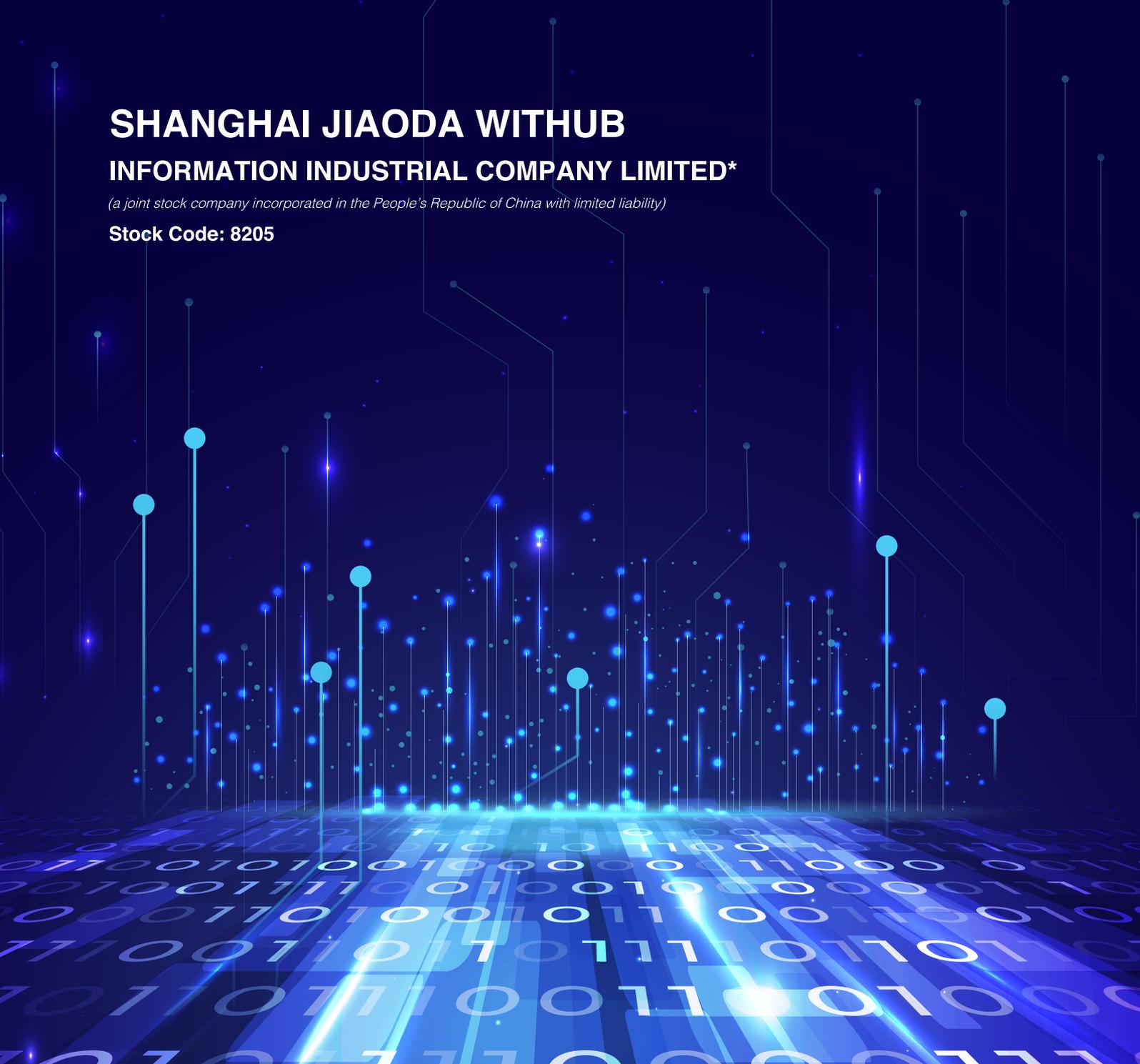


# SHANGHAI JIAODA WITHUB INFORMATION INDUSTRIAL COMPANY LIMITED\*

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

**Stock Code: 8205**



**Withub**

**ANNUAL REPORT**

**2021**

*\*for identification purpose only*

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

**GEM has been positioned as a market designed to accommodate small and medium-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**The companies listed on GEM are mostly small and medium-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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This report for which the directors (the “Directors”) of Shanghai Jiaoda Withub Information Industrial Company Limited\* (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the 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, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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# Corporate Profile 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 2021,

- turnover of the Group amounted to RMB50,529,661.11 (2020: approximately RMB46,901,226.64) which represented an increase of 7.73%;
- the profit attributable to owners of the Company was approximately RMB4,485,769.33 (2020: gain of approximately RMB23,671,434.24);
- the Directors do not recommend the payment of a final dividend (2020: Nil).

\* For identification purpose only

# Corporate Information

## Executive Directors

Mr. Chang Jiang (*Chairman*)  
(appointed on 21 October 2021)  
Mr. Zou Yimin (*Chairman*)  
(resigned on 21 October 2021)  
Mr. Shuai Ge (*Vice Chairman*)  
Mr. Shang Ling (*Chief Executive*)  
Ms. Xia Weiwei (resigned on 21 October 2021)  
Mr. Shen Zhimin (resigned on 7 July 2021)  
Mr. Hu Lunjie  
Ms. Gu Xiaomin (appointed on 7 July 2021)  
Mr. Chen Guoliang (appointed on 21 October 2021)

## Independent Non-executive Directors

Mr. Yuan Shumin  
Dr. Ni Jing (resigned on 24 June 2021)  
Mr. Liu Feng (appointed on 24 June 2021)  
Mr. Zhou Guolai

## Supervisors

Mr. Yang Qing (*Chairman*)  
Mr. Rong Yinsheng  
Ms. Pan Li  
Ms. Sun Guofang  
Mr. Yang Binghua

## Company Secretary

Ms. Ho Wing Yan *ACG HKACG (PE)*

## Audit Committee

Mr. Yuan Shumin (*Chairman*)  
Mr. Liu Feng  
Mr. Zhou Guolai

## Remuneration Committee

Mr. Yuan Shumin (*Chairman*)  
Mr. Chang Jiang  
Mr. Liu Feng  
Mr. Zhou Guolai

## Nomination Committee

Mr. Chang Jiang (*Chairman*)  
Mr. Yuan Shumin  
Mr. Liu Feng

## Compliance Officer

Mr. Chang Jiang

## Legal Address

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

## Principal Place of Business in Hong Kong

Suite 2703, 27/F.  
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. Chang Jiang  
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 2021, it is a difficult year. In the face of the sudden impact of the epidemic, the conventional operation policies have been broken, and we also faced many objective problems. However, under the correct leadership of the senior management, all the employees practically implemented various decisions and arrangements, overcame difficulties from various aspects and adhered to offer good customer service. Although the performance has been affected to some extent, we have stabilized service level in the difficult environment and laid a solid foundation for future market development of the Company.

To cope with the future challenge and sustainable development, the Company will continue to actively transform and expand its operating direction based on the objectives and plans set up in 2022. 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

**Chang Jiang**

*Chairman*

Shanghai, the PRC, 28 March 2022

# Management Discussion and Analysis

## DIVIDENDS

The Directors do not recommend the payment of any dividends in respect of the year ended 31 December 2021.

## RESULTS

For the year ended 31 December 2021, the Group recorded a turnover of approximately RMB50,527,661.11 (2020: approximately RMB46,901,226.64), representing an increase of RMB3,626,434.47 or 7.73% as compared to last year. The Group recorded a loss of RMB4,485,769.33 for the year ended 31 December 2021, while a loss for the year ended 31 December 2020 was RMB23,671,434.24.

## BUSINESS REVIEW AND FUTURE PROSPECTS

For the entire financial year under review ended 31 December 2021, the total revenue of the Group has increased from RMB46,901,226.64 to RMB50,527,661.11. The increase of RMB3,626,434.47 in revenue represents an increase of 7.73% of the Group's sales as compared with that in 2020. The Group recorded a loss before tax of RMB23,671,434.24 in the previous year and a loss before tax of RMB4,485,769.33 during the year.

Revenue of main business is mainly generated from business solutions and application software business which accounted for 59.40% of the total sales (or RMB28,592,329.08), and this is followed by 32.64% of the total sales (or RMB15,713,378.85) for installation and maintenance of network and data security products and 7.96% of the total sales (or RMB3,829,125.95) 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 RMB6,987,848.41 or 32.34% from RMB21,604,480.67 in the previous year. The businesses of business application solution and application software have gradually returned to normal following the severe impact suffered in the previous year.

Revenue of installation and maintenance of network and data security products has decreased by RMB4,286,965.47 from the previous year of RMB20,000,344.32, representing a decrease of 21.43%. The decrease was mainly due to the decrease in the projects of installment and maintenance.

Revenue of sales of electronic products and accessories has increased by RMB353,467.77 or 10.17% from RMB3,475,658.18 in the previous year. The increase was mainly due to the increase in the sales of electrical products and accessories as a result of the recovery of the market of electrical products.

# Management Discussion and Analysis

The gross profit of main business has increased from RMB6,992,846.83 to RMB12,826,331.31, representing an increase of RMB5,833,484.48 or 83.42%. The gross profit margin of main business has increased from 15.51% for the previous financial year to 26.65% for the current year.

Other revenue has increased by RMB572,083.76 or 31.42% to RMB2,392,827.23 in the current year from RMB1,820,743.47 in the previous year.

The share of profits of associates amounted to RMB2,316,474.68 in the current year as compared to the profit of RMB1,165,091.54 in the previous year, representing an increase of RMB1,151,383.14.

Selling expenses has increased by RMB1,013,739.01 from RMB4,156,147.99 in the previous year to RMB5,169,887.00 in the current year.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2021, shareholders' funds of the Group amounted to approximately RMB47,330,768.33 (2020: RMB51,898,027.16). Current assets amounted to approximately RMB37,882,223.55 (2020: RMB48,400,488.56), of which approximately RMB19,492,197.64 (2020: RMB29,985,615.51) were cash and bank balances. The Group did not have non-current liabilities (2020: Nil) and its current liabilities amounted to approximately RMB14,338,790.33 (2020: RMB17,363,105.54), 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 2021, the Group had a net cash position and its working capital ratio (current assets divided by current liabilities) was 2.64 (2020: 2.79); and gearing ratio (liabilities divided by total assets) was approximately 27.61% (2020: 25.08%).

## CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

The Group had no capital commitments and significant investments for the year ended 31 December 2021.

## 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 2021.

## 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.

# Management Discussion and Analysis

## EMPLOYEE INFORMATION

As at 31 December 2021, the Group had 94 full-time employees (2020: 97), comprising 16 in management, finance and administration (2020: 17), 37 in research and development (2020: 35), 24 in application development and engineering (2020: 33), and 15 in sales and marketing (2020: 15). Also, the Group had 2 school staff (2020: 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 staff.

Remuneration of employees including Directors' emoluments and all staff-related costs for the year ended 31 December 2021 was approximately RMB19,719,432.20 (2020: RMB19,424,545.28).

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 2021, the Group did not have any charges on its assets (2020: Nil).

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

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

## FOREIGN EXCHANGE EXPOSURE

During the year ended 31 December 2021, 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 2021, the Group did not have any significant contingent liabilities (2020: 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. Chang Jiang** (“Mr. Chang”), aged 42, graduated from East China University of Political Science and Law with the master degree in 2004. He acted as the head of the Department of Economic Laws under the Office of Legislative Affairs in Shanghai Municipal People’s Government (上海市人民政府法制辦公室經濟法規處), the head of the second Legislative Department in Shanghai Justice Bureau (上海市司法局立法二處), the director of the Corporate Governance Office of Shanghai Guosheng (Group) Co., Ltd. (上海國盛(集團)有限公司). He currently acts as the Deputy Secretary of CPC and president of Shanghai Guosheng Group Science and Education Investment Co., Ltd. (上海國盛集團科教投資有限公司) and the Deputy Secretary of CPC of Shanghai Jiaoda Industrial Investment Management (Group) Limited (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 21 October 2021.

**Mr. Shuai Ge** (“Mr. Shuai”), aged 53, 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 51, 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. Hu Lunjie** (“Mr. Hu”), aged 40, graduated from the University of Hanover in Germany with a bachelor’s degree in economics in 2010. Mr. Hu was graduated from the University of Magdeburg in Germany with a master’s degree in enterprise management in 2011. Mr. Hu has served in air transport export department of DHL Global Forwarding in Germany since March 2012 to February 2013. From August 2014 to June 2018, Mr. Hu has served as the assistant manager of asset management department in Shanghai Venture Capital Limited. Mr. Hu has served as the project manager for general business department in Shanghai Technology Venture Capital (Group) Co., Ltd. since August 2014 to June 2018. Since July 2018, Mr. Hu has served as the senior investment manager of project direct investment department in Shanghai Technology Venture Capital (Group) Co., Ltd. He was appointed as an executive Director by the Company on 7 July 2020.

**Ms. Gu Xiaomin** (“Ms. Gu”), aged 40, graduated from Shanghai University of Finance and Economics with double bachelor degrees of asset management and valuation and accounting. From July 2003 to June 2011 and from June 2011 to May 2012, Ms. Gu acted as the officer and the associate chief officer in finance department of Xuhui District Finance Bureau (徐匯區財政局財政所) (seconded to administrative business finance department of Xuhui District Finance Bureau (徐匯區財政局行政事業財務科)), respectively. From May 2012 to May 2017 and from May 2017 to May 2019, Ms. Gu acted as the associate chief officer and the deputy director of finance department of Xuhui District Finance Bureau (徐匯區財政局財政所) (seconded to Budgetary Section of Xuhui District Finance Office (徐匯區財政局預算科)), respectively. From May 2019 to September 2019 and from September 2019 to September 2020, Ms. Gu acted as the deputy director and the director of finance department of Xuhui District Finance Bureau (徐匯區財政局財政所) (seconded to Procurement Management Department of Xuhui District Finance Office (徐匯區財政局采管辦)), respectively. Since September 2020, Ms. Gu acted as the director of finance department of Xuhui District Finance Bureau (徐匯區財政局財政所) (seconded to Budgetary Section of Xuhui District Finance Office (徐匯區財政局預算科)). She was appointed as an executive Director by the Company on 7 July 2021.

**Mr. Chen Guoliang** (“Mr. Chen”), aged 58, has a college degree and is an accountant. He was the senior manager and deputy general manager of the financial management department of Shanghai Guosheng Group Science and Education Investment Co., Ltd. (上海國盛集團科教投資有限公司). He currently acts as the general manager of the financial management department of Shanghai Guosheng Group Science and Education Investment Co., Ltd. (上海國盛集團科教投資有限公司). He was appointed as an executive Director by the Company on 21 October 2021.

# Biographical Details of Directors, Supervisors and Senior Management

## Independent Non-executive Directors

**Mr. Yuan Shumin** (“Mr. Yuan”), aged 71, 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.

**Mr. Liu Feng** (“Mr. Liu”), aged 53, master, lawyer. He holds the bachelor of law of East China University of Political Science and Law and master of MBA of Shanghai Jiao Tong University. Mr. Liu is the senior partner of Dentons, with rich legal experience. He currently acts as the consultant expert for Civil Administrative Cases of the Supreme People’s Procuratorate, the director of Intellectual Property Committee of Shang Hai Bar Association, the director of Shanghai Intellectual Property Services Association, the financing consultant for high-tech projects of Science and Technology Commission of Shanghai Municipality, the director of Intellectual Property Institute under Shanghai Law Society, the mediator of Shanghai Commercial Mediation Center, the director of Intellectual Property Department of China (Shanghai) Pilot Free Trade Zone, the specially-invited expert of Shanghai Minyi Legal Service Center, the member of the legal team of legal advisory committee of Shanghai Association for Science & Technology, the member of legal expert service team for consumer protection under Shanghai Consumers Council, the specially-invited mediator of Professional Mediation Center in Pudong New Area, Shanghai, the independent director of Shanghai Jiao Da Only Co., LTD. He acts as the member of the expert conference of Shanghai High People’s Court for several times. He was appointed as an independent non-executive Director, member of the Audit Committee, Remuneration Committee and Nomination Committee by the Company on 24 June 2021.

## Biographical Details of Directors, Supervisors and Senior Management

**Mr. Zhou Guolai** (“Mr. Zhou”), aged 53, 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 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. Rong Yinsheng** (“Mr. Rong”), aged 36, 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.

**Mr. Yang Binghua** (“Mr. Yang”), aged 49, 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 39, 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.

**Mr. Yang Qing** (“Mr. Yang”), aged 46, graduated from College of Economics and Management Nefu with a master degree of management. He is a senior accountant and PRC certified public accountant (non-practicing member). From 2003 to 2005, he worked in Sinoceramics, Inc.\* (上海聯能科技有限公司) as the manager of finance department. From 2005 to 2012, he worked in Shanghai Future Broadband Technology and Applied Engineering Research Centre Co., Ltd.\* (上海未來寬頻技術及應用工程研究中心有限公司) as its director, vice general manager and financial controller. From December 2010, he worked in Xinyu Timu Investment Management Co., Ltd.\* (新餘梯睦投資管理有限公司) as a supervisor. From September 2015 to May 2018, he worked in Xinyu Future Broadband Technology Co., Ltd.\* (新餘未來寬頻技術有限公司) as an executive director, general manager and legal representative. From 2018, he worked in Zhongdianke Microwave Communication (Shanghai) Co., Ltd.\* (中電科微波通信(上海)股份有限公司), Shanghai Yangpu Financing Guarantee Co., Ltd.\* (上海楊浦融資擔保有限公司) and Shanghai Jinkai Financing Guarantee Co., Ltd.\* (上海金開融資擔保有限公司) as a supervisor. He was appointed as a supervisor by the Company on 7 July 2020.

## Biographical Details of Directors, Supervisors and Senior Management

**Ms. Pan Li**, (“Ms. Pan”), aged 33, graduated from Shanghai University of Finance and Economics with double bachelor degrees of economics (quantitative economics) and accounting, and Ms. Pan graduated from Shanghai Jiao Tong University with a master degree of public management. From July 2014 to May 2019 and from May 2019 to August 2019, Ms. Pan acted as the first-class clerk in finance department of Xuhui District Finance Bureau (徐匯區財政局財政所) (seconded to administrative business finance department of Xuhui District Finance Bureau) and finance department of Xuhui District Finance Bureau (徐匯區財政局財政所) (seconded to asset management department of Xuhui District Finance Bureau) respectively. Since September 2019, Ms. Pan acted as the deputy director of finance department of Xuhui District Finance Bureau (徐匯區財政局財政所) (seconded to asset management department of Xuhui District Finance Bureau). She was appointed as a supervisor by the Company on 7 July 2020.

### SENIOR MANAGEMENT

**Ms. Cao Zhen** (“Ms. Cao”), aged 53, 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 2021, 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 2021 and are confident about the prospects and future development of the Group.

On behalf of the Supervisory Committee

**Yang Qing**

*Chairman of the Supervisory Committee*

Shanghai, the PRC, 28 March 2022

# 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 13 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 22 June 2020 to 22 June 2023; (ii) Mr. Liu Feng commenced from 24 June 2021 to 23 June 2024 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 2021. Details of the attendance of the Board are as follows:

Board Meetings	Number of Attendance
<b>Executive Directors</b>	
Mr. Zou Yimin	(Chairman) (resigned on 21 October 2021) 6/6
Mr. Chang Jiang	(Chairman) (appointed on 21 October 2021) N/A
Mr. Shuai Ge	(Vice Chairman) 6/6
Mr. Shang Ling	(Chief Executive) 6/6
Ms. Xia Weiwei	(resigned on 21 October 2021) 6/6
Mr. Shen Zhimin	(resigned on 7 July 2021) 4/4
Mr. Hu Lunjie	6/6
Mr. Gu Xiaomin	(appointed on 7 July 2021) 2/2
Mr. Chen Guoliang	(appointed on 21 October 2021) N/A
<b>Independent Non-executive Directors</b>	
Mr. Yuan Shumin	6/6
Dr. Ni Jing	(resigned on 24 June 2021) 4/4
Mr. Liu Feng	(appointed on 24 June 2021) 2/2
Mr. Zhou Guolai	6/6

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 2021, the Company held one annual general meeting on 24 June 2021 and one extraordinary general meeting on 21 October 2021 of the Company.

Name of Directors	Number of Attendance
<b>Executive Directors</b>	
Mr. Zou Yimin	(Chairman) (resigned on 21 October 2021) 2/2
Mr. Chang Jiang	(Chairman) (appointed on 21 October 2021) N/A
Mr. Shuai Ge	(Vice Chairman) 2/2
Mr. Shang Ling	(Chief Executive) 2/2
Ms. Xia Weiwei	(resigned on 21 October 2021) 2/2
Mr. Shen Zhimin	(resigned on 7 July 2021) 2/2
Mr. Hu Lunjie	2/2
Mr. Gu Xiaomin	(appointed on 7 July 2021) 2/2
Mr. Chen Guoliang	(appointed on 21 October 2021) N/A
<b>Independent Non-executive Directors</b>	
Mr. Yuan Shumin	2/2
Dr. Ni Jing	(resigned on 24 June 2021) 2/2
Mr. Liu Feng	(appointed on 24 June 2021) 2/2
Mr. Zhou Guolai	2/2

# Report of Corporate Governance

## DIRECTORS' TRAINING

According to the code provision C.1.4 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 2021, the Directors participated in the following continuous professional development:

Name of Directors	Training organized by professional organization
<b>Executive Directors</b>	
Mr. Zou Yimin	(Chairman) (resigned on 21 October 2021) ✓
Mr. Chang Jiang	(Chairman) (appointed on 21 October 2021) ✓
Mr. Shuai Ge	(Vice Chairman) ✓
Mr. Shang Ling	(Chief Executive) ✓
Ms. Xia Weiwei	(resigned on 21 October 2021) ✓
Mr. Shen Zhimin	(resigned on 7 July 2021) ✓
Mr. Hu Lunjie	✓
Mr. Gu Xiaomin	(appointed on 7 July 2021) ✓
Mr. Chen Guoliang	(appointed on 21 October 2021) ✓
<b>Independent Non-executive Directors</b>	
Mr. Yuan Shumin	✓
Dr. Ni Jing	(resigned on 24 June 2021) ✓
Mr. Liu Feng	(appointed on 24 June 2021) ✓
Mr. Zhou Guolai	✓

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. Chang Jiang, 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), Mr. Liu Feng 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 2021 are as follows:

<b>Meetings of Audit Committee</b>	<b>Number of Attendance</b>
Mr. Yuan Shumin <i>(Chairman)</i>	4/4
Dr. Ni Jing <i>(resigned on 24 June 2021)</i>	3/3
Mr. Liu Feng <i>(appointed on 24 June 2021)</i>	1/1
Mr. Zhou Guolai	4/4

The Group’s unaudited quarterly and interim results and audited annual results during the year ended 31 December 2021 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. Chang Jiang and three independent non-executive Directors, namely, Mr. Yuan Shumin (Chairman), Mr. Liu Feng 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 2021 are as follows:

<b>Meetings of Remuneration Committee</b>	<b>Number of Attendance</b>
Mr. Yuan Shumin <i>(Chairman)</i>	2/2
Mr. Zou Yimin (resigned on 21 October 2021)	2/2
Mr. Chang Jiang (appointed on 21 October 2021)	N/A
Dr. Ni Jing (resigned on 24 June 2021)	1/1
Mr. Liu Feng (appointed on 24 June 2021)	1/1
Mr. Zhou Guolai	2/2

For the year ended 31 December 2021, 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	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. Chang Jiang (Chairman), and two independent non-executive Directors, namely, Mr. Yuan Shumin and Mr. Liu Feng. 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 2021 are as follows:

<b>Meetings of Nomination Committee</b>		<b>Number of Attendance</b>
Mr. Zou Yimin	( <i>Chairman</i> ) (resigned on 21 October 2021)	2/2
Mr. Chang Jiang	( <i>Chairman</i> ) (appointed on 21 October 2021)	N/A
Mr. Yuan Shumin		2/2
Dr. Ni Jing	(resigned on 24 June 2021)	1/1
Mr. Liu Feng	(appointed on 24 June 2021)	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 RMB400,000.00 was charged to the Group's consolidated income statement and income statement for the year ended 31 December 2021 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 Chartered Governance Institute and The Hong Kong Chartered Governance Institute. 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 shareholders that severally or jointly hold more than 3% of the Company's shares may raise interim proposals and notify them in writing to the convener ten days prior to the general meeting. The convener shall issue a supplemental notice of the general meeting within two days after receipt of such proposal. 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. 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 convening a general meeting is delivered. No proposal which has not been set out in the notice of the general meeting or not in compliance with the requirement under 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.

## 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.

## THE ESG GOVERNANCE STRUCTURE

We consider ESG commitment as a part of our fiduciary duty and we pledge to embed ESG considerations into our decision-making process. To achieve this, we have developed a core governance framework to ensure the alignment of ESG governance with our strategic growth, while advocating ESG integration into our business operations. The structure of our corporate social responsibility is divided into two components, namely the board of directors (the "Board") and an ESG Taskforce.

The Board holds the overall responsibility on the Group's ESG issues and oversees the ESG strategies, direction and policies. In order to better manage the Group's ESG performance, related issues and potential risks, the Board discusses and reviews the Group's ESG risks and opportunities, performance, progress, goals and targets regularly with the assistance of the ESG Taskforce. The Board is also responsible for ensuring the effectiveness of ESG risk management and internal control mechanism and facilitates the exchange of best practices with other comparison companies.

The ESG taskforce is composed of core members from different departments of the Group. The ESG taskforce facilitates the Board's oversight of ESG matters and has the responsibility for collecting and analysing ESG data, monitoring and evaluating the Group's ESG performance, ensuring compliance with ESG-related laws and regulations, and preparing ESG reports. The ESG taskforce arranges meeting semi-annually to evaluate the effectiveness of current policies and procedures, and formulate appropriate solutions to improve the overall performance of ESG policies. At meetings, the ESG taskforce discussed the existing and upcoming plans in order to monitor and manage the Group's strategic goals in terms of sustainable development, mitigating potential risks, and minimising the negative impact on our business operations. The ESG taskforce would periodically report to the Board, assist in assessing and identifying the Group ESG risks and opportunities and evaluate the implementation and effectiveness of internal control mechanism.

## REPORTING SCOPE

Unless otherwise stated, the ESG Report mainly covers the Group's operation in investment holding located in the PRC 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. The Company mainly operates businesses in China, which contributed to the majority of the Group's revenue during the Reporting Period. The Group will continue to assess the major ESG aspects of different businesses of its major subsidiaries to determine the reporting scope of the ESG Report.

# Environmental, Social and Governance Report

The reporting boundary is determined according to the corresponding materiality of each entity to our business and operations. Entities outside the scope of the ESG Report can be found in the Annual Report 2021, note 1 to the financial statements.

## REPORTING FRAMEWORK

The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) as set out in Appendix 27 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Information relating to the Group’s corporate governance structure and practices has been set out in the Corporate Governance Report of the Annual Report 2021.

During preparation for this ESG Report, the Group has applied the reporting principles in the aforementioned ESG Reporting Guide as the following:

**Materiality:** Materiality assessment was conducted to identify material issues during the Reporting Period, thereby adopting the confirmed material issues as the focus for the preparation of the Report. The materiality of issues was reviewed and confirmed by the Board and senior management. Please refer to the section headed “Stakeholder Engagement” for further details.

**Quantitative:** The standards and methodologies used in the calculation of relevant data in this Report, as well as the applicable assumptions were disclosed. The key performance indicators (“KPIs”) are supplemented by explanatory notes to establish benchmarks where feasible.

**Balance:** This Report was written in an objective and impartial manner to ensure that the information disclosed faithfully reflects the overall performance of the Group in ESG aspects.

**Consistency:** The preparation approach of this Report was substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies.

This ESG Report has undergone the internal review process of the Group and was approved by the Board.

## REPORTING PERIOD

The ESG Report specifies the ESG activities, challenges, and measures being taken during the year ended 31 December 2021.

## STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their feedback regarding its businesses and ESG aspects. To understand and address stakeholders’ key concerns, the Group has maintained close communication with its key stakeholders, including but not limited to shareholders and investors, customers, tenants, employees, suppliers and subcontractors, government and other regulatory bodies as well as the local community.

# Environmental, Social and Governance Report

In formulating operational and ESG strategies, the Group considers stakeholders' expectations by utilising diversified communication channels as shown below:

Stakeholders	Communication channels	Expectations
Shareholders and investors	<ul style="list-style-type: none"> <li>• Financial reports</li> <li>• Annual general meeting</li> <li>• Company website</li> <li>• Press releases</li> <li>• Investor relations inquiry</li> <li>• Hotline and email</li> </ul>	<ul style="list-style-type: none"> <li>• Business strategy</li> <li>• Financial performance</li> <li>• Corporate governance</li> <li>• Business sustainability</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Customer service hotline and email</li> <li>• Complaint hotline</li> <li>• Exhibitions</li> </ul>	<ul style="list-style-type: none"> <li>• Quality of the services and products</li> <li>• Timely service</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Staff performance appraisal</li> <li>• Training</li> <li>• Internal policies</li> <li>• Regular meetings</li> <li>• Surveys</li> </ul>	<ul style="list-style-type: none"> <li>• Rights and benefits</li> <li>• Staff remuneration</li> <li>• Development and training</li> <li>• Working hours</li> <li>• Occupational health and safety</li> </ul>
Suppliers and subcontractors	<ul style="list-style-type: none"> <li>• Business meetings</li> <li>• Quotation and tendering processes</li> <li>• Regular audits and assessments</li> </ul>	<ul style="list-style-type: none"> <li>• Commitments</li> <li>• Payment schedule</li> <li>• Business ethics and reputation</li> </ul>
Government and other regulatory bodies	<ul style="list-style-type: none"> <li>• Statutory filings and notices</li> <li>• Compulsory or voluntary disclosure</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Transparency of internal information</li> </ul>
Local community	<ul style="list-style-type: none"> <li>• Community activities</li> <li>• Sponsorships and donations</li> </ul>	<ul style="list-style-type: none"> <li>• Business ethics</li> <li>• Fair employment opportunity</li> <li>• Environmental protection</li> </ul>

The Group aims to collaborate with its stakeholders to improve its ESG performance and continuously create greater value for the wider community.

# Environmental, Social and Governance Report

## BOARD STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the ESG report of the Group for the year ended 31 December 2021. This report demonstrates our growing commitment to advancing our sustainability performance in areas such as corporate governance, community participation, customer satisfaction, and employee care.

We view ESG commitments as part of our responsibility and are committed to incorporating ESG considerations into our decision-making process. As such, the Group decided to set directional targets for the financial year ended 31 December 2024 (“2024”), which would be a three-year target plan. By setting ESG-related goals, the Group can raise the employee’s awareness of environmental protection and improve its ESG performance continuously.

We believe that a forceful governance structure is of utmost importance to the successful integration and effective management of sustainability at Kingwell. The Board holds the overall responsibility on the Group’s ESG issues and oversees the ESG strategies, directions and policies. In order to better manage the Group’s ESG performance, related issues and potential risks, the Board analyses and reviews the Group’s ESG risks and opportunities, performance, progress, goals and targets regularly. The Board is also responsible for ensuring the effectiveness of ESG risk management and internal control mechanism and facilitates the exchange of best practices with other comparable companies.

Looking forward, we will continue our efforts to further deepen the integration of ESG concepts internally and externally, implement sustainable management more responsibly, and work together.

Finally, I would like to express my greatest gratitude to the Board, management and staff of the Group for their strenuous contribution in the past year. Furthermore, I would also like to take this opportunity to sincerely thank our customers, suppliers, business partners and shareholders for their continuous support and trust. I believe all members of the Group will dedicate their best effort to drive business growth and to deliver enhanced returns to shareholders.

## MATERIALITY ASSESSMENT

The management and staff of the Group’s major operations have participated in the preparation of the Report in order to assist the Group in reviewing its operations, identifying relevant ESG issues and assessing the importance of related matters to its businesses and stakeholders. The Group has compiled a questionnaire with reference to the identified material ESG issues to collect the information from the stakeholders of the Group.

During the Reporting Period, the Group has confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

# Environmental, Social and Governance Report

## ENVIRONMENTAL TARGETS

To better manage the Group's material topics and its performance on those aspects, the Group has set some directional targets for the financial year ended 31 December 2024 ("2024"), which would be a three-year target plan.

The table below summarises the Group's sustainability targets for 2024. The Group will continue to review the progress of the set targets every Reporting Period prior to 2024, and will continue to work for the targets set.

Environmental Targets Setting		Status
Emissions	<ul style="list-style-type: none"><li>• Reduce emissions intensities by 1% in 2024 compared to 2021</li></ul>	In progress
Waste Management	<ul style="list-style-type: none"><li>• Reduce waste intensity by 1% in 2024 compared to 2021</li></ul>	In progress
Energy Consumption	<ul style="list-style-type: none"><li>• Reduce electricity and gasoline intensities by 1% in 2024 compared to 2021</li></ul>	In progress
Water Consumption	<ul style="list-style-type: none"><li>• Reduce water consumption intensity by 1% in 2024 compared to 2021</li></ul>	In progress

## CONTACT US

Please feel free to provide comments and suggestions on this Report or the Group's ESG work performance through email at [sunguofang@withub.com.cn](mailto:sunguofang@withub.com.cn).

# Environmental, Social and Governance Report

## 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 2020.

#### 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

# Environmental, Social and Governance Report

## 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

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

The Group manages and minimizes the impact it may cause on 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**

### *Climate Change Adaptation and Mitigation*

The Group recognises the importance of the identification and mitigation of significant climate-related issues, and is committed to managing the potential climate-related risks which may impact the Group's business activities. Therefore, the Group has established a robust set of policy and procedures to identify, monitor and manage ESG issues, including climate change. Material climate-related risks are identified and managed under our enterprise risk management framework.

# Environmental, Social and Governance Report

## ***Climate-related Issues***

### *Physical Risks*

The increased frequency and severity of extreme weather events such as extreme cold or heat, storms, heavy rains, typhoons can disrupt operations by damaging the power grid or communication infrastructures, obstructing and injuring our employees on the road or during their work. These events could disrupt supply chains, interrupt business operations, and damage Group assets. As countermeasure, the Group will identify these risks and prioritise those that have a serious impact to take precautionary measures in the first place. At the same time, the Group will examine the possibility of a change of business model to reduce or avoid these serious effects on business operations.

### *Transition Risks*

There are more stringent climate legislations and regulations to support the global vision of decarbonisation. For instance, the Stock Exchange has required the listed companies to enhance the climate-related disclosures in their ESG reports. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits. Corporate reputation may also decline due to failure to meet the compliance requirements for climate change. The Company's related capital investment and compliance costs thus increase. In response to the policy and legal risks as well as the reputation risks, the Group regularly monitors existing and emerging trends, policies and regulations relevant to climate and be prepared to alert the top management where necessary to avoid cost increments, noncompliance fines or reputational risks due to delayed response. Besides, we have set targets to reduce our energy consumption and emissions during 2021.

## **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.

# Environmental, Social and Governance Report

## **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.

### **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.

# Environmental, Social and Governance Report

## **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.

## **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;

# Environmental, Social and Governance Report

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.

## **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;

# Environmental, Social and Governance Report

6. HR department should carry out prevention training about child labor and forced labor, especially those responsible for recruitment;
7. If employment of child labor under the legal minimum age is found in the Group, we will see to the best interests of the child, and take the following measures in line with relevant legislations:
  - a. Take the child away from workplace immediately, ensure the safety of the child;
  - b. Immediately notify the person in charge of HR to verify all relevant information, confirm whether the child under 16 years of age, sever labor relations with the child, notify the local social welfare institution, and take remedial measures to protect the child's best interest;
  - c. Send the child to a special occupational health labor inspection institution to do medical check-up, it is required to confirm the child's physical and mental health, and conduct investigation to fully understand the child's situation;
  - d. When the child reaches legal minimum age for employment, we will provide the child with re-employment opportunity; and
  - e. Immediately find out the problems exist in the hiring process of the operating location and take improvement measures within 90 working days.
8. If forced labor is found in the Group, we will take the following measures in accordance with the requirements of the relevant legislation:
  - a. Take the labor away from workplace immediately, ensure the safety of the labor;
  - b. Immediately notify the person in charge of HR to verify all relevant information, confirm whether the person is subject to compulsory labor;
  - c. Send the labor to a special occupational health labor inspection institution to do medical check-up, it is required to confirm the labor's physical and mental health, and conduct investigation to fully understand the labor's situation; and
  - d. Immediately find out the problems exist in the hiring process of the operating location and take improvement measures within 90 working days.

## OPERATING PRACTICE

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

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

1. We advocate the principle of fair and open competition, and based on mutual trust, we develop and maintain long-term relationships with the suppliers and contractors;

# Environmental, Social and Governance Report

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.

## **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.

# Environmental, Social and Governance Report

## **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.

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 HKD500.

For gift, prize or souvenir worth more than HKD500, 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.

# Environmental, Social and Governance Report

## **2. *Providing benefits***

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

## **3. *Extortion***

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

## **4. *Fraud***

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

## **5. *Money Laundering***

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

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

# Environmental, Social and Governance Report

a. *Identifying clients*

In the development of clients, sales people must establish a high degree of awareness of anti money 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 anti money laundering training at least once a year, the training includes the danger of money laundering, anti money 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 anti money 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 2021. 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 ("NO<sub>x</sub>"), sulphur oxides ("SO<sub>x</sub>") and particulate matter ("PM") emissions. Relevant data for the year ended 31 December 2021 and 2020 were as follows:

	Year ended 31 December 2020	Year ended <b>31 December 2021</b>
NO <sub>x</sub>	36,533.85 (g)	<b>25,338.85 (g)</b>
SO <sub>x</sub>	3,581.37 (g)	<b>4,329.18 (g)</b>
PM	3,401.52 (g)	<b>2,359.20 (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 2021 and 2020 were as follows:

	Year ended 31 December 2020	Year ended <b>31 December 2021</b>
CO <sub>2</sub>	3,581.37 (kg)	<b>4,436.27 (kg)</b>
CH <sub>4</sub>	75,208.83 (kg)	<b>93,161.69 (kg)</b>
N <sub>2</sub> O	1,110,225.59 (kg)	<b>1,375,244.01 (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 157,792.27kg for the year ended 31 December 2021 (2020: 128,644.65kg).

# Environmental, Social and Governance Report

For water consumption, electricity used for sewage processing by sewage processing companies cause the indirect emission of greenhouse gas of CO<sub>2</sub>. 1,480.33 kg CO<sub>2</sub> have been emitted for the year ended 31 December 2021 (2020: 919.39kg).

## 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 2021 and 2020 were as follows:

	Year ended 31 December 2020	Year ended <b>31 December 2021</b>
Hazardous waste per printer	0.012 (tonnes)	<b>0.013 (tonnes)</b>
Intensity of hazardous waste	0.0012	<b>0.0013</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 2021 and 2020 were as follows:

	Year ended 31 December 2020	Year ended <b>31 December 2021</b>
Domestic waste	8.25 (tonnes)	<b>8.25 (tonnes)</b>
Intensity of non-hazardous waste	4.13	<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 2021, the intensity of energy consumption was 64,195.39 (2020: 52,337.13).

# 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 2021, the intensity of water consumption was 602.25 with the stable water supply under the regulation by Shanghai Water Authority of Shanghai Municipal Oceanic Bureau (上海市水務局) (2020: 374.04).

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.

### Total employees

The Group had a total number of 94 full-time employees and 2 school staff as at 31 December 2021, all employees were located in China. During the year ended 31 December 2021, the Group adjusted the number of employees that was suitable for its business needs.

Set forth below is the Group's employee turnover rate by gender, age group and geographical region:

Category	For the year ended 31 December 2020	For the year ended <b>31 December 2021</b>
<b>By gender</b>		
Male	16.7%	<b>20%</b>
Female	3%	<b>5%</b>
<b>By age group</b>		
30 or below	63%	<b>60%</b>
31-40	37%	<b>32%</b>
41-50	0%	<b>8%</b>
51 or above	0%	<b>0%</b>
<b>By geographical region</b>		
China	100%	<b>100%</b>

# Environmental, Social and Governance Report

Set forth below are the distribution of the Group's employees as at 31 December 2021 by gender and age group:

Category	Number of employees	Percentage
<b>By gender</b>		
Male	65	68%
Female	31	32%
<b>By age group</b>		
30 or below	26	27%
31-40	40	42%
41-50	22	23%
51 or above	8	8%

## Development and training

The Group provides comprehensive training and development opportunities to its employees on a regular basis. The trainings are arranged according to needs of employees, which were identified annually by individual departments:

- a. Orientation training – To familiarise employees with the Group's objectives, culture, rules and regulations, safety and product-related knowledge on the first day of work;
- b. Pre-job training – To familiarise new employees or transferred employees with their new duties;
- c. On-the-job training – To ensure that the employees are familiar with the Group's products, to sharpen the sales technique and customer service standard of sales and marketing personnel and to ensure the production and quality control personnel perform proper quality control procedures.



# Environmental, Social and Governance Report

## Supply chain management

The Group purchases raw materials and equipment based on its own needs, specifications, quality and safety performance of equipment, reputation, after-sales service and delivery time of the supplier. The Group compares different suppliers to select qualified suppliers (based on their product specifications, product compliances, production management, quality management, environmental friendliness and also corporate social responsibility performances) before the Group enters into contract with the qualified suppliers.

When selecting equipment, the Group would also consider whether the equipment is energy efficient and environmental friendly. During the year ended 31 December 2021, all of the Group's 78 suppliers were situated in the PRC.

The Group expects its suppliers to uphold the ESG principles that the Group has adopted into the management of its business operations. In order to ensure that the components and raw materials meet the requisite safety and quality standards, the Group adopts stringent criteria in supplier selection (including but not limited to whether they provide high quality raw materials, whether they maintain a high standard on environmental protection and comply with relevant laws on environmental issues, whether price is comparable to market rate and location of their factories) and continuously monitors existing suppliers on an annual basis, based on criteria such as product quality, product defect ratio, delivery punctuality ratio and responsiveness.

Whether the supplier will continue to be included in the Group's list of approved suppliers depends on the marks it achieved under annual evaluation. The awareness of environmental protection is one of the key criteria for the Group to evaluate the suppliers.

## Product assurance and recall

Product quality is crucial to the Group's continued success. The Group places strong emphasis on achieving a consistently high quality for its products. To achieve such purpose, stringent quality control measures throughout the production process were implemented to ensure the quality and safety of our products. The Group's quality control department performs regular inspections to evaluate the effectiveness of the quality control measures and further enhance these measures when necessary.

During the year ended 31 December 2021, the Group did not experience any product recall, material non-compliance with laws and regulations in relation to product health and safety or receive any material complaints from consumers.

# Environmental, Social and Governance Report

## Intellectual Property Rights and Information Security

The Group registered various trademarks for the Group itself and its products in the PRC to foster its corporate image. The Group relies on the relevant laws and regulations to protect its brand names, trademarks and other intellectual property rights.

During the year ended 31 December 2021, the Group was not aware of any material infringement by the Group of any intellectual property rights owned by any third parties. Further, there were no pending or threatened material claims made against the Group with respect to the infringement of intellectual property rights owned by the Group.

## Anti-corruption

According to the Group's anti-corruption policy, all employees shall abide by the laws and regulations of the PRC and shall not engage in any illegal activities. Employees shall uphold the code of ethics, advocate fair competition and act against bribery. Any bribery, fraud, money laundering and embezzlement are prohibited.

Employees must not accept or request any improper benefits including banquets, gifts, securities, valuables and high-expenditure entertainment activities from business partners, suppliers and merchants, etc. When there is any alleged case in violation of laws, regulations, code of conduct or Group's policies, the Group will investigate and impose disciplinary actions upon offenders after verification. Directors and employees received training from time to time to ensure that they comply and familiar with the anti-corruption guides, policies and procedures of the Group.

During the year ended 31 December 2021, the Group complied with all applicable laws on prohibiting corruption and bribery of the PRC and there was no concluded legal case regarding corrupt practices brought against the Group or its employees.

# 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 2021.

## 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 2021 are set out in Note 7.14 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 2021 are set out in Note 7.3 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 53.76% of the Group's turnover for the year, of which the largest customer accounted for 25.48% of the Group's turnover for the year.

Purchases from major suppliers accounted for the following percentages:

The largest supplier:	26.10%
Total percentage of the five largest suppliers:	49.67%

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 2021 are set out in the annual report on pages 60 to 190.

## Dividends

The directors do not recommend the payment of any dividends in respect of the year ended 31 December 2021.

## Financial Summary

A summary of the results and assets and liabilities of the Group for each of the five years ended 31 December 2021 is set out on page 191 to 192 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 7.10 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 2021 are set out in note 7.21 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 144 to 146 and in notes 7.22 to 7.26 to the notes to the financial statements.

# Report of the Directors

## Reserves and Distributable Reserves

Reserves Details of movements in the reserves of the Company during the year are set out on pages 144 to 146 and in notes 7.22 to 7.26 to the notes to the financial statements.

As at 31 December 2021, the distributable reserve of the Company in deficit were RMB79,500,977.13 (2020: the distributable reserve of the Company in deficit were RMB75,015,207.80). Details of distributable reserves of the Company during the year are set out in notes 7.25 to the notes to the financial statements.

## Retirement Benefits

The employees of the Group are required to participate in a central pension scheme (the “Defined Contribution Schemes”) operated by the local municipal government, to which the Group is required to contribute a certain percentage, which was pre-determined by the local municipal government, of the sum of basic salary and allowance of employees to the Defined Contribution Schemes. The contributions by the Group for the Defined Contribution Schemes are charged to the statement of profit or loss as they become payable in accordance with the relevant rules of the respective schemes.

The Group’s contributions to the Defined Contribution Schemes vest fully and immediately with the employees. Accordingly, (i) for each of the two years ended 31 December 2020 and 31 December 2021, there was no forfeiture of contributions under the Defined Contribution Schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Schemes as at 31 December 2020 and 31 December 2021.

For each of the two years ended 31 December 2020 and 31 December 2021, the Group did not have any defined benefit plan.

Details of the retirement benefit scheme of the Group are set out in note 7.16 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	(Chairman) (resigned on 21 October 2021)
Mr. Chang Jiang	(Chairman) (appointed on 21 October 2021)
Mr. Shuai Ge	(Vice Chairman)
Mr. Shang Ling	(Chief Executive)
Ms. Xia Weiwei	(resigned on 21 October 2021)
Mr. Shen Zhimin	(resigned on 7 July 2021)
Mr. Hu Lunjie	
Mr. Gu Xiaomin	(appointed on 7 July 2021)
Mr. Chen Guoliang	(appointed on 21 October 2021)

### Independent Non-executive Directors

Mr. Yuan Shumin	
Dr. Ni Jing	(resigned on 24 June 2021)
Mr. Liu Feng	(appointed on 24 June 2021)
Mr. Zhou Guolai	

### Supervisors

Mr. Rong Yinsheng
Ms. Sun Guofang
Mr. Yang Binghuai
Mr. Yang Qing
Mr. Pan Li

\* Mr. Zou Yimin, Ms. Xia Weiwei, Mr. Shen Zhimin resigned as an executive Director due to other business commitment, Dr. Ni Jing resigned as an independent non-executive Director due to other business commitment.

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 12.4 to the financial statements.

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

As at 31 December 2021, 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 2021, 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
State-owned Assets Supervision and Administration Commission of Shanghai	Interest of a controlled corporation (Note 2)	114,000,000 domestic shares (L)	23.75%
Shanghai Jiaoda Industrial Investment Management (Group) 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 Management 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 Industrial Investment Management (Group) Limited ("Jiaoda Industrial") (Shanghai Jiaoda Science and Technology Park Limited transferred these domestic shares to Jiaoda Industrial at the end of June 2020). 90% of registered capital of Jiaoda Industrial is owned by the State-owned Assets Supervision and Administration Commission of Shanghai. State-owned Assets Supervision and Administration Commission of Shanghai is deemed to be interested in the aggregate of 114,000,000 domestic shares held by Jiaoda Industrial 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 88.57% 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 2021, 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:

<b>Name of shareholders</b>	<b>Capacity and nature</b>	<b>Number and class of shares (Note)</b>	<b>Approximate percentage of interest</b>
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 2021, 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 2021, 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 25 May 2022 to 24 June 2022 (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 23 June 2022 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 24 May 2022.

# 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 2021.

## 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, Mr. Liu Feng and Mr. Zhou Guolai.

The Company's consolidated financial statements for the year ended 31 December 2021 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. Chang Jiang**

*Chairman*

Shanghai, the PRC, 28 March 2022

# 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 2021, the consolidated and the Company's income statements, cash flow statements and statements of changes in shareholders' equity for 2021 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 2021, 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.

# Independent Auditors' Report

Key audit matters identified by us in the audit process are as follows:

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><b>1. Recognition of revenue</b></p> <p>As at 31 December 2021, the realized operating income of the Company amounted to RMB50,527,661.11, in which income of integration was RMB44,305,707.93 (87.69%). According to the Revenue Recognition Principles of the Company (See Financial Statement Notes 4.24), the Company recognizes the type of revenue based upon the percentage of contract completion.</p> <p>We regard the revenue recognition upon the percentage of contract completion as one of the key audit matters, 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.</p>	<p>(1) We assessed the design and execution of the internal control of the Company relating to the revenue recognition.</p> <p>(2) We assessed the 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;</p> <p>(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;</p> <p>(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.</p>

# Independent Auditors' Report

## 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 2021 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.

## 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.

# Independent Auditors' Report

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

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

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

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

# Independent Auditors' Report

- (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)

CICPA:

28 March 2022

# Consolidated Balance Sheet

As at 31 December 2021

Prepared by: Shanghai Jiada Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	31 December 2021	31 December 2020
<b>Current assets:</b>			
Cash and bank balances	7.1	19,492,197.64	29,985,615.51
Settlement payment			
Lent funds			
Financial assets held for trading	7.2	10,000,000.00	10,000,000.00
Derivative financial assets			
Notes receivable			
Accounts receivables	7.3	5,985,080.94	4,080,361.67
Receivables financing			
Prepayments	7.4	78,302.50	10,874.18
Insurance premiums receivables			
Reinsurance receivables			
Provision of reinsurance receivables			
Other receivables	7.5	1,263,378.81	2,380,487.87
Including: Interest receivable		—	—
Dividends receivable			
Buying back the sale of financial assets			
Inventories	7.6	1,063,263.66	1,726,066.05
Contract asset			
Holding for sale assets			
Non-current assets due within one year			
Other current assets	7.7		217,083.28
<b>Total current assets</b>		<b>37,882,223.55</b>	<b>48,400,488.56</b>
<b>Non-current assets:</b>			
Loans and payments on behalf			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investment	7.8	16,067,617.43	13,838,142.75
Other long-term equity investment			
Other non-current financial assets	7.9	4,864,138.20	5,438,762.87
Investment properties			
Fixed assets	7.10	69,433.77	106,365.56
Construction in progress			
Biological assets for production			
Fuel assets			
Right-of-use assets	7.11	6,497,741.55	1,447,246.63
Intangible assets	7.12	—	—
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets	7.13		
Other non-current assets			
<b>Total non-current assets</b>		<b>27,498,930.95</b>	<b>20,830,517.81</b>
<b>Total assets</b>		<b>65,381,154.50</b>	<b>69,231,006.37</b>

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Consolidated Balance Sheet

As at 31 December 2021

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	31 December 2021	31 December 2020
<b>Current liabilities:</b>			
Short-term loans			
Borrowings from the Central Bank			
Deposits from customers and interbanks			
Transactional monetary liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payables	7.14	5,631,758.22	8,348,289.20
Unearned revenue			178,999.98
Contract liability	7.15	2,104,084.25	2,711,410.68
Financial assets sold for repurchase			
Deposits from customers and interbank			
Funds received as agent of stock exchange			
Funds received as stock underwrite			
Payroll payable	7.16	1,546,661.16	1,527,583.72
Taxes payable	7.17	228,650.24	70,730.91
Other payables	7.18	3,506,807.14	4,526,091.05
Including: Interest payable			
Dividends payable			
Handling charges and commissions payable			
Reinsurance payable			
Holding for sale liabilities			
Non-current liabilities due within one year	7.19	1,320,829.32	
Other current liabilities			
<b>Total current liabilities</b>		<b>14,338,790.33</b>	17,363,105.54
<b>Non-current liabilities:</b>			
Deposit for reinsurance			
Long-term loans			
Bonds payable			
Including: Premium			
Perpetual			
Lease liabilities	7.20	3,711,595.84	
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>3,711,595.84</b>	–
<b>Total liabilities</b>		<b>18,050,386.17</b>	17,363,105.54
<b>Shareholders' equity:</b>			
Share capital	7.20	48,000,000.00	48,000,000.00
Other equity instruments			
Including: Premium			
Perpetual			
Capital reserve	7.22	77,308,349.20	77,308,349.20
Less: treasury stock			
Other comprehensive income	7.23	1,330,560.30	1,381,923.47
Special reserve			
Surplus reserve	7.24	222,962.29	222,962.29
General risk reserve			
Undistributed profits	7.25	-79,500,977.13	-75,015,207.80
<b>Total owners' equity attributable to the parent company</b>		<b>47,360,894.66</b>	51,898,027.16
Minority interests	7.26	-30,126.33	-30,126.33
<b>Total shareholders' equity</b>		<b>47,330,768.33</b>	51,867,900.83
<b>Total liabilities and shareholders' equity</b>		<b>65,381,154.50</b>	69,231,006.37

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Balance Sheet of the Parent Company

As at 31 December 2021

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	31 December 2021	31 December 2020
<b>Current assets:</b>			
Cash and bank balances		<b>18,042,424.41</b>	27,822,071.33
Financial assets held for trading		<b>10,000,000.00</b>	10,000,000.00
Derivative financial assets			
Notes receivable			
Accounts receivables	17.1	<b>5,985,080.94</b>	4,080,361.67
Receivables financing			
Prepayments		<b>78,302.50</b>	10,874.18
Other receivables	17.2	<b>1,262,123.68</b>	2,379,232.74
Including: Interest receivable		-	
Dividends receivable			
Inventories		<b>1,063,263.66</b>	1,726,066.05
Contract asset			
Holding for sale assets			
Non-current assets due within one year			
Other current assets			217,083.28
<b>Total current assets</b>		<b>36,431,195.19</b>	46,235,689.25
<b>Non-current assets:</b>			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investment	17.3	<b>16,067,617.43</b>	13,838,142.75
Other long-term equity investment			
Other non-current financial assets		<b>4,864,138.20</b>	5,438,762.87
Investment properties			
Fixed assets		<b>69,433.77</b>	106,365.56
Construction in progress			
Biological assets for production			
Fuel assets			
Right-of-use assets		<b>6,497,741.55</b>	1,447,246.63
Intangible assets			
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			
<b>Total non-current assets</b>		<b>27,498,930.95</b>	20,830,517.81
<b>Total assets</b>		<b>63,930,126.14</b>	67,066,207.06

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Balance Sheet of the Parent Company

As at 31 December 2021

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	31 December 2021	31 December 2020
<b>Current liabilities:</b>			
Short-term loans			
Transactional monetary liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payables		<b>5,527,401.90</b>	8,243,932.88
Unearned revenue			178,999.98
Contract liability		<b>2,104,084.25</b>	2,711,410.68
Payroll payable		<b>1,437,616.58</b>	1,418,539.14
Taxes payable		<b>228,650.24</b>	70,730.91
Other payables		<b>3,301,680.89</b>	4,320,964.80
Including: Interest payable			
Dividends payable			
Holding for sale liabilities			
Non-current liabilities due within one year		<b>1,320,829.32</b>	
Other current liabilities			
<b>Total current liabilities</b>		<b>13,920,263.18</b>	16,944,578.39
<b>Non-current liabilities:</b>			
Long-term loans			
Bonds payable			
Including: Premium			
Perpetual			
Lease liabilities		<b>3,711,595.84</b>	
Long-term payable			
Long-term payroll payable			
Estimated Liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		<b>3,711,595.84</b>	-
<b>Total liabilities</b>		<b>17,631,859.02</b>	16,944,578.39
<b>Shareholders' equity:</b>			
<b>Share capital</b>			
Other equity instruments			
Including: Premium			
Perpetual			
Capital reserve		<b>77,308,349.20</b>	77,308,349.20
Less: treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve		<b>222,962.29</b>	222,962.29
Undistributed profits		<b>-79,233,044.37</b>	-75,409,682.82
<b>Total owners' equity attributable to the parent company</b>		<b>46,298,267.12</b>	50,121,628.67
<b>Total liabilities and shareholders' equity</b>		<b>63,930,126.14</b>	67,066,207.06

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Consolidated Income Statement

2021

Prepared by: Shanghai Jiada Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	2021	2020
<b>I. Total operating income</b>	7.29	<b>50,527,661.11</b>	46,901,226.64
Including: Operating income	7.29	<b>50,527,661.11</b>	46,901,226.64
Interest revenue			
Earned Premium			
Charges and commission income			
<b>II. Total operating costs</b>	7.29	<b>58,583,321.17</b>	68,008,149.60
Including: Operating cost	7.29	<b>36,842,403.65</b>	39,353,222.30
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	7.30	<b>55,351.75</b>	66,581.12
Selling expenses	7.31	<b>5,169,887.00</b>	4,156,147.99
Administrative expenses	7.32	<b>10,853,034.69</b>	15,460,846.64
Research and development expenses	7.33	<b>5,617,370.26</b>	8,960,205.96
Financial expenses	7.34	<b>45,273.82</b>	11,145.59
Including: Interest expenses		<b>114,358.66</b>	98,760.02
Interest revenue		<b>68,847.97</b>	107,615.03
Add: Other gain	7.35	<b>405,592.45</b>	443,506.42
Investment income (losses are represented by "-")	7.36	<b>2,882,687.01</b>	1,978,879.22
Including: Income from investment in associates and joint ventures		<b>2,229,474.68</b>	955,091.54
Income from derecognition of financial assets measured at amortized cost			
Exchange gain (losses are represented by "-")			
Net hedging return (losses are represented by "-")			
Profit and loss from fair value changes (losses are represented by "-")	7.37	<b>-424,624.67</b>	-116,765.72
Loss of credit impairment (losses are represented by "-")	7.38	<b>-950,500.00</b>	-2,414,250.00
Loss on assets impairment (losses are represented by "-")	7.39	<b>-337,713.03</b>	
Asset disposal gain (losses are represented by "-")		<b>205,651.00</b>	-1,951.75
<b>III. Operating profit (losses are represented by "-")</b>		<b>-5,936,854.27</b>	-21,555,217.82
Add: Non-operating income	7.40	<b>1,474,714.02</b>	3,794.44
Less: Non-operating expense	7.41	<b>23,629.08</b>	2,120,010.86
<b>IV. Total profit (losses are represented by "-")</b>		<b>-4,485,769.33</b>	-23,671,434.24
Less: Income tax expenses			
<b>V. Net Profit (losses are represented by "-")</b>		<b>-4,485,769.33</b>	-23,671,434.24
1. Classified by continuing operation		<b>-4,485,769.33</b>	-23,671,434.24
Net profit from continues operation (losses are represented by "-")		<b>-4,485,769.33</b>	-23,671,434.24
Net profit from discontinued operation (losses are represented by "-")			

# Consolidated Income Statement

2021

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	2021	2020
2. Classified by ownership		<b>-4,485,769.33</b>	-23,671,434.24
Net profit attribute to the equity holders of the parent company		<b>-4,485,769.33</b>	-23,671,434.24
Minority interests		-	-
<b>VI. Other comprehensive income, net of tax</b>	7.42	<b>-51,363.17</b>	-145,876.50
other comprehensive income, net of tax attribute to the equity holders of the parent company		<b>-51,363.17</b>	-145,876.50
(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>-51,363.17</b>	-145,876.50
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>-51,363.17</b>	-145,876.50
7. Others			
Other comprehensive income attributable to minority shareholders, net of tax			
<b>VII. Total comprehensive income</b>		<b>-4,537,132.50</b>	-23,817,310.74
Total comprehensive income attributable to the shareholders of the parent company		<b>-4,537,132.50</b>	-23,817,310.74
Total comprehensive income attributable to the minority shareholders		-	-
<b>VIII. Earnings per share:</b>			
(1) Basic earnings per share		<b>-0.0093</b>	-0.0493
(2) Diluted earnings per share		<b>-0.0093</b>	-0.0493

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Income Statement of the Parent Company

2021

Prepared by: Shanghai Jiada Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	2021	2020
<b>I. Operating income</b>	17.4	<b>50,527,661.11</b>	46,901,226.64
Less: Operating cost	17.4	<b>36,842,403.65</b>	39,353,222.30
Taxes and surcharges		<b>55,351.75</b>	66,581.12
Selling expenses		<b>5,169,887.00</b>	4,156,147.99
Administrative expenses		<b>10,853,034.69</b>	15,460,753.26
Research and development expenses		<b>5,617,370.26</b>	8,960,205.96
Financial expenses		<b>51,530.34</b>	-3,352.41
Including: Interest expenses		<b>114,358.66</b>	98,760.02
Interest revenue		<b>68,831.65</b>	107,589.97
Add: Other gain		<b>405,592.45</b>	443,506.42
Investment income (losses are represented by "-")	17.5	<b>2,882,687.01</b>	1,978,879.22
Including: Income from investment in associates and joint ventures			
Exchange gain		<b>2,229,474.68</b>	955,091.54
Income from derecognition of financial assets measured at amortized cost			
Net hedging return (losses are represented by "-")			
Profit and loss from fair value changes (losses are represented by "-")		<b>-424,624.67</b>	-116,765.72
Loss of credit impairment (losses are represented by "-")		<b>-281,835.70</b>	-1,734,782.69
Loss on assets impairment (losses are represented by "-")		<b>-337,713.03</b>	
Asset disposal gain (losses are represented by "-")		<b>205,651.00</b>	-1,951.75
<b>II. Operating profit (losses are represented by "-")</b>		<b>-5,274,446.49</b>	-20,861,159.13
Add: Non-operating income		<b>1,474,714.02</b>	3,794.44
Less: Non-operating expenses		<b>23,629.08</b>	2,120,010.86
<b>III. Total profit (losses are represented by "-")</b>		<b>-3,823,361.55</b>	-22,977,375.55
Less: Income tax expenses			
<b>IV. Net Profit (losses are represented by "-")</b>		<b>-3,823,361.55</b>	-22,977,375.55
1. Net profit from continues operation (losses are represented by "-")		<b>-3,823,361.55</b>	-22,977,375.55
2. Net profit from discontinued operation (losses are represented by "-")			

# Income Statement of the Parent Company

2021

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	2021	2020
<b>V. Other comprehensive income, net of tax</b>		-	-
(1) Other comprehensive income that will not be reclassified subsequently to profit or loss		-	-
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income (that will not be reclassified subsequently to profit or loss) of investees accounted for using equity method			
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		-	-
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>-3,823,361.55</b>	<b>-22,977,375.55</b>
<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

2021

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	2021	2020
<b>I. Cash flows from operating activities</b>			
Cash received from sales of goods and rendering of services		51,422,045.88	60,101,801.86
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 receive form reinsurance business			
Net increase in insurance deposit and investment funds			
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		70,750.57	1,083,671.06
<b>Sub-total of cash inflows from operating activities</b>		<b>51,492,796.45</b>	61,185,472.92
Cash paid for goods and services		38,455,235.35	44,031,018.40
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		19,688,405.18	19,148,100.41
Payments of tax charges		60,240.59	427,408.30
Cash paid relating to other operating activities		2,304,104.85	8,537,969.81
<b>Sub-total of cash outflows from operating activities</b>		<b>60,507,985.97</b>	72,144,496.92
<b>Net cash flows from operating activities</b>		<b>-9,015,189.52</b>	-10,959,024.00

# Consolidated Cash Flow Statement

2021

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	2021	2020
<b>II. Cash flows from investing activities</b>			
Cash received from disposal of investments		150,000.00	1,020,000.00
Cash received from returns on investments		653,212.33	1,023,787.68
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		205,651.00	2,300.00
Net cash received from disposal of subsidiaries and other operating entities			
Cash received relating to other investing activities		10,000,000.00	20,752,978.48
<b>Sub-total of cash inflows from investing activities</b>		<b>11,008,863.33</b>	<b>22,799,066.16</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		19,005.11	27,781.99
Cash paid to acquire investments			
Net increase in mortgage loan			
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities		10,000,000.00	10,000,000.00
<b>Sub-total of cash outflows from investing activities</b>		<b>10,019,005.11</b>	<b>10,027,781.99</b>
<b>Net cash flows from investing activities</b>		<b>989,858.22</b>	<b>12,771,284.17</b>
<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			
Including : dividends and profits paid by subsidiaries to minority shareholders			
Cash paid to other financing activities		2,416,723.40	2,013,923.40
<b>Sub-total of cash outflows from financing activities</b>		<b>2,416,723.40</b>	<b>2,013,923.40</b>
<b>Net cash flows from financing activities</b>		<b>-2,416,723.40</b>	<b>-2,013,923.40</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
		-51,363.17	-139,173.85
<b>V. Net increase in cash and cash equivalents</b>			
		-10,493,417.87	-340,837.08
Add: Cash and cash equivalents at beginning of period		29,661,804.51	30,002,641.59
<b>VI. Cash and cash equivalent at end of period</b>			
		<b>19,168,386.64</b>	<b>29,661,804.51</b>

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Cash Flow Statement of the Parent Company

2021

Prepared by: Shanghai Jiada Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	2021	2020
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering of services		51,422,045.88	60,101,801.86
Refund of taxes and surcharges			
Cash received relating to other operating activities		70,734.25	1,695,722.76
<b>Sub-total of cash inflows from operating activities</b>		<b>51,492,780.13</b>	<b>61,797,524.62</b>
Cash paid for goods and services		38,462,687.34	43,943,215.86
Cash paid to and on behalf of employees		19,688,405.18	19,148,100.41
Payments of tax charges		60,240.59	427,408.30
Cash paid relating to other operating activities		1,634,228.76	8,537,062.71
<b>Sub-total of cash outflows from operating activities</b>		<b>59,845,561.87</b>	<b>72,055,787.28</b>
<b>Net cash flows from operating activities</b>		<b>-8,352,781.74</b>	<b>-10,258,262.66</b>
<b>II. Cash flows from investing activities</b>			
Cash received from disposal of investments		150,000.00	1,020,000.00
Cash received from returns on investments		653,212.33	1,023,787.68
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		205,651.00	2,300.00
Net cash received from disposal of subsidiaries and other operating entities			
Cash received relating to other investing activities		10,000,000.00	20,752,978.48
<b>Sub-total of cash inflows from investing activities</b>		<b>11,008,863.33</b>	<b>22,799,066.16</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		19,005.11	27,781.99
Cash paid to acquire investments		—	
Net cash paid to acquire subsidiaries and other operating entities		—	
Cash paid relating to other investing activities		10,000,000.00	10,000,000.00
<b>Sub-total of cash outflows from investing activities</b>		<b>10,019,005.11</b>	<b>10,027,781.99</b>
<b>Net cash flows from investing activities</b>		<b>989,858.22</b>	<b>12,771,284.17</b>

# Cash Flow Statement of the Parent Company

2021

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	2021	2020
<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>		-	-
Cash repayments of borrowings			
Cash payments for distribution of dividends or profits and interest expenses			
Cash paid to other financing activities		<b>2,416,723.40</b>	2,013,923.40
<b>Sub-total of cash outflows from financing activities</b>		<b>2,416,723.40</b>	2,013,923.40
<b>Net cash flows from financing activities</b>		<b>-2,416,723.40</b>	-2,013,923.40
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>		<b>-9,779,646.92</b>	499,098.11
Add: Cash and cash equivalents at beginning of period		<b>27,498,260.33</b>	26,999,162.22
<b>VI. Cash and cash equivalent at end of period</b>		<b>17,718,613.41</b>	27,498,260.33

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Consolidated Statement of Changes in Equity

2021

Unit: RMB (Yuan)

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Item	2021										Total shareholders' equity			
	Other equity instrument					Equity attributable to the parent company						Sub-total	Minority interests	
	State Capital	Preferred shares	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Comprehensive Income	Surplus reserve	Reserve for general risks	Undistributed profits	Others			
I. Ending balance of previous year	48,000,000.00	-	-	-	77,308,349.20	-	1,381,923.47	222,962.29	-	-75,015,207.80	-	51,693,027.16	-30,126.33	51,667,900.83
Add: changes in accounting policies														
Correction of prior period errors														
Business contributions under the same administration														
Others														
II. Beginning balance of current year	48,000,000.00	-	-	-	77,308,349.20	-	1,381,923.47	222,962.29	-	-75,015,207.80	-	51,693,027.16	-30,126.33	51,667,900.83
III. Change through current year ("+" for losses)							-51,863.17	-	-	-4,485,768.33	-	-4,537,132.50	-	-4,537,132.50
(1) Total comprehensive income							-51,863.17			-4,485,768.33		-4,537,132.50		-4,537,132.50
(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														
IV. Ending balance of current year	48,000,000.00	-	-	-	77,308,349.20	-	1,330,060.30	222,962.29	-	-79,500,977.13	-	47,809,894.66	-30,126.33	47,330,768.33

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Consolidated Statement of Changes in Equity

2021

Unit: RMB (Yuan)

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Item	2020										Total shareholders' equity			
	Equity attributable to the parent company					Other								
	Share Capital	Preferred shares	Perpetual bond	Other equity instrument	Capital Reserve	Less: Treasury shares	Comprehensive Income	Surplus reserve	Reserve for general risks	Undistributed profits	Others	Total	Minority interests	
<b>I. Ending balance of previous year</b>	48,000,000.00	-	-	-	77,308,348.20	-	1,527,789.97	222,962.29	-	-5,343,773.56	-	75,715,337.90	-30,126.33	75,685,211.57
Acct. 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	-	-	-	77,308,348.20	-	1,527,789.97	222,962.29	-	-5,343,773.56	-	75,715,337.90	-30,126.33	75,685,211.57
<b>III. Change through current year ("+" for losses)</b>	-	-	-	-	-	-	-145,876.50	-	-	-23,671,434.24	-	-23,817,310.74	-	-23,817,310.74
(1) Total comprehensive income	-	-	-	-	-	-	-145,876.50	-	-	-23,671,434.24	-	-23,817,310.74	-	-23,817,310.74
(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	-	-	-	77,308,348.20	-	1,381,913.47	222,962.29	-	-75,015,207.80	-	51,898,027.16	-30,126.33	51,867,900.83

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Statement of Changes of Equity of the Parent Company

2021

Unit: RMB (Yuan)

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Item	2021										Total shareholders' equity		
	Share Capital	Preferred shares	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Comprehensive Income	Other	Special reserve	Surplus reserve		Undistributed profits	Other
<b>I. Ending balance of previous year</b>	48,000,000.00	-	-	-	77,308,346.20	-	-	-	-	222,962.29	-75,409,682.82	-	50,121,628.67
Add: changes in accounting policies													
Correction of prior period errors													
Others													
<b>II. Beginning balance of current year</b>	48,000,000.00	-	-	-	77,308,346.20	-	-	-	-	222,962.29	-75,409,682.82	-	50,121,628.67
<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	-	-	-	77,308,346.20	-	-	-	-	222,962.29	-79,233,044.37	-	46,298,267.12

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Statement of Changes of Equity of the Parent Company

2021

Unit: RMB (Yuan)

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Item	2020							Total shareholders' equity				
	Share Capital	Preferred shares	Perpetual bond	Other equity instrument	Capital Reserve	Less: Treasury shares	Other Comprehensive Income		Special reserve	Surplus reserve	Undistributed profits	Others
<b>I. Ending balance of previous year</b>	48,000,000.00	-	-	-	77,308,349.20	-	-	-	222,962.29	-52,432,307.27	-	73,089,004.22
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	-52,432,307.27	-	73,089,004.22
<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	-75,409,682.82	-	50,121,628.67

Legal Representative:

Chief Financial Officer:

Head of Financial Department:

# Notes to the Financial Statements

## 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 Technology Investment Company, Shanghai Xinxuhui (Group) Co., Ltd., Shanghai Huixin Investment Management Co., Ltd., and Shanghai Jiaoda Only Co., Ltd. after Shanghai Municipal Government issuing the approval document “Ti Gai Shen (1998) No. 040”. The Company received the Business License with No. 310000400192903 from Shanghai Administration for Industry & Commerce on 4 May 1998. The registered capital on establishment was RMB10 million.

On 26 October 1999, the Company increased the registered capital by RMB20 million. On 31 August 2001, the Company raised a total of RMB6 million from 6 natural person through private placement. After the replenishment, the Company’s total registered capital is RMB36 million.

On 7 July 2002, the board of directors approved a 1 to 10 stock split plan. Stock price decreased from RMB1 to RMB0.1.

On 31 July 2002, the Company was listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, and issued 132 million foreign shares with a par value of RMB0.1 per share and total value of RMB13.2 million, and meanwhile, some of the original shareholders filed a share placement of 12 million with a total value of RMB1.2 million. Upon the issuance, the registered capital and share capital of the Company increased to RMB48 million, and total capital shares increased to 480 million.

By the end of 31 December 2021, 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: Chang Jiang.

The Company’s business scope mainly includes: licensed projects: intelligent architectural construction; engineering construction activities (excluding the engineering construction activities of nuclear power stations). For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by the relevant authorities, and the specific business projects are subject to the approval documents or permits by the relevant authorities. General projects: area of computer information technology, area of computer software, and technology development, technology consulting, technology services, technology transfer, technology promotion and technology exchange in the area of multimedia technologies; information system integration services; and enterprise image planning. (Except for projects subject to approval by the laws, business activities can be conducted independently with the business license in accordance with the laws).

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

# Notes to the Financial Statements

## 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, in which Shanghai Withub Zhirui Hi-Tech Co., Limited is in a state of suspension.

The scope of the Company's consolidated financial statements and the change of equity. For details, please refer to the "8. Rights in other entities" of this Note.

## 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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

### 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

The operating cycle of the Company lasts for 12 months, and acts as an indicator for classification of liquidity of assets and liabilities.

### 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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

### 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".

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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

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

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.

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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

### 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

## 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, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss based on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

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

The Company will classify financial assets that meet the following conditions into financial assets measured at amortized cost: ① the financial assets are managed within a business model whose objective is achieved by collecting contractual cash flow; and ② the contractual terms of the financial assets give rise on specific dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value with related transaction costs to be included in the initial recognition amount, and are subsequently measured at amortized cost. Except for those designated as hedged items, the difference between the initial amount and the maturity amount is amortized using the effective interest method, and the amortization, impairment, exchange gains or losses and gains or losses arising upon derecognition are included in the profit or loss for the period.

# Notes to the Financial Statements

## 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

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 derecognized, the accumulated gains or losses previously recognized in other comprehensive income should be transferred from other comprehensive income and recognized in profit or loss.

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.

# Notes to the Financial Statements

## 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 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 recognized 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 derecognized, 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

## 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: ①The contractual right to receive the cash flow of the financial assets is terminated; ②When the financial assets are transferred, the Company transfers almost all the risks and rewards of the ownership of the financial assets; ③Financial 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 derecognized portion and the non-recognized 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 recognized in profit or loss for the current period.

# Notes to the Financial Statements

## 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)

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 estimates 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.

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 measuring method:

The financial liabilities of the Company are, on initial recognition, classified as financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities measured at fair value through profit or loss, the related transaction expense is directly recognized in profit or loss, while the related transaction expense of other financial liabilities is included in the initial recognition amount.

##### 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.

Trading 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.

# Notes to the Financial Statements

## 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 measuring method:*  
(Continued)

① Financial liabilities measured at fair value through profit or loss (Continued)

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.

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 trading financial liabilities (including derivative financial liabilities) and financial liabilities 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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

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

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

##### 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 derecognized. 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 derecognized, 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 derecognized, 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 recognized 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 noncash assets transferred out or the liabilities assumed) into the current profit and loss.

#### (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 favorable 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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

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

#### (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.

#### (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.

# Notes to the Financial Statements

## 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* (Continued)

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.

### 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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

### 4.10 Accounts receivable (Continued)

Portfolio-based assessment. For accounts receivable, the Company, in the aspect of individual instrument, cannot obtain sufficient evidence about credit risk increased significantly at a reasonable cost, and it is feasible to assess whether there is a significant increase in credit risk on the basis of portfolio. Therefore, taking financial instrument type, credit risk rating, the type of collateral, initial recognition date and remaining contract term as the common risk characteristics, the Company groups accounts receivable and considers whether credit risk increases significantly on a portfolio basis.

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 expected credit loss of accounts receivable on the balance sheet date. If the expected credit loss is greater than the book value of impairment provision of the current accounts receivable, the Company will recognize the difference as impairment loss on Company, debit "credit impairment loss" and credit "bad debt provision". On the contrary, the Company recognizes the difference as impairment gains and makes opposite accounting records.

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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

### 4.10 Accounts receivable (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:

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

### 4.11 Other receivables

The method of determining the expected credit loss of other receivables and the accounting treatment are as follows.

The Company measures the loss provision of other receivables in accordance with the following circumstances: ① For the financial assets with no significant increase in credit risk since the initial confirmation, the Company measures the loss provision in accordance with the amount of expected credit losses over the next 12 months. ② For the financial assets with significant increase in credit risk incurred since the initial recognition, the Company measures the loss provision in the amount equivalent to the expected credit loss of the financial instruments during the entire life cycle. ③ For the financial assets purchased or derived from the credit impairment already incurred, the Company measures the loss provision according to the amount equivalent to the expected credit loss over the entire lifetime.

The assessment based on the portfolio is as follows. For other receivables, the Company is unable to obtain sufficient evidence of a significant increase in credit risk at a reasonable cost at the level of individual instruments, whereas it is feasible to assess whether the credit risk significantly increased on the basis of the portfolio. Therefore, the Company divides the other receivables into groups, considers and assesses whether there is a significant increase in credit risk on a portfolio-basis by taking the items such as the types of financial instruments, credit risk rating, collateral type, initial recognition date and residual contract duration, industry where the borrower operates, geographical location of the borrower and mortgage rates as the common risk characteristics.

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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

### 4.11 Other receivables (Continued)

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.

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:

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

### 4.12 Inventories

The inventories of the Company include merchandises, and others.

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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

### 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.

Portfolio-based assessment. For contract assets, the Company, in the aspect of individual instrument, cannot obtain sufficient evidence about credit risk increased significantly at a reasonable cost, and it is feasible to assess whether there is a significant increase in credit risk on the basis of portfolio. Therefore, taking financial instrument type, credit risk rating, type of collateral, initial recognition date and remaining contract term as the common risk characteristics, the Company groups contract assets and considers whether credit risk increases significantly on a portfolio basis.

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.

# Notes to the Financial Statements

## 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)

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.

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 recognized 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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

### 4.14 Contract costs (Continued)

#### (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*

In determining the loss on impairment of assets relating to contract costs, the Company first determines the impairment loss for other assets relating to contract costs recognised in accordance with the relevant Accounting Standards for Business Enterprises and then makes provision for impairment based on the excess of its carrying value over the sum of the remaining consideration expected to be received from transfer of the goods relating to the asset and the cost expected to be incurred for transfer of the relevant goods, which is recognised as loss on impairment of assets.

If there is any change in the factors causing impairment in the previous periods, resulting in the said difference higher than the carrying value of the asset, the provision for impairment of assets previously made is reversed and is included in profit or loss. However, the carrying value of the asset following reversal shall not exceed the carrying value of the asset as at the date of reversal had no provision for impairment been made.

### 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 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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

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

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 held 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 disposes related assets or liabilities upon disposal. For shareholding held before acquisition, if it is measured at fair value and the change is recognized in other comprehensive income, the accumulated gains or losses which are originally recognized in other comprehensive income shall be transferred from other comprehensive income to retained earnings; If it is measured at fair value and the change is recognized in the current profit or loss, gains or losses which are originally recognized in the fair value change profit or loss do not need to be transferred to investment income. If the shareholdings which are held before acquisition are invested by other equity instrument, the equity instrument investment is transferred to retained earnings from changes in fair value accumulated in other comprehensive income before the date of acquisition.

# Notes to the Financial Statements

## 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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

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

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 in accordance with the relevant provisions of the standards for the recognition and measurement of financial instruments, and the difference between fair value and the carry value on the date of loss of common control or significant influence will be included in the profit or loss for the current period. Other comprehensive income recognized in the original equity investment which is accounted for using equity method, upon it will no longer be accounted for under equity method it shall be using the same accounting basis as the invested company directly disposing related assets or liabilities.

For loss of control in the invested company due to partly disposed long-term equity investment, for remaining shareholding which can apply common control or impose significant influence to the invested company after disposal, shall be accounted for under equity method. Difference between the carrying value of equity disposal and the disposal consideration shall be included as investment income. Such remaining shareholding shall be treated as accounting for under equity method since the shareholding is obtained and make adjustment. For remaining shareholding which cannot apply common control or impose significant influence after disposal, it can be accounted in accordance with the relevant provisions of the standards for the recognition and measurement of financial instruments, 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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

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

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

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

<b>Classification</b>	<b>Estimated rate of salvage value (%)</b>	<b>Useful life (years)</b>	<b>Annual depreciation rate (%)</b>
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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

### 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.

#### (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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

### 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; 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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

### 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. Contractual assets and contractual liabilities under the same contract are presented on a net basis.

### 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 recognized as liabilities during the accounting period which the labor provided services, and included into the profit or loss or related assets cost of the current period of beneficiary.

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

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

### 4.21. Employee remuneration (Continued)

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

## 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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

### 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 cause the outflow of economic benefit from the Company; the amount of liabilities can be measured reliably.

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

### 4.24. 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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

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

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.

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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

### 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 that are 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.

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.

When obtains an interest subsidy for policy-related preferential loans, the Company shall distinguish the government's appropriation of the interest subsidy to the lending bank and direct appropriation of such subsidy to the Company, and record them separately based on the principles as follows: (1) The Company confirms the borrowings that are actual received as entry value, which were provided by the bank with policy preferential interest rate from government, and calculate relevant borrowing expenses according to principle and policy preferential interest rate. (2) The Company offsets relevant borrowing expenses by the state interest subsidies that are appropriated.

Government grants to be returned recognised by the Company is treated in the periods where the return is to be performed according to the following: (1) Where it has been offset against the carrying value of the relevant asset on initial recognition, the carrying value of the asset is adjusted. (2) Where relevant deferred income exists, the carrying balance of the relevant deferred income is offset and the excess is recognised in profit and loss in the current period. (3) In other cases, it is directly recognised in profit and loss in the current period.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

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

The Company's deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognized 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 recognized 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 contract separately from the non-lease component. The Company shall split the rental or lease payment and account them separately.

# Notes to the Financial Statements

## 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 elects 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

## 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

## 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

## 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.

# Notes to the Financial Statements

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

### 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.

### 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:*

None.

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

None.

# Notes to the Financial Statements

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Company shall make judgments and estimates on the main items and amounts disclosed in the consolidated financial statements when applying the accounting policies as set out in Note IV. The estimates and the related assumptions are based on historical experience and other related factors. On-going judgments are made on the estimates and basic assumptions. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

### 5.1 Critical judgments on the application of accounting policies

- (1) Judgments made in determining the time for performing obligations: In determining the time for performing obligations, judgments shall be made by the management of the Company in respect of recognition of the revenue of the Company.

In making their judgment, the management of the Company considered the detailed criteria for recognition of revenue set out in financial report and in particular, whether the Company has satisfied all the performance obligations over time or at a point in time with reference to the details terms of transaction as stipulated in the contracts entered into with its customers.

For the business of sales of electrical products and accessories, the customer has obtained the control right of the relevant goods after the customer signed or accepted the goods. Therefore, the Company confirms that the above business is to perform the performance obligation at a certain point in time, and shall recognize the relevant revenue when the goods have been delivered to the customer and the customer has signed for it.

For the business of Commercial application program and software, as well as Installation and maintenance of network and data security products, the customer can obtain and consume the economic benefits brought by the performance of the Company while the Company is performing, and the customer can control the goods under construction during the Company's performance. Therefore, the Company believes that the above two businesses as performance obligations within a certain period of time, and shall confirms the income according to the progress of the performance during the period.

### 5.2 Critical judgments on accounting estimates

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

Impairment of trade receivables: The impairment provisions for trade receivables are based on assumptions about ECL. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Company's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the impairment tests. At 31 December 2021, credit impairment loss of trade receivables is RMB-950,500.00 (2020: RMB-2,414,250.00).

# Notes to the Financial Statements

## 6. TAXATION

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

Category	Tax base	Tax rate
Value added Tax	Income of sales of goods and technical service	13%/6%/9%
Urban Construction & Maintenance Tax	Taxable value-added tax	7%
Education Surcharges	Taxable value-added tax	5%
Enterprise Income Tax	Taxable Enterprise Income	15%

Different rate of enterprise income tax:

Subject of taxation	Enterprise Income Tax Rate
the Company	15.00%
Jiaoda Withhub (Hongkong),Ltd	16.50%

Note: The main business of the Company is in the mainland, so the tax expenditure is mainly in the mainland.

### 6.2 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 Science and Technology Commission of Shanghai, Shanghai Municipal Finance Bureau, Shanghai Municipal Tax Service, State Taxation Administration, 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 2021 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 2021.

# Notes to the Financial Statements

## 7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

For the financial statement data disclosed below, unless specifically indicated, “Beginning Balance” refers to January 1, 2021; and “Ending Balance” refers to December 31, 2021. “Current Year” refers to the period from January 1, 2021 to December 31, 2021; and “Last Year” refers to the period from January 1, 2020 to December 31, 2020.

### 7.1 Monetary Capital

Item	Ending Balance	Beginning Balance
Cash	<b>13,221.62</b>	12,304.48
Cash at bank	<b>19,155,165.02</b>	29,649,500.03
Other monetary capital	<b>323,811.00</b>	323,811.00
<b>Total</b>	<b>19,492,197.64</b>	29,985,615.51

Including: total amount deposited overseas **1,449,773.23** 2,163,544.18

Note: Among the cash at bank of the Company, RMB323,811.00 were deposits for letter of guarantee (2020: RMB323,811.00 was deposits for letter of guarantee).

The interest rate of deposits at bank is according to the market rate, which was from 0.30% to 2.10% (2020: from 0.30% to 2.10%).

### 7.2 Financial assets held for trading

Item	Ending Balance	Beginning Balance
Financial assets – FVTPL	<b>10,000,000.00</b>	10,000,000.00
Including: Equity instrument investment	<b>10,000,000.00</b>	10,000,000.00
<b>Total</b>	<b>10,000,000.00</b>	10,000,000.00

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 10,000,000.00 with effect from November 15th, 2021 to February 14th, 2022. The Company recognizes the assets as financial assets measured at fair value through profit or loss.

# Notes to the Financial Statements

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

### 7.3 Account Receivables

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

Category	Book balance		Ending Balance		Book value
	Amount	Percent %	Amount	Percent %	
Bad debt provision on portfolio	10,268,959.29	100.00	4,283,878.35	41.72	5,985,080.94
<b>Total</b>	<b>10,268,959.29</b>	<b>100.00</b>	<b>4,283,878.35</b>	<b>41.72</b>	<b>5,985,080.94</b>

Category	Book balance		Beginning Balance		Book value
	Amount	Percent %	Amount	Percent %	
Bad debt provision on portfolio	7,413,740.02	100.00	3,333,378.35	44.96	4,080,361.67
<b>Total</b>	<b>7,413,740.02</b>	<b>100.00</b>	<b>3,333,378.35</b>	<b>44.96</b>	<b>4,080,361.67</b>

# Notes to the Financial Statements

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

### 7.3 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:*

Aging	Ending Balance		Expected credit loss rate for the whole duration
	Accounts receivables	Bad debt provision	
3 months (inclusive)	4,354,906.14		0%
3 months to 6 months (inclusive)	211,324.80		0%
7 months to 12 months (inclusive)	387,472.82		0%
Over 1 year	4,283,878.35	4,283,878.35	100.00%
<b>Total</b>	<b>9,237,582.11</b>	<b>4,283,878.35</b>	

Aging	Beginning Balance		Expected credit loss rate for the whole duration
	Accounts receivables	Bad debt provision	
3 months (inclusive)	2,207,838.83	–	0%
3 months to 6 months (inclusive)	0.00	–	0%
7 months to 12 months (inclusive)	349,500.00	–	0%
Over 1 year	3,333,378.35	3,333,378.35	100.00%
<b>Total</b>	<b>5,890,717.18</b>	<b>3,333,378.35</b>	

# Notes to the Financial Statements

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

### 7.3 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:*

Aging	Ending Balance		Expected credit loss rate for the whole duration
	Book balance	Bad debt provision	
Guarantee deposit and project payment within credit period	357,167.18		0%
Guaranteed recovery	660,000.00		0%
Related party with regular transactions	14,210.00		0%
<b>Total</b>	<b>1,031,377.18</b>		

Aging	Beginning Balance		Expected credit loss rate for the whole duration
	Book balance	Bad debt provision	
Guarantee deposit and project payment within credit period	1,443,737.84		0%
Guaranteed recovery			0%
Related party with regular transactions	79,285.00		0%
<b>Total</b>	<b>1,523,022.84</b>		

# Notes to the Financial Statements

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

### 7.3 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:

Aging	Ending Balance	Beginning Balance
3 months (inclusive)	<b>4,354,906.14</b>	2,207,838.83
3 months to 6 months (inclusive)	<b>211,324.80</b>	
7 months to 12 months (inclusive)	<b>387,472.82</b>	349,500.00
Over 1 year	<b>1,031,377.18</b>	1,523,022.84
<b>Net amount</b>	<b>5,985,080.94</b>	4,080,361.67

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

Aging	Ending Balance	Beginning Balance
Not overdue and no impairment	<b>4,566,230.94</b>	2,207,838.83
Overdue but no impairment		
7 months to 12 months (inclusive)	<b>387,472.82</b>	349,500.00
Over 1 year	<b>1,031,377.18</b>	1,523,022.84
<b>Total</b>	<b>5,985,080.94</b>	4,080,361.67

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

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

### 7.3 Account Receivables (Continued)

#### (4) The reversal (or recovery) of bad debt provision

Aging	Ending Balance	Beginning Balance
At 1st January	<b>3,333,378.35</b>	919,128.35
Cancellation of bad debts		
Additional bad debt provision	<b>950,500.00</b>	2,414,250.00
Deductable bad debt provision		
At 31st December	<b>4,283,878.35</b>	3,333,378.35

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

Unit Name	Ending Balance	Aging	Percentage of total ending balance of accounts receivables (%)	Ending balance of bad debt provision
Chongqing Liqi Technology Company Limited (重慶勵祺科技有限公司)	<b>2,251,500.00</b>	2-3 years	21.93	<b>2,251,500.00</b>
Shanghai Guangjing Communication Technology Company Limited (上海光勁通信技術有限公司)	<b>1,592,604.47</b>	0-3 months	15.51	
Shuangjian Construction Company Limited (雙建建設股份有限公司)	<b>660,000.00</b>	1-2 years	6.43	
Shanghai Chaohe Information Technology Company Limited (上海朝和信息科技有限公司)	<b>592,800.00</b>	0-3 months	5.77	
China UnionPay Merchant Services Company Limited	<b>555,100.00</b>	0-3 months	5.41	
<b>Total</b>	<b>5,652,004.47</b>	–	55.04	<b>2,251,500.00</b>

# Notes to the Financial Statements

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

### 7.4 Prepayments

#### (1) Aging analysis

Items	Ending Balance		Beginning Balance	
	Amounts	Ratio (%)	Amounts	Ratio (%)
Within 1 year	<b>76,942.50</b>	<b>98.26</b>		
1-2 years				
2-3 years				
More than 3 years	<b>1,360.00</b>	<b>1.74</b>	10,874.18	100.00
<b>Total</b>	<b>78,302.50</b>	<b>100.00</b>	10,874.18	100.00

### 7.5 Other receivables

Item	Ending Balance	Beginning Balance
Interest receivable		
Dividend receivable		
Other receivables	<b>1,263,378.81</b>	2,380,487.87
<b>Total</b>	<b>1,263,378.81</b>	2,380,487.87

# Notes to the Financial Statements

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

### 7.5 Other receivables (Continued)

#### 7.5.1 Other receivables

(1) Other receivables by nature

Nature	Ending Balance	Beginning Balance
Security deposit, reserve fund, deposit	<b>1,337,214.22</b>	2,416,853.87
Current account	<b>539,214.59</b>	576,684.00
<b>Total</b>	<b>1,876,428.81</b>	2,993,537.87

(2) Aging analysis

Aging	Ending Balance	Beginning Balance
Within 1 year	<b>499,710.59</b>	1,485,339.99
More than 1 year	<b>763,668.22</b>	895,147.88
<b>Net Amount</b>	<b>1,263,378.81</b>	2,380,487.87

# Notes to the Financial Statements

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

### 7.5 Other receivables (Continued)

#### 7.5.1 Other receivables (Continued)

(3) Provision for bad debt of other receivables

Bad Debt Provision	First Stage Expected credit losses for the next 12 months	Second Stage Lifetime expected credit losses (no credit impairment)	Third Stage Lifetime expected credit losses (credit impairment)	Total
Balance on 1 January 2020			613,050.00	613,050.00
Interest receivable on 1 January 2020		-	-	-
Book balance in the current year				
- Transfer to the second stage				
- Transfer to the third stage				
- Reversal to the second stage				
- Reversal to the first stage				
Provision in this year				
Reversal in this year				
Resale in this year				
Write-off in this year				
Other changes				
Balance on 31 December 2021			613,050.00	613,050.00

Note: As at 31 December 2021, the total balance of individually impaired of other receivables included in the impairment loss recognized for other receivables was RMB613,050.00 (2020: RMB613,050.00), which was long outstanding. The Company does not have any collateral for these balances.

# Notes to the Financial Statements

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

### 7.5 Other receivables (Continued)

#### 7.5.1 Other receivables (Continued)

(4) Actual write-off of other receivable during the current reporting period

Item	Write off Amount
Nil	Nil

(5) The top 5 of other receivables

Unit Name	Nature	Ending Balance	Aging	Percentage of total ending balance of other receivable (%)	Ending balance of bad debt provision
Shanghai Kangchuang Technology Company Limited (上海康創科技公司)	current account	280,460.00	more than 1 year	14.95	280,460.00
Shanghai Public Security Bureau	Security deposit	219,624.25	more than 1 year	11.70	
Jiangxi Provincial Higher People's Court	Security deposit	208,600.00	more than 1 year	11.12	
Shanghai Computer Y2K Working Group (上海計算機Y2K工作組)	current account	200,000.00	more than 1 year	10.66	200,000.00
Shanghai Jiaotong University	deposit	200,000.00	more than 1 year	10.66	
<b>Total</b>		<b>1,108,684.25</b>		<b>59.09</b>	<b>480,460.00</b>

(6) Receivables of employees' borrowing

Department	Administration and Management Department	Software department	Arbitration team	Total
Purpose	Reserve fund	Reserve fund	Reserve fund	-
Amount		-	-	-
- Current year	10,000.00	58,000.00		68,000.00
- Last year	10,000.00		5,000.00	15,000.00
Bad debt provision				

# Notes to the Financial Statements

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

### 7.6 Inventories

#### (1) Inventories by nature

Item	Book Balance	Ending Balance	Book Value	Book Balance	Beginning Balance	Book Value
		Provision for inventories impairment/ provision for impairment of contract performance costs			Provision for inventories impairment/ provision for impairment of contract performance costs	
Merchandises	611,340.34	610,464.29	876.05	633,553.58	629,773.50	3,780.08
Goods in Process	1,062,387.61		1,062,387.61	1,722,285.97		1,722,285.97
<b>Total</b>	<b>1,673,727.95</b>	<b>610,464.29</b>	<b>1,063,263.66</b>	<b>2,355,839.55</b>	<b>629,773.50</b>	<b>1,726,066.05</b>

#### (2) Inventory Impairment

Item	Beginning Balance	Addition	Deduction		Ending Balance
			Reversal	Transferred out	
Merchandises	629,773.50		-	19,309.21	610,464.29
<b>Total</b>	<b>629,773.50</b>		<b>-</b>	<b>19,309.21</b>	<b>610,464.29</b>

# Notes to the Financial Statements

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

### 7.6 Inventories (Continued)

#### (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 or write-off
<b>Total</b>		

### 7.7 Other current asset

Item	Ending Balance	Beginning Balance
Deductible input tax		217,083.28
<b>Total</b>		217,083.28

### 7.8 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 (expense deduct received dividend)	-23,625,382.57	-25,854,857.25
<b>Total of long-term equity investment</b>	<b>28,691,617.43</b>	26,462,142.75
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>16,067,617.43</b>	13,838,142.75

Note: As at 31 December 2021, the investment costs, coming from associated companies, include goodwill amounted to RMB2,699,000.00 (31 December 2020: RMB2,699,000.00) arising from the acquisition of associates companies in previous years. The related investment value with associated companies has been impaired fully in previous years.

# Notes to the Financial Statements

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

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

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

Investee	Beginning Balance	Additional Investment	Reduction of Investment	Increase/Decrease for the year						Ending Balance	Ending Balance of provision for impairment
				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		
<b>Associates Companies</b>											
<b>Of which: the Company holds</b>											
Shanghai Jiaoda Withub Technological Street Limited	6,614,848.39			2,116,510.35						8,731,358.74	-
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	4,054,916.19			226,547.65						4,281,463.84	
Shanghai Huigu Duogao Information Engineer Limited	3,168,378.17			-113,583.32						3,054,794.85	
<b>Subsidiary holds</b>											
Union Genesis Limited	2,624,000.00									2,624,000.00	2,624,000.00
<b>Total</b>	<b>26,462,142.75</b>			<b>2,229,474.68</b>						<b>28,691,617.43</b>	<b>12,624,000.00</b>

Note: On August 2, 2018, the Company 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, the Letter of Intent for Equity Transfer signed between the Company and Shanghai Guduo Investment Center (Limited Partnership) (上海谷多投資中心(有限合夥)) expired and the two parties were no longer bound by the agreement. In January 2022, the company and Yong Junhua signed the "Letter of Intent for Equity Transfer" to transfer 34% of the equity held by Shanghai Huigu Duogao Information Engineer Limited, and the relevant matters are still in progress.

# Notes to the Financial Statements

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

### 7.9 Other non-current financial assets

#### (1) Classification of other non-current financial assets

Item	Ending Balance	Beginning Balance
Shanghai Jiaoda Withub Technological Street Limited	4,366,691.70	4,422,867.80
Shanghai Huikang Informaiton Limited	497,446.50	865,895.07
Shanghai United Property Rights Exchange		150,000.00
<b>Total</b>	<b>4,864,138.20</b>	<b>5,438,762.87</b>

#### (2) Investment in other non-current financial assets

Item	Beginning Balance	Changes in fair value during the current year	Ending Balance	Dividend income recognized for current year
Shanghai Jiaoda Withub Technological Street Limited	4,422,867.80	-56,176.10	4,366,691.70	87,000.00
Shanghai Huikang Informaiton Technology Limited	865,895.07	-368,448.57	497,446.50	
Shanghai United Property Rights Exchange	150,000.00			
<b>Total</b>	<b>5,438,762.87</b>	<b>-424,624.67</b>	<b>4,864,138.20</b>	<b>87,000.00</b>

Note 1: On 24 August 2016, a resolution was passed by the Board of the Company in respect of the transfer of the 7.02% equity in Shanghai Huikang Informaiton Limited (上海慧康信息有限公司) ("Huikang"), with the base date being 30 June 2016. However, the transaction was not completed due to the failure by other natural shareholders to go through the filing process for the transfer of their shares with the Ministry of Education. In 2020, Huikang issued another letter to the Company, pursuant to which the Company was requested to withdraw all the equity interest in Huikang, as the Company is a listed company, and the holding of the equity interest has impact on Huikang's undertaking of confidential businesses and the renewal of the Certificate of Qualification on Confidential Information System Integration (《涉密信息系統集成資質》) upon expiration. The Company intended to withdraw all the equity interest in Huikang based on the decision made by its management team in this regard. It was reviewed again by the Board, due to the difference in the operation mode of the sale and transfer.

Note 2: The Company has acquired the transferable membership of Shanghai United Assets and Equity Exchange and can purchase and sell technology. This kind of membership has no open price in the market. Therefore, the fair value of the asset is measured at cost price. The Company could not continue to engage in property rights trading related business due to the business transformation, so it applied to Shanghai United Assets and Equity Exchange to terminate its membership and applied for a refund of the seat fee paid of RMB one hundred and fifty thousand at the time of membership.

Note 3: Other non-current financial assets are mainly equity investments in non-listed companies. If there is no recent equity transaction price of unlisted company, the Company will identify it as at Level 3 fair value measurement. Since there is no significant change in the business environment, operating conditions and financial status of the invested enterprise, the Company uses investment cost and its share in the net assets of the invested enterprise as reference and measure it as a reasonable estimate of the fair value.

# Notes to the Financial Statements

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

### 7.10 Fixed Asset

Item	Book value at the end of the year	Book value at the beginning of the year
Fixed asset	69,433.77	106,365.56
Fixed asset liquidation		
<b>Total</b>	<b>69,433.77</b>	<b>106,365.56</b>

#### 7.10.1 Fixed Asset

(1) Breakdown of fixed assets

Item	Lease Improvement Project	Transportation Equipment	Office Equipment and others	Total
<b>1. Original book value</b>				
1. Beginning balance	1,555,466.00	594,487.52	492,985.18	2,642,938.7
2. Increase for the period			16,818.68	16,818.68
(1) Purchase			16,818.68	16,818.68
3. Decrease for the period			82,297.45	82,297.45
(1) Disposal or scrapped			82,297.45	82,297.45
4. Ending balance	1,555,466.00	594,487.52	427,506.41	2,577,459.93
<b>2. Accumulated depreciation</b>				
1. Beginning balance	1,555,466.00	529,480.46	451,626.68	2,536,573.14
2. Increase for the period			49,635.57	49,635.57
(1) Depreciation			49,635.57	49,635.57
3. Decrease for the period			78,182.55	78,182.55
(1) Disposal or scrapped			78,182.55	78,182.55
4. Ending balance	1,555,466.00	529,480.46	423,079.70	2,508,026.16
<b>3. Impairment provision</b>				
1. Beginning balance				
2. Increase for the period				
3. Decrease for the period				
4. Ending balance				
<b>4. Book Value</b>				
1. At the beginning of the year		65,007.06	41,358.50	106,365.56
2. At the end of the year		65,007.06	4,426.71	69,433.77

# Notes to the Financial Statements

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

### 7.11 Right-of-use assets

Item	Buildings and structures	Total
<b>1. Original book value</b>		
1. Beginning balance	6,512,587.33	6,512,587.33
2. Increase for the year	7,219,712.83	7,219,712.83
3. Decrease for the year	6,512,587.33	6,512,587.33
4. Ending balance	7,219,712.83	7,219,712.83
<b>2. Accumulated depreciation</b>		
1. Beginning balance	5,065,340.70	5,065,340.70
2. Increase for the year	2,169,217.91	2,169,217.91
(1) Depreciation	2,169,217.91	2,169,217.91
3. Decrease for the year	6,512,587.33	6,512,587.33
4. Ending balance	721,971.28	721,971.28
<b>3. Impairment provision</b>		
1. Beginning balance		
2. Increase for the year		
3. Decrease for the year		
4. Ending balance		
<b>4. Book Value</b>		
1. At the beginning of the year	1,447,246.63	1,447,246.63
2. At the end of the year	6,497,741.55	6,497,741.55

# Notes to the Financial Statements

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

### 7.12 Intangible assets

#### (1) Breakdown of intangible assets

Item	Acquired trade name	Development costs	Total
<b>1. Original book value</b>	–	–	–
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
<b>2. Accumulated amortization</b>	–	–	–
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
<b>3. Impairment provision</b>	–	–	–
1. Beginning Balance	–	–	–
2. Increase for the year	–	–	–
3. Decrease for the year	–	–	–
4. Ending Balance	–	–	–
<b>4. Book value</b>	–	–	–
1. At the beginning of the year	–	–	–
2. At the end of the year	–	–	–

Note 1: Acquired trade name represents an one-off fee paid to Shanghai Jiao Tong University (上海交通大学) 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 RMB6,000,000.00. 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 amortized during the year.

Note 3: The above intangible asset has limited useful life. Such intangible asset is amortized 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

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

### 7.13 Deferred tax assets and deferred tax liabilities

#### (1) *Unrecognized deferred tax assets (Temporary difference)*

Item	Ending Balance	Beginning Balance
Deductible temporary differences		
Bad debt provision	<b>4,896,928.35</b>	3,946,428.35
Inventories impairment provision	<b>610,464.29</b>	629,773.50
Provision for impairment of long-term equity investment	<b>12,624,000.00</b>	12,624,000.00
Deductible loss	<b>49,287,989.38</b>	41,061,427.51
<b>Total</b>	<b>67,419,382.02</b>	58,261,629.36

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

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

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

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

Item	Ending Balance	Beginning Balance
2020 and following years		41,061,427.51
2021 and following years	<b>49,287,989.38</b>	
<b>Total</b>	<b>49,287,989.38</b>	41,061,427.51

# Notes to the Financial Statements

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

### 7.14 Accounts payables

#### (1) Accounts payables

Item	Ending Balance	Beginning Balance
Projects	3,440,150.99	5,648,960.47
Goods	2,191,607.23	2,699,328.73
<b>Total</b>	<b>5,631,758.22</b>	8,348,289.20

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

Company	Ending Balance	Reasons for non-repayment or carry forward
Shanghai Ensipai Information Technology Company Limited (上海恩錕派信息科技有限公司)	552,310.88	Not settled
Shanghai Tongxing Construction and Installation Engineering Corporation, Guizhou Branch (上海通興建築安裝工程總公司貴州分公司)	320,813.00	Not settled
Hainan Baicheng Systems Company Limited (海南百成信息系統有限公司)	108,000.00	Not settled
<b>Total</b>	<b>981,123.88</b>	–

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

The aging analysis based on the invoice date of trade payables presented as follows:

Item	Ending Balance	Beginning Balance
Within 1 year	3,310,280.04	5,735,764.17
More than 1 year	2,321,478.18	2,612,525.03
<b>Total</b>	<b>5,631,758.22</b>	8,348,289.20

# Notes to the Financial Statements

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

### 7.15 Contract liabilities

#### (1) Information about contract liabilities

Item	Ending Balance	Beginning Balance
Accounts received in advance	<b>2,104,084.25</b>	2,711,410.68
<b>Total</b>	<b>2,104,084.25</b>	2,711,410.68

### 7.16 Payroll Payable

#### (1) Classification of payroll payable

Item	Beginning Balance	Increasing during current year	Decreasing during current year	Ending Balance
Short-term payroll	1,522,978.82	17,513,328.62	17,651,538.71	<b>1,384,768.73</b>
Post-employment benefits				
– Defined contribution plan	4,604.90	2,206,103.58	2,048,816.05	<b>161,892.43</b>
<b>Total</b>	1,527,583.72	19,719,432.20	19,700,354.76	<b>1,546,661.16</b>

#### (2) Short-term payroll

Item	Beginning Balance	Increasing during current year	Decreasing during current year	Ending Balance
Wages (including bonuses, allowances and subsidies)	1,262,464.92	14,889,910.09	15,047,632.79	<b>1,104,742.22</b>
Staff welfare	106,211.80	222,390.05	222,390.05	<b>106,211.80</b>
Social insurance	90,546.50	1,332,696.48	1,318,620.67	<b>104,622.31</b>
Including: Medical insurance	80,814.65	1,315,072.34	1,292,864.36	<b>103,022.63</b>
Work-related injury insurance	65.92	27,290.07	25,756.31	<b>1,599.68</b>
Maternity insurance	9,665.93	-9,665.93		
Housing fund	61,514.20	1,030,839.80	1,025,642.80	<b>66,711.20</b>
Labour union expenditure and employee education fund	2,241.40	37,492.20	37,252.40	<b>2,481.20</b>
<b>Total</b>	1,522,978.82	17,513,328.62	17,651,538.71	<b>1,384,768.73</b>

# Notes to the Financial Statements

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

### 7.16 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 for the Company pays to endowment insurance and unemployment insurance is as follows:

Item	Beginning Balance	Increasing during current year	Decreasing during current year	Ending Balance
Basic pension insurance	4,482.80	2,139,209.25	1,986,705.55	<b>156,986.50</b>
Unemployment insurance	122.10	66,894.33	62,110.50	<b>4,905.93</b>
<b>Total</b>	<b>4,604.90</b>	<b>2,206,103.58</b>	<b>2,048,816.05</b>	<b>161,892.43</b>

The Company has RMB2,206,103.58 of defined contribution plan need to be paid in this year. The year-end balance was higher than last year, mainly due not entitlement to the periodical exemption of social insurance policy (2020: RMB194,217.45). As at 31 December 2021, RMB161,892.43 (31 December 2020: RMB4,604.90) was due and yet to be paid by the Company at the end of the reporting period, which has been paid after the reporting period.

For the two financial years ended on 31 December 2020 and 31 December 2021 respectively, forfeited contributions under the Group's undefined contribution plan (employers on behalf of employees who leave the scheme before full attribution to the contribution) are available to the Group to reduce the existing level of contributions.

### 7.17 Tax payable

Item	Ending Balance	Beginning Balance
Individual Income Tax	<b>52,282.86</b>	43,013.81
Stamp Tax	<b>26,150.20</b>	27,717.10
Value-added Tax	<b>134,122.49</b>	
Urban Maintenance and Construction Tax	<b>9,388.57</b>	
Educational Surtax	<b>4,023.67</b>	
Local Educational Surtax	<b>2,682.45</b>	
<b>Total</b>	<b>228,650.24</b>	70,730.91

# Notes to the Financial Statements

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

### 7.18 Other payables

Nature	Ending Balance	Beginning Balance
Interest payables	–	–
Dividends payables	–	–
Other payables	<b>3,506,807.14</b>	4,526,091.05
<b>Total</b>	<b>3,506,807.14</b>	4,526,091.05

#### 7.18.1 Other payables

##### (1) Other payables were classified by nature

Nature	Ending Balance	Beginning Balance
Estimated expenses	<b>398,000.00</b>	558,000.00
Others	<b>3,108,807.14</b>	3,968,091.05
<b>Total</b>	<b>3,506,807.14</b>	4,526,091.05

### 7.19 Non-current liabilities due within one year

Item	Ending Balance	Beginning Balance
Lease liabilities due within one year	<b>1,320,829.32</b>	
<b>Total</b>	<b>1,320,829.32</b>	

### 7.20 Lease liability

Item	Ending Balance	Beginning Balance
Lease liabilities for more than one year	<b>3,711,595.84</b>	
<b>Total</b>	<b>3,711,595.84</b>	

# Notes to the Financial Statements

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

### 7.21 Share capital

The movement of authorized, issued and paid-in share capital of the Company are set out as follows. All shares of the Company are the ordinary shares of nominal value of RMB0.1 each.

Item	Beginning Balance	Changes during the year (+,-)					Subtotal	Ending Balance
		Issue of new shares	Stock dividends	Converted from public reserve	Others			
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 subscribe or trade 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 or nature person of China (exclude Hong Kong, Macau and Taiwan). All dividends of H shares should be paid in HKD, and all dividends of domestic shares should be paid in RMB. Save for aforesaid, all domestic shares or H shares rank pari passu with each other in all respects and rank equally for all dividends or distributions declared, paid or made.

### 7.22 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 1: Other capital reserve represents 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, i.e. the Courts Management Information System, into Shanghai Jiaoda Withub Technology Limited at the value of RMB16,000,000 in exchange for 44.44% equity interest in Shanghai Jiaoda Withub Technology Limited. 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

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

### 7.23 Other Comprehensive Income

Item	Amount for the year							Ending Balance
	Beginning Balance	Amount before income tax for the current year	Less: Transferred from other comprehensive income of previous year to current retained earnings	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:	1,381,923.47	-51,363.17						1,330,560.30
In which: Foreign currency translation difference	1,381,923.47	-51,363.17						1,330,560.30
<b>Total</b>	1,381,923.47	-51,363.17						1,330,560.30

### 7.24 Surplus reserve

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

# Notes to the Financial Statements

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

### 7.25 Undistributed profits

Item	Current Year	Last Year
Year-end balance at the end of last year	-75,015,207.80	-51,343,773.56
Add: Undistributed profit adjustments at the beginning of the year		
Of which: changes in accounting policies		
Beginning Balance	-75,015,207.80	-51,343,773.56
Add: net profits of current year attribute to parent company's owners	-4,485,769.33	-23,671,434.24
Ending Balance	-79,500,977.13	-75,015,207.80

### 7.26 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	Dormant
<b>Total</b>	18%	<b>-30,126.33</b>	

### 7.27 Net Current Assets

Item	Ending Balance	Beginning Balance
Current assets	37,882,223.55	48,400,488.56
Less: current liabilities	14,338,790.33	17,363,105.54
Net current assets	23,543,433.22	31,037,383.02

# Notes to the Financial Statements

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

### 7.28 Total assets less current liabilities

Item	Ending Balance	Beginning Balance
Total assets	<b>65,381,154.50</b>	69,231,006.37
Less: current liabilities	<b>14,338,790.33</b>	17,363,105.54
<b>Total assets less current liabilities</b>	<b>51,042,364.17</b>	51,867,900.83

### 7.29 Operating income & Operating cost

Item	Current Year		Last Year	
	Income	Cost	Income	Cost
Main operation	<b>48,134,833.88</b>	<b>35,308,502.57</b>	45,080,483.17	38,087,636.34
Other operation	<b>2,392,827.23</b>	<b>1,533,901.08</b>	1,820,743.47	1,265,585.96
<b>Total</b>	<b>50,527,661.11</b>	<b>36,842,403.65</b>	46,901,226.64	39,353,222.30

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

#### (1) Information relating to income from contracts

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

Items	Current Year		Last Year	
	Income	Cost	Income	Cost
The sales of electrical products and fittings	<b>3,829,125.95</b>	<b>2,860,247.85</b>	3,475,658.18	2,739,261.32
Commercial application program and software	<b>28,592,329.08</b>	<b>23,091,553.52</b>	21,604,480.67	17,101,454.16
Installation and maintenance of network and data security products	<b>15,713,378.85</b>	<b>9,356,701.20</b>	20,000,344.32	18,246,920.86
<b>Total</b>	<b>48,134,833.88</b>	<b>35,308,502.57</b>	45,080,483.17	38,087,636.34

# Notes to the Financial Statements

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

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

#### (1) Information relating to income from contracts (Continued)

##### 2) Operating income – classified by region

Region	Current Year		Last Year	
	Income	Cost	Income	Cost
Chinese mainