

#### (1) Breakdown of non-operating Income

Item	Current Year	Last Year
Unpayable payables	34,620.28	132,630.66
Fine income		20,000.00
Others	169,716.91	170,219.24
<b>Total</b>	<b>204,337.19</b>	<b>322,849.90</b>

### 6.41 Non-operating expenses

Item	Current Year	Last Year
Disposal loss of non-current assets	17,640.12	2,358.31
Others	144,960.42	126,000.00
<b>Total</b>	<b>162,600.54</b>	<b>128,358.31</b>

### 6.42 Other Comprehensive Income

For details, please refer to the "6.23. Other Comprehensive Income" of this Note.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.43 Items to the cash flow statement

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

Item	Current Year	Last Year
<b>1. Reconciliation of net profit to cash flows from operating activities :</b>		
Net Profit	5,089,300.93	5,650,684.53
Add: Provision for assets impairment		21,887.18
Credit assets impairment	-1,131,680.13	875,997.18
Fixed assets depreciation	105,681.93	190,896.86
Right-of-use assets	2,170,862.45	
Intangible assets amortization		150,000.00
Disposal loss on fixed assets and other long-term assets		
Scrapped loss on fixed assets (gain marked as "-")	17,640.12	2,358.31
Gain or loss from changes in fair values (gain marked as "-")	-351,325.18	172,019.09
Finance costs (gain marked as "-")	-111,568.94	-267,969.07
Investment loss (gain marked as "-")	-2,558,392.59	-2,217,812.38
Decrease in Inventories (increase marked as "-")	2,629,727.94	-1,178,442.14
Decrease in operating receivables (increase marked as "-")	-1,864,411.03	1,197,946.99
Increase in operating payables (decrease marked as "-")	-3,380,724.80	-10,714,243.23
Others		
<b>Net cash flow from operating activities</b>	<b>615,110.70</b>	<b>-6,116,676.68</b>
<b>2. Material investing and financing activities that do not involve cash receipts and payments :</b>		
<b>3. Net changes in cash and cash equivalents :</b>	<b>-</b>	
Ending balance	30,002,641.59	19,961,894.27
Less: Beginning balance	19,961,894.27	19,376,447.68
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	10,040,747.32	585,446.59

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 6.43 Items to the cash flow statement (Continued)

#### (2) Cash and Cash Equivalents

Item	Current Year	Last Year
Cash	30,002,641.59	19,961,894.27
Including: Cash on hand	1,626.32	7,999.35
Bank deposit available-for-use	30,001,015.27	19,953,894.92
Cash and cash equivalents balance at the end of the year	30,002,641.59	19,961,894.27
Including: Restricted use on Cash and cash equivalent of parent company and its subsidiaries	3,003,479.37	3,559,063.07

### 6.44 Foreign Currency Item

#### (1) Foreign Currency item

Item	Ending Foreign Currency Balance	Exchange rate	Ending RMB Balance
Monetary funds	—	—	—
Including: USD	400,348.11	6.9762	2,792,908.48
HKD	196,042.64	0.8958	175,611.08
JPY	545,514.00	0.0641	34,959.81

#### (2) Overseas operating entities

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 7. RIGHTS IN OTHER ENTITIES

### 7.1 Interests in subsidiaries

#### (1) Structure of the Group

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

Note: The School is a non-profit making entity with a paid-in capital of RMB 1, 000,000. According to the articles of association of the School and the relevant regulations in the PRC governing educational institutions, all earnings and profits of the School can only be used to improve its internal facilities and training standard, and cannot be used for any other purposes or be distributed to its organiser.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 7. RIGHTS IN OTHER ENTITIES (Continued)

### 7.2 Interests in joint ventures or associates

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

Name	Business Nature	Place of incorporation/ establishment and operation	Business Type	Percentage of shareholding (%)		The investment of joint venture or associates
				Direct	Indirect	
Shanghai Jiaoda Withub Technology Limited	Private limited company	Shanghai	Investment	44.44	—	16,000,000.00
Shanghai Jiaoda Withub Tongyong Technology Company Limited	Private limited company	Shanghai	Development and sales business solution	—	31.11	13,866,666.67
Shanghai Jiaoda Science & Technology Park Information Technology (Shangrao) Company Limited	Private limited company	Jiangxi/Shangrao	No operation	40.00	—	10,000,000.00
Shanghai Tong Tron Information Technology Company Limited ("Shanghai Tong Tron**")	Private limited company	Shanghai	Development and sales business solution & computer accessories	33.94	—	3,200,000.00
Shanghai Withub Duogao Information Construction Company Limited	Private limited company	Shanghai	Design and installation Intelligent Home System	34.00	—	1,909,500.00
Union Genesis Limited	Private limited company	British Virgin Island	Investment	—	38.30	21,207,604.00
C-NOVA Microsystems Limited	Private limited company	Hong Kong	Design, produce and sales on electronics hardware and software	—	38.30	913,180.20
C-NOVA Microsystems (Shanghai) Limited	Private limited company	Shanghai	Design, produce and sales on electronics hardware and software	—	38.30	6,529,830.80

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 7. RIGHTS IN OTHER ENTITIES (Continued)

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

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

The consolidated financial details of Shanghai Jiaoda Withub Technology and its subsidiary (Tong Yong) (“Withub Technology Group”)

Item	Ending Balance/ Current Year	Beginning Balance/ Last Year
Current assets	38,837,004.75	28,822,218.18
Non-current assets	319,795.46	411,325.87
Total assets	39,156,800.21	29,233,544.05
Current liabilities	20,071,576.85	16,032,961.98
Non-current liabilities	4,354,178.37	3,080,000.00
Total liabilities	24,425,755.22	19,112,961.98
Minority shareholders' equity	4,948,663.22	3,565,524.34
Attributable to the parent company shareholders' equity	9,782,381.77	6,555,057.73
Net asset calculated by proportion of shareholding	4,347,290.46	2,913,067.65
Adjustment		
— Goodwill		
— Unrealized profit of internal trading		
— Others		
Book value of joint venture equity investment	4,347,290.46	2,913,067.65
Operation income	45,244,382.72	29,082,140.78
Net Profits	3,227,324.04	1,962,750.66
Others comprehensive income		
Total comprehensive income	3,227,324.04	1,962,750.66
Dividends from the joint venture in Current Year	—	—

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 7. RIGHTS IN OTHER ENTITIES (Continued)

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

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

#### Shanghai Jiada Science and Technology Park (Shangrao) Co., Ltd.

Item	Ending Balance/ Current Year	Beginning Balance/ Last Year
Current assets	1,845,655.86	1,845,655.86
Non-current assets	18,978.00	18,978.00
Total assets	1,864,633.86	1,864,633.86
Current liabilities	18,000.00	18,000.00
Non-current liabilities	—	—
Total liabilities	18,000.00	18,000.00
Minority shareholders' equity	—	—
Attributable to the parent company shareholders' equity	1,846,633.86	1,846,633.86
Net asset calculated by proportion of shareholding	—	—
Adjustment	—	—
— Goodwill	—	—
— Unrealized profit of internal trading	—	—
— Others	—	—
Book value of joint venture equity investment	—	—
Operation income	—	—
Net Profits	—	—
Others comprehensive income	—	—
Total comprehensive income	—	—
Dividends from the joint venture in Current Year	—	—

Note: As at 31 December 2019 and 31 December 2018, the Company's interest in Shangrao was fully impaired and never recognized further losses any more.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 7. RIGHTS IN OTHER ENTITIES (Continued)

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

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

##### Shanghai Tongchuang Techonology Co., Ltd

Item	Ending Balance/ Current Year	Beginning Balance/ Last Year
Current assets	23,509,988.89	17,566,041.13
Non-current assets	3,386,422.11	3,626,608.07
Total assets	26,896,411.00	21,192,649.20
Current liabilities	10,346,460.59	6,027,747.57
Non-current liabilities	364,854.37	364,854.37
Total liabilities	10,711,314.96	6,392,601.94
Minority shareholders' equity	—	—
Attributable to the parent company shareholders' equity	16,185,096.04	14,800,047.26
Net asset calculated by proportion of shareholding	5,493,221.60	5,023,136.04
Adjustment	—	—
— Goodwill	—	—
— Unrealized profit of internal trading	—	—
— Others	—	—
Book value of joint venture equity investment	5,493,221.60	5,023,136.04
Operation income	61,327,348.04	44,310,837.14
Net Profits	1,385,048.78	2,320,426.23
Others comprehensive income	—	—
Total comprehensive income	1,385,048.78	2,320,426.23
Dividends from the joint venture in Current Year	—	—

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 7. RIGHTS IN OTHER ENTITIES (Continued)

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

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

##### Shanghai Withub Duogao Information Construction Co., Ltd

Item	Ending Balance/ Current Year	Beginning Balance/ Last Year
Current assets	35,478,887.13	37,328,184.34
Non-current assets	381,727.01	529,955.78
Total assets	35,860,614.14	37,858,140.12
Current liabilities	24,132,557.83	26,780,052.35
Non-current liabilities	—	—
Total liabilities	24,132,557.83	26,780,052.35
Minority shareholders' equity	—	—
Attributable to the parent company shareholders' equity	11,728,056.31	11,078,087.77
Net asset calculated by proportion of shareholding	3,987,539.15	3,766,549.85
Adjustment	—	—
— Goodwill	75,000.00	75,000.00
— Unrealized profit of internal trading	—	—
— Others	—	—
Book value of joint venture equity investment	4,062,539.15	3,841,549.85
Operation income	49,653,329.84	72,251,049.92
Net Profits	649,968.54	1,023,568.61
Others comprehensive income	—	—
Total comprehensive income	649,968.54	1,023,568.61
Dividends from the joint venture in Current Year	—	—

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 7. RIGHTS IN OTHER ENTITIES (Continued)

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

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

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

Item	Ending Balance/ Current Year	Beginning Balance/ Last Year
Current assets	37,994,858.96	37,172,858.01
Non-current assets	978,181.13	881,180.03
Total assets	38,973,040.09	38,054,038.04
Current liabilities	74,574,208.32	72,946,332.42
Non-current liabilities	—	—
Total liabilities	74,574,208.32	72,946,332.42
Minority shareholders' equity	—	—
Attributable to the parent company shareholders' equity	-35,601,168.23	-34,892,294.38
Net asset calculated by proportion of shareholding	—	—
Adjustment	—	—
— Goodwill	2,624,000.00	2,624,000.00
— Unrealized profit of internal trading	—	—
— Others	—	—
Book value of joint venture equity investment	—	—
Operation income	1,316,128.57	3,291,887.74
Net Profits	-245,379.63	-46,193.42
Others comprehensive income	—	—
Total comprehensive income	-245,379.63	-46,193.42
Dividends from the joint venture in Current Year	—	—

Note: As at 31 December 2019 and 31 December 2018, the company's share of the UGL group's accumulated losses exceed the company's interests in the UGL group, so the company's interest in UGL group was fully impaired and never recognized further losses any more.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 7. RIGHTS IN OTHER ENTITIES (Continued)

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

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

Name of joint ventures or associates	Unconfirmed-accumulated losses of previous year	Unconfirmed-losses of current year	Unconfirmed-accumulated losses at 31 Dec. 2019
Total	40,993,402.39	93,980.40	41,087,382.79

## 8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's major financial instruments include trade receivables, available-for-sale investment, trade payables, etc. Details of the financial instruments are disclosed in notes 6. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### 8.1 Financial risk management objectives and policies

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

#### (1) Market risks

##### 1) Exchange risks

The Company's foreign exchange exposure is mainly related to HKD. Except for the operation conducted by the Company's subsidiaries settled in HKD and USD, other main business operations are settled in RMB. As of 31 December 2019, except for assets and liabilities with balances in HKD and USD balances depicted as below, all other assets and liabilities of the Company are denominated in RMB. The exchange rate risk arisen from those foreign currency assets and liabilities may affect the results of operation of the Company.

Item	Ending balance	Beginning balance
Monetary funds — USD	2,792,908.48	3,094,831.71
Monetary funds — HKD	175,611.08	430,471.51
Monetary funds — JPY	34,959.81	33,759.85

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

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

2) *Interest rate risks*

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

The Company's cash flow interest rate is mainly concentrated on the fluctuation of prevailing market rates arising from the Company's bank balances denominated in RMB base deposit rate stipulated by the People's Bank of China arising from the Company's bank balances denominated in RMB. At 31 December 2019, the balance of non-term deposit is RMB 30,002,641.59 (2018: RMB 19,961,894.27), and the balance of term deposit is RMB 5,571,878.08 (2018: RMB 31,468,585.49).

3) *Price risks*

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

(2) **Credit risk**

As at 31 December 2019, the Company's potential maximum exposure to credit risk is mainly because of the counter-parties' failure to perform their obligations leading to losses on financial assets of the Company and the financial burden assumed by the Company, including:

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

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

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

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

The total amount for the top 5 of accounts receivable is RMB9,612,260.00.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

#### (3) Liquidity risk

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

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

31 December 2019:

Item	Within 1 year	1-2 years	2-3 years	3 years or above	Total
<b>Financial assets</b>	—	—	—	—	—
Monetary funds	35,574,519.67	—	—	—	35,574,519.67
Financial assets held for trading	15,110,136.99	—	—	—	15,110,136.99
Accounts receivable	16,353,403.93	—	—	—	16,353,403.93
Other receivable	4,119,465.09	—	—	—	4,119,465.09
Prepayments	12,224.18	—	—	—	12,224.18
<b>Financial liabilities</b>					—
Trade payable	9,102,938.60	—	—	—	9,102,938.60
Advanced from customers	328,301.64	—	—	—	328,301.64
Other payable	4,720,385.68	—	—	—	4,720,385.68
Tax payable	70,330.57	—	—	—	70,330.57
Payroll payable	1,310,979.24	—	—	—	1,310,979.24

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

### 8.2 Sensitivity analysis

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

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

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

Item	Exchange rate change	Year 2019		Year 2018	
		Effect on net profit	Effect on owner's equity	Effect on net profit	Effect on owner's equity
All the Foreign currency	5% appreciation of RMB	-541.60	-386,678.71	-585.58	-377,687.73
	5% depreciation of RMB	541.60	386,678.71	585.58	377,687.73

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

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

Item	Interest rate change	Year 2019		Year 2018	
		Effect on net profit	Effect on owner's equity	Effect on net profit	Effect on owner's equity
Deposit	Increase 1%	3,881.76	3,881.76	9,406.45	9,406.45
	Decrease 1%	-3,881.76	-3,881.76	-9,406.45	-9,406.45

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 9. DISCLOSURE OF FAIR VALUE

### 9.1 The amount and fair value measurement level of assets and liabilities measured at fair value at the end of the year

Item	Fair value at the end of year			
	First-level fair value measurement	Second-level fair value measurement	Third-level fair value measurement	Total
<b>Continuous measurement of fair value</b>				
<b>Financial assets held for trading</b>				
1. Designation of financial assets measured at fair value through profit or loss.				
(1) Debt instrument investment			15,110,136.99	15,110,136.99
(2) Investment in equity instruments				
(3) Derivative financial assets				
(4) Others				
<b>Other non-current financial assets</b>				
1. Designation of financial assets measured at fair value through profit or loss.				
(1) Debt instrument investment	—	—		
(2) Investment in equity instruments			5,555,528.59	555,555,528.59
(3) Others	—	—	—	—
<b>Total assets that continue to be measured at fair value</b>	—	—	20,665,665.58	20,665,665.58



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 10. RELATED PARTY TRANSACTIONS

### 10.1 Related party relationships

#### 1) *Subsidiaries*

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

#### 2) *Joint ventures and associates*

For related information in respect of significant joint ventures and associates of the Company, please refer to this notes 7.2. (1). Joint ventures and associates which have related party transactions with the Company during the year or have related party balance with the Company resulted from related party transaction in prior years are listed as follows:

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

#### 3) *Other related parties*

Relationship with the company	Name of related parties	Description
Controlling shareholders	Shanghai Jiao Tong University	The lease of house
Enterprises controlled by controlling shareholders	Shanghai Jiaotong University Design and Research Institute Co., Ltd	rendering of service

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 10. RELATED PARTY TRANSACTIONS (Continued)

### 10.2 Related party transaction

#### 10.2.1 Related transactions of services

Name	Current Year		Last Year	
	Amounts	Percentage of transaction	Amounts	Percentage of transaction
Shanghai Jiaotong University Design and Research Institute Co., Ltd	1,165,312.87	1.56%		
Shanghai Jiao Tong University	47,169.82	0.06%		
Shanghai Withub Duogao Information Construction Company Limited* ("Duogao")			258,363.64	0.42%
Shanghai Huikang Information Technology Company Limited	375,228.72	0.50%	268,921.62	0.44%
<b>Total</b>	<b>1,587,711.41</b>	<b>2.12%</b>	<b>527,285.26</b>	<b>0.87%</b>

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

#### 10.2.2 Related party leasing information

##### (1) Leasing information

Lessor	Lessee	Type of leasing property	Current Year confirmed lease income	Last Year confirmed lease income
The company	Shanghai Jiaoda Withub Tong Yong Technology Company Limited ("Tong Yong")	House		305,221.28

##### (2) Rental description

Lessor	Lessee	Type of leasing property	Current Year confirmed lease income	Last Year confirmed lease income
Shanghai Jiao Tong University	The company	House	2,170,862.45	2,084,742.11

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 10. RELATED PARTY TRANSACTIONS (Continued)

### 10.2 Related party transaction (Continued)

#### 10.2.2 Related party leasing information (Continued)

##### (2) Rental description (Continued)

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

Item	Year 2019	Year 2018
Within 1 year	2,170,862.45	2,301,641.33
2-5years (including the first year and last year)	1,447,241.62	6,137,710.21
<b>Total</b>	<b>3,618,104.07</b>	<b>8,439,351.54</b>

### 10.3 Account balance between related parties

#### 10.3.1 Receivable items of related parties

Item	Related parties	Ending Balance		Beginning Balance	
		Book Balance	Bad debt provision	Book Balance	Bad debt provision
Account Receivables	Shanghai Jiaoda Withub Tong Yong Technology Company Limited ("Tong Yong")	65,075.00	—	65,075.00	—
	Shanghai Withub Duogao Information Construction Company Limited* ("Duogao")	14,210.00	—	14,210.00	—
	<b>Subtotal</b>	<b>79,285.00</b>	<b>—</b>	<b>79,285.00</b>	<b>—</b>
Others Receivables	Shanghai Withub Duogao Information Construction Company Limited* ("Duogao")	191,416.00	—	193,244.80	—
	Shanghai Jiao Tong University	200,000.00	—	200,000.00	—
	<b>Subtotal</b>	<b>391,416.00</b>	<b>—</b>	<b>393,244.80</b>	<b>—</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 10. RELATED PARTY TRANSACTIONS (Continued)

### 10.3 Account balance between related parties (Continued)

#### 10.3.2 Other payables of related parties

Item	Related parties	Ending Balance	Beginning Balance
Others payables	Shanghai Jiaoda Withub Tong Yong Technology Company Limited ("Tong Yong") ("Tong Yong")		44,000.00
	Shanghai Huikang Information Technology Company Limited	442,215.00	442,215.00
	Shanghai Jiao Tong University	1,599,856.14	1,599,856.14
	<b>Total</b>	<b>2,042,071.14</b>	<b>2,086,071.14</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 10. RELATED PARTY TRANSACTIONS (Continued)

### 10.4 Directors, Supervisors and Employees' Compensation

#### 10.4.1 Directors and supervisors' remuneration

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

Item	Salaries and allowance	Social insurance, housing fund and pension	Bonus	share-based payment	Total
<b>Independent non-executive directors</b>	—	—	—	—	—
Ms. Ni Jing	100,000.00				100,000.00
Mr. Yuan Shumin	100,000.00				100,000.00
Dr. Zeng Yuancang (Resigned on July 7)					
Mr. Zhouguolai(appointed on July 7)					
<b>Subtotal</b>	<b>200,000.00</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>200,000.00</b>
<b>Executive directors</b>	—	—	—	—	—
Mr. Zhou Re Qing	—	—	—	—	—
Mr. Shuai Ge	—	—	—	—	—
Mr. Shang Ling	504,800.00	123,534.70	1,565,500.00	—	2,193,834.70
Mr. Shen Zhimin	—	—	—	—	—
Ms. Xia Weiwei	—	—	—	—	—
Mr. Zou Yimin	—	—	—	—	—
<b>Subtotal</b>	<b>504,800.00</b>	<b>123,534.70</b>	<b>1,565,500.00</b>	<b>—</b>	<b>2,193,834.70</b>
<b>Supervisors</b>	—	—	—	—	—
Ms. Qin Yan (Resigned on March 20)	148,640.00	65,307.11	70,000.00	—	283,947.11
Mr. Rong Yinsheng	—	—	—	—	—
Mr. Yu Jiming	—	—	—	—	—
Ms. Dong Beihua	—	—	—	—	—
Mr. Gu Wei (Resigned on March 20)	229,005.00	100,407.31	138,000.00	—	467,412.31
Mr. Yang Bing Hua (appointed on March 20)	139,965.00	43,504.45	69,520.00	—	252,989.45
Mr. Sun Guo Fang(appointed on March 20)	182,997.42	50,630.91	90,700.00	—	324,328.33
<b>Supervisors Total</b>	<b>700,607.42</b>	<b>259,849.78</b>	<b>368,220.00</b>	<b>—</b>	<b>1,328,677.20</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 10. RELATED PARTY TRANSACTIONS (Continued)

### 10.4 Directors, Supervisors and Employees' Compensation (Continued)

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

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

Name	Salaries and allowance	Social insurance, housing fund and pension	Bonus	share-based payment	Total
<b>Independent non-executive directors</b>	—	—	—		—
Ms. Ni Jing	100,000.00				100,000.00
Dr. Zeng Yuancang	100,000.00				100,000.00
Mr. Yuan Shumin	100,000.00				100,000.00
<b>Subtotal</b>	<b>300,000.00</b>	—			<b>300,000.00</b>
<b>Executive directors</b>	—	—	—		—
Mr. Zhou Re Qing	—	—	—		—
Mr. Shuai Ge	—	—	—		—
Mr. Liu Wenyu (Resigned on June 29)	—	—	—		—
Mr. Shang Ling	404,000.00	115,919.10	79,600.00		599,519.10
Mr. Shen Zhimin	—	—	—		—
Mr. Zhu Kaiyong (Resigned on July 29)	—	—	—		—
Ms. Xia Weiwei (appointed on June 29)	—	—	—		—
Mr. Zou Yimin (appointed on June 29)	—	—	—		—
<b>Subtotal</b>	<b>404,000.00</b>	<b>70,308.30</b>	<b>79,600.00</b>		<b>553,908.30</b>
<b>Supervisors</b>	—	—	—	—	—
Ms. Qin Yan	144,080.00	60,575.68	44,000.00	—	248,655.68
Mr. Rong Yinsheng	—	—	—	—	—
Mr. Yu Jiming	—	—	—	—	—
Ms. Dong Beihua	—	—	—	—	—
Mr. Gu Wei	232,362.24	89,724.34	158,800.00	—	480,886.58
<b>Supervisors Total</b>	<b>376,442.24</b>	<b>150,300.02</b>	<b>202,800.00</b>	—	<b>729,542.26</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 10. RELATED PARTY TRANSACTIONS (Continued)

### 10.4 Directors, Supervisors and Employees' Compensation (Continued)

#### 10.4.2 Top 5 paid employees

One of the top five highest paid employees this year is a director, (previous year: one), one is a supervisor (previous year: one), and the remuneration of its directors and supervisors is set out in note "10.4.1 "Remuneration has been reflected in the remuneration of directors and supervisors. The salaries of the other three (previous year: three) are as follows:

Item	Current Year	Last Year
Salaries and allowances	1,051,821.00	836,931.03
Retirement compensation	140,917.67	179,463.64
Annual Bonus	1,458,529.00	258,000.00
<b>Total</b>	<b>2,651,267.67</b>	<b>1,274,394.67</b>

Highest emoluments within the following groups (per capita)

Item	Current Year	Last Year
Nil to RMB 1,000,000	3	5
RMB 1,000,000 to 1,500,000	1	—
RMB 2,000,000 to 2,500,000	1	—

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

#### 10.4.4 Key management compensation

The key management compensation (including the amount paid and payable to directors, supervisors and senior management) is as follows:

Item	Current Year	Last Year
Wages and subsidies	1,646,207.42	1,411,442.24
Retirement benefit plan contributions	383,384.48	361,576.44
Year-end bonus	2,963,320.00	420,800.00
<b>Total</b>	<b>4,992,911.90</b>	<b>2,193,818.68</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 11. CONTINGENT EVENTS

There is no significant contingent events as at 31 December 2019.

## 12. COMMITMENTS

### 12.1 Significant commitments

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

1) *Rental income*

Rental income this year is about RMB 1,883,135.75. (RMB1,621,434.07 in 2018)

At the end of report date, the minimum rent income the company agreed on with tenants is as follows:

Item	Current Year	Last Year
Within one year	630,332.00	1,316,212.79

2) *Operating rent expense*

Operating rent expense this year is RMB 2,509,708.79 (2,257,321.40 in 2018), including RMB 2,509,708.79 (2,257,321.40 in 2018) house rent expense.

At the end of report end, the Company has irrevocable minimum operating lease income is as follows:

Items	Current Year	Last Year
Within one year	2,265,825.22	2,570,098.73
Two to five years	1,447,241.63	6,137,710.21
<b>total</b>	<b>3,713,066.85</b>	<b>8,707,808.94</b>

Operating rent income refers rent payable of offices. Rent fee is determined every three years. Rent term is three years on average. All lease contracts include market modification clause with renewal rights. The company has no right to purchase the leased assets after the lease term expires

**12.2 Except for the commitment above, there is no other significant commitments within the Company as at 31 December 2019.**



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 13. EVENTS AFTER THE BALANCE SHEET DATE

### 13.1 Information about profit distribution

Item	Content
Profits or dividends proposed to distribute	According to the resolution of the board of directors of the Company on 20 March 2020: recommend not to distribute dividends as at 31 December 2019
Profits or dividends approved to declare to pay after consideration	None

### 13.2 Sales Return

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

### 13.3 The impact of the new crown epidemic

Since the outbreak of novel coronavirus in China in January 2020, the company has responded positively and strictly implemented the provisions and requirements of the party and the government at all levels for the prevention and control of the virus epidemic. Due to the outbreak of the new coronavirus epidemic and the implementation of the prevention and control measures, the implementation of part of the company's projects, capital recycling and overall operation will be temporarily affected. The degree of impact depends on the progress and duration of the epidemic prevention and control as well as the implementation of the local prevention and control policies

The company will continue to pay close attention to the development of the new coronavirus epidemic, evaluate and actively respond to its impact on the company's financial situation, operating results and other aspects. As of the date of approval and report of the financial statements, the assessment is still in progress.

### 13.4 Except for the disclosure of events after the balance sheet date mentioned above, the company has no other significant events after the balance sheet date.

## 14. OTHER SIGNIFICANT EVENTS

### 14.1 Segment information

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 14. OTHER SIGNIFICANT EVENTS (Continued)

### 14.1 Segment information (Continued)

Reporting segments for 2019

Item	Business application project and application software	Sales Products	Undistributed portion	Offset	Total
Operating Income	67,842,657.47	4,770,727.30	—	—	72,613,384.77
Including: Income from external transactions	67,842,657.47	4,770,727.30	—	—	72,613,384.77
Income from inter-segment transactions	—	—	—	—	—
Operating costs	45,144,155.48	4,042,003.63	—	—	49,186,159.11
Dividend of associations	—	—	2,125,297.67	—	2,125,297.67
Interest income	—	—	388,175.81	—	388,175.81
Undistributed income	—	—	3,041,554.85	—	3,041,554.85
Period expenses	—	—	23,308,354.94	—	23,308,354.94
Undistributed other expenses	—	—	584,598.12	—	584,598.12
Segments' total profits (total loss)	22,698,501.99	728,723.67	-18,337,924.73	—	5,089,300.93
Total assets	17,248,482.99	1,300,314.61	808,793.29	—	19,357,590.89
Equity of associates	—	—	13,903,051.21	—	13,903,051.21
Available-for-sale investment	—	—	5,555,528.59	—	5,555,528.59
Unallocated corporate assets	—	—	54,604,857.93	—	54,604,857.93
Total liabilities	7,854,068.26	2,706,040.90	—	—	10,560,109.16
Undistributed liabilities	—	—	7,175,707.89	—	7,175,707.89
Supplementary information	—	—	—	—	—
Capital expenditure	—	—	—	—	—
Impairment loss recognized for the period	—	—	—	—	—
Including: Impairment loss of account receivable	533,000.00	—	—	—	533,000.00
Reversal of impairment loss recognised on account receivables	1,562,336.13	102,344.00	—	—	1,664,680.13
Inventory impairment	—	—	—	—	—
Reversal of impairment loss recognised on inventory	—	—	—	—	—
Depreciation and amortisation expenses	2,276,544.38	—	—	—	2,276,544.38

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 14. OTHER SIGNIFICANT EVENTS (Continued)

### 14.1 Segment information (Continued)

Reporting segments for 2018 (last year)

Item	Business application project and application software	Sales Products	Undistributed portion	Offset	Total
Operating Income	52,655,485.62	6,587,209.19	—	—	59,242,694.81
Including: Income from external transactions	52,655,485.62	6,587,209.19	—	—	59,242,694.81
Income from inter-segment transactions	—	—	—	—	—
Operating costs	34,029,320.78	5,438,127.45	—	—	39,467,448.23
Dividend of associations	—	—	2,007,812.38	—	2,007,812.38
Interest income	—	—	940,644.51	—	940,644.51
Undistributed income	—	—	2,227,973.63	—	2,227,973.63
Period expenses	—	—	16,695,761.22	—	16,695,761.22
Undistributed other expenses	—	—	2,605,231.35	—	2,605,231.35
Segments' total profits (total loss)	18,626,164.84	1,149,081.74	-14,124,562.05	—	5,650,684.53
Total assets	11,452,088.78	5,315,313.42	—	—	16,767,402.20
Equity of associates	—	—	11,777,753.54	—	11,777,753.54
Available-for-sale investment	—	—	5,314,340.40	—	5,314,340.40
Unallocated corporate assets	—	—	54,202,302.14	—	54,202,302.14
Total liabilities	10,816,209.00	3,486,731.02	—	—	14,302,940.02
Undistributed liabilities	—	—	3,195,995.75	—	3,195,995.75
Supplementary information	—	—	—	—	—
Capital expenditure	—	—	—	—	—
Impairment loss recognized for the period	—	—	—	—	—
Including: Impairment loss of account receivable	—	983,187.18	—	—	983,187.18
Reversal of impairment loss recognised on account receivables	—	107,190.00	—	—	107,190.00
Inventory impairment	—	21,887.18	—	—	21,887.18
Reversal of impairment loss recognised on inventory	—	-21,887.18	—	—	-21,887.18
Depreciation and amortisation expenses	340,896.86	—	—	—	340,896.86

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 14. OTHER SIGNIFICANT EVENTS (Continued)

### 14.1 Segment information (Continued)

Geographical information

All the Company's income was generated from customers in the PRC as at 31 December 2019 and 31 December 2018, and all the Company's assets were in the PRC. Therefore, no geographical segment information is presented.

Information about major customers

There is no customer with whom the Company's transactions has exceeded 10% of total income during the year 2019 and 2018.

## 15 NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

### 15.1 account receivables

(1) *Accounts receivable are classified according to bad debt provision method*

Category	Ending Balance				
	Book balance		Bad debt provision		Book value
	Amount	Percent %	Amount	Percent %	
Bad debt provision on portfolio	16,353,403.93	100.00	919,128.35	5.62	15,434,275.58
<b>Total</b>	<b>16,353,403.93</b>	<b>100.00</b>	<b>919,128.35</b>	<b>5.62</b>	<b>15,434,275.58</b>

**Continued**

Category	Beginning Balance				
	Book balance		Bad debt provision		Book value
	Amount	Percent %	Amount	Percent %	
Bad debt provision on portfolio	15,098,179.04	100.00	2,213,768.28	14.66	12,884,410.76
<b>Total</b>	<b>15,098,179.04</b>	<b>100.00</b>	<b>2,213,768.28</b>	<b>14.66</b>	<b>12,884,410.76</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 15 NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 15.1 account receivables (Continued)

(1) **Accounts receivable are classified according to bad debt provision method** (Continued)

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

	Ending Balance		
	Accounts receivables	Bad debt provision	Expected credit loss rate for the whole duration (%)
<b>Ageing</b>			
3 months (inclusive)	12,875,793.00		0
3 months to 6 months (inclusive)	8,000.00		0
7 months to 12 months (inclusive)	528,605.97		0
Over 1 year	919,128.35	919,128.35	100.00
<b>Total</b>	<b>14,331,527.32</b>	<b>919,128.35</b>	

Continued

	Beginning Balance		
	Accounts receivables	Bad debt provision	Expected credit loss rate for the whole duration (%)
<b>Ageing</b>			
3 months (inclusive)	5,726,744.00		0
3 months to 6 months (inclusive)	1,474,841.00		0
7 months to 12 months (inclusive)	1,826,561.47		0
Over 1 year	2,213,768.28	2,213,768.28	100.00
<b>Total</b>	<b>11,241,914.75</b>	<b>2,213,768.28</b>	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 15 NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 15.1 account receivables (Continued)

(1) **Accounts receivable are classified according to bad debt provision method** (Continued)

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

	Ending Balance		
	Book balance	Bad debt provision	Expected credit loss rate for the whole duration (%)
<b>Aging</b>			
Guarantee deposit and project payment within credit period	1,374,168.61		0
Guaranteed recovery	568,423.00		0
Related party with regular transactions	79,285.00		0
<b>Total</b>	<b>2,021,876.61</b>		

**Continued**

	Beginning Balance		
	Book balance	Bad debt provision	Expected credit loss rate for the whole duration (%)
<b>Aging</b>			
Guarantee deposit and project payment within credit period	3,347,538.71		0
Guaranteed recovery	429,440.58		0
Related party with regular transactions	79,285.00		0
<b>Total</b>	<b>3,856,264.29</b>		

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 15 NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

### 15.1 account receivables (Continued)

#### (2) Aging analysis

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

Age	Ending Balance	Beginning Balance
3 months (inclusive)	12,875,793.00	5,726,744.00
3 months to 6 months (inclusive)	8,000.00	1,474,841.00
7 months to 12 months (inclusive)	528,605.97	1,840,771.47
Over 1 year	2,021,876.61	3,842,054.29
<b>Total</b>	<b>15,434,275.58</b>	<b>12,884,410.76</b>

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

Aging	Ending Balance	Beginning Balance
Not overdue and no impairment	12,883,793.00	7,201,585.00
Overdue but no impairment		
7 months to 12 months (inclusive)	528,605.97	1,840,771.47
Over 1 year	2,021,876.61	3,842,054.29
<b>Total</b>	<b>15,434,275.58</b>	<b>12,884,410.76</b>

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 15 NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 15.1 account receivables (Continued)

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

Aging	Ending Balance	Beginning Balance
At 1st January	2,213,768.28	5,692,110.54
Cancellation of bad debts	162,959.80	4,354,339.44
Additional bad debt provision	533,000.00	983,187.18
Deductible bad debt provision	1,664,680.13	107,190.00
At 31st December	<b>919,128.35</b>	<b>2,213,768.28</b>

The significant amounts of deductible bad debt provision:

Company Name	Amounts reversed (or received)	The way of receiving funds	Reasons for amounts reversed (or received)
No.1	768,000.00	Cash	Returned funds
No.2	551,000.00	Cash	Returned funds
No.3	233,880.13	Cash	Returned funds
No.4	111,800.00	Cash	Returned funds
<b>Total</b>	<b>1,664,680.13</b>		

#### (5) The actual written-off accounts receivables during this year

Item	Amounts
Project payment and payment for goods	162,959.80

Write off of situation in important accounts receivable:

Company	Nature of receivable	Written off amount	Written off reason	Fulfillment written procedure	Transactions with related party
No.1	Project payment	100,000.00	Unable to recover	Yes	No
<b>Total</b>		<b>100,000.00</b>			



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 15 NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

### 15.1 account receivables (Continued)

#### (6) The top 5 of accounts receivable

Company	Ending Balance	Aging	Percentage of total ending balance of accounts receivables (%)	Ending balance of bad debt provision
No.1	3,115,500.00	Within 2 years	19.05	
No.2	2,251,500.00	0-3 months	13.77	
No.3	1,705,760.00	0-3 months	10.43	
No.4	1,339,500.00	0-3 months	8.19	
No.5	1,200,000.00	0-3 months	7.34	
<b>Total</b>	<b>9,612,260.00</b>		<b>58.78</b>	

### 15.2 Other receivables

Item	Ending Balance	Beginning Balance
Interest receivables	70,963.41	267,981.82
Dividend receivables	—	—
Other receivables	3,480,324.26	2,377,835.40
<b>Total</b>	<b>3,551,287.67</b>	<b>2,645,817.22</b>

#### 15.2.1 Interest receivables

##### (1) Classifications of Interest receivables

Item	Ending Balance	Beginning Balance
Time deposit	70,963.41	267,981.82
合計	<b>70,963.41</b>	<b>267,981.82</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 15 NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 15.2 Other receivables (Continued)

#### 15.2.2 Other receivables

(1) Other receivables were classified by nature

Nature	Ending Balance	Beginning Balance
Affiliates	13,176,643.50	13,982,831.75
Margin deposit · Reserve fund · returnable deposit	3,551,907.30	2,184,590.60
Current accounts	566,302.66	637,885.70
<b>Total</b>	<b>17,294,853.46</b>	<b>16,805,308.05</b>

(2) Other receivables were made by using ageing analysis method

Ageing	Ending Balance	Beginning Balance
Within one year	1,976,412.51	967,677.37
More than 1 year	1,503,911.75	1,410,158.03
<b>Total</b>	<b>3,480,324.26</b>	<b>2,377,835.40</b>

(3) Movement of bad debt provision

Ageing	Ending Balance	Beginning Balance
At 1 January	14,427,472.65	14,824,824.93
Addition	—	—
Deduction	612,943.45	397,352.28
At 31 December	13,814,529.20	14,427,472.65

Note: The reversal of bad debts in this period is due to the Company's repayment of part of the amount of the company's subsidiary, Jiaoda Withub (Hong Kong) Co., Ltd., which has been fully accrued for bad debts.

(4) The top 5 other receivables:

Company names	Nature	Ending Balance	Ageing	Percentage of ending balance (%)	Ending Balance of bad debt provision
No.1	Affiliates	9,216,630.35	More than 1 year	53.29	9,216,630.35
No.2	Affiliates	3,960,013.15	More than 1 year	22.90	3,960,013.15
No.3	Margin deposit	989,245.00	Within 1 year	5.72	—
No.4	Margin deposit	479,900.00	More than 1 year	2.77	—
No.5	Margin deposit	366,555.70	More than 1 year	2.12	—
<b>Total</b>	—	<b>15,012,344.20</b>	—	<b>86.80</b>	<b>13,176,643.50</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 15 NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

### 15.2 Other receivables (Continued)

#### 15.2.2 Other receivables (Continued)

(5) Receivables of employees' borrowing

Department	Administration and Management Department	Software department	Total
Purpose	Petty cash	Petty cash	—
Amount	—	—	—
- Current year	37,092.60	52,385.00	89,477.60
- Last year	62,485.40	15,900.00	78,385.40
Bad debt provision	24,835.70		24,835.70

### 15.3 Long-term equity investment

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

Item	Ending Balance			Beginning Balance		
	Book Balance	Provision for impairment	Book value	Book Balance	Provision for impairment	Book value
Investment in subsidiaries	17,869,200.00	17,869,200.00	—	17,869,200.00	17,869,200.00	—
Investment in joint ventures and associates	23,903,051.21	10,000,000.00	13,903,051.21	21,777,753.54	10,000,000.00	11,777,753.54
<b>Total</b>	<b>41,772,251.21</b>	<b>27,869,200.00</b>	<b>13,903,051.21</b>	<b>39,646,953.54</b>	<b>27,869,200.00</b>	<b>11,777,753.54</b>

#### (2) Investment in subsidiaries

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 15 NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 15.3 Long-term equity investment (Continued)

#### (3) Investment in associates

Investment	Beginning Balance	Increase/Decrease for the year								Ending Balance	Ending balance of provision for impairment
		Additional investment	Reduction of investment	Investment gain or loss recognized under equity method	Other comprehensive income adjustment	Changes in other equity	Announced cash dividend or profit	Provision for impairment	Others		
<b>Under equity method</b>	–	–	–	–	–	–	–	–	–	–	–
Shanghai Jiada Withub Technology Company Limited ("Withub Technology")	2,913,067.65	–	–	1,434,222.81	–	–	–	–	–	4,347,290.46	–
Shanghai Jiada Science & Technology Park Information Technology (Shangrao) Company Limited ("Shangrao")	10,000,000.00	–	–	–	–	–	–	–	–	10,000,000.00	10,000,000.00
Shanghai Tong Tron Information Technology Company Co.Limited ("Shanghai Tong Tron") ("Shanghai Tong Tron")	5,023,136.04	–	–	470,085.56	–	–	–	–	–	5,493,221.60	–
Shanghai Withub Duogao Information Construction Company Limited* ("Duogao")	3,841,549.85	–	–	220,989.30	–	–	–	–	–	4,062,539.15	–
<b>Subtotal</b>	<b>21,777,753.54</b>	<b>–</b>	<b>–</b>	<b>2,125,297.67</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>23,903,051.21</b>	<b>10,000,000.00</b>

### 15.4 Operating income & Operating cost

Item	Current Year		Last Year	
	Income	Cost	Income	Cost
Main operation	72,613,384.77	49,186,159.11	59,242,694.81	39,467,448.23
Other operation	1,883,135.75	1,412,629.24	1,695,123.73	1,317,382.72
<b>Total</b>	<b>74,496,520.52</b>	<b>50,598,788.35</b>	<b>60,937,818.54</b>	<b>40,784,830.95</b>

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

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

Items	Current Year		Last Year	
	Income	Cost	Income	Cost
the sales of electrical products	4,770,727.30	4,042,003.63	6,587,209.19	5,438,127.45
Commerial application program and software	60,826,383.64	40,728,206.78	47,024,773.93	30,965,207.60
Installation and maintenance of network and data security products	7,016,273.83	4,415,948.70	5,630,711.69	3,064,113.18
<b>Total</b>	<b>72,613,384.77</b>	<b>49,186,159.11</b>	<b>59,242,694.81</b>	<b>39,467,448.23</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 15 NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

(Continued)

### 15.5 Investment Income

Item	Current Year	Last Year
Investment income of financial assets measured at fair value through profit or loss during the holding period	219,000.00	210,000.00
Long-term equity investment income calculated by equity method	2,125,297.67	2,007,812.38
Investment income from disposal of financial assets held for trading	214,094.92	—
<b>Total</b>	<b>2,558,392.59</b>	<b>2,217,812.38</b>

## 16. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The Company's financial statements were issued with the approval of the Company's Board of the directors on 20 March 2020

## SUPPLEMENTARY INFORMATION TO FINANCIAL STATEMENTS

Return on equity and earnings per share:

Profit in the reporting period	Weighted average return on equity (%)	Earnings per share (Chinese yuan per share)	
		Basic earnings per share	Diluted earnings per share
Net profit attribute to the equity holders of the parent company	6.96	0.0106	0.0106
Net profit attributed to the equity holders of the parent company after deducting non-recurring gains and losses	2.69	0.0041	0.0041

SHANGHAI JIAODA WITHUB INFORMATION INDUSTRIAL COMPANY LIMITED

20 March 2020

# Five-Year Financial Summary

## RESULTS

	Year ended 31 December				
	2019 RMB	2018 RMB	2017 RMB	2016 RMB	2015 RMB
Turnover	<b>74,496,520.52</b>	60,937,818.54	65,143,308.36	96,947,718.96	111,331,964.66
Profit (loss) before tax	<b>5,089,300.93</b>	5,650,684.53	-10,096,414.37	-335,529.88	2,615,987.84
Income tax expense					—
Profit (loss) for the year	<b>5,089,300.93</b>	5,650,684.53	-10,096,414.37	-335,529.88	2,615,987.84
Profit (loss) for the year attributable to:					
– Owners of the Company	<b>5,092,000.93</b>	5,653,384.53	-10,093,714.37	-330,947.26	2,618,688.49
– Non-controlling interest	<b>-2,700.00</b>	-2,700.00	-2,700.00	-4,582.62	-2,700.65
Dividend					—
Earnings (loss) per share (in RMB)					
– Basic and diluted	0.0106	0.0118	-0.0210	-0.0007	0.0055

## ASSETS AND LIABILITIES

	Year ended 31 December				
	2019 RMB	2018 RMB	2017 RMB	2016 RMB	2015 RMB
Non-current assets	<b>23,244,402.69</b>	17,328,812.73	15,803,480.69	13,978,925.21	13,830,031.13
Current assets	<b>70,176,625.93</b>	70,732,985.55	76,359,430.52	93,650,905.86	92,896,101.23
Total assets	<b>93,421,028.62</b>	88,061,798.28	92,162,911.21	107,629,831.07	106,726,132.36
Current liabilities	<b>17,735,817.05</b>	17,498,935.77	27,432,261.63	36,316,629.43	35,384,133.72
Non-current liability	—	—	—	—	—
Total liabilities	<b>17,735,817.05</b>	17,498,935.77	27,432,261.63	36,316,629.43	35,384,133.72
Total net assets	<b>75,685,211.57</b>	70,562,862.51	64,730,649.58	71,313,201.64	71,341,998.64
Share capital	<b>48,000,000.00</b>	48,000,000.00	48,000,000.00	48,000,000.00	48,000,000.00
Reserves	<b>27,715,337.90</b>	22,590,288.84	16,755,375.91	23,335,227.97	23,359,442.35
Equity attributable to owners of the Company	<b>75,715,337.90</b>	70,590,288.84	64,755,375.91	71,335,227.97	71,359,442.35
Non-controlling interests	<b>-30,126.33</b>	-27,426.33	-24,726.33	-22,026.33	-17,443.71
Total equity	<b>75,685,211.57</b>	70,562,862.51	64,730,649.58	71,313,201.64	71,341,998.64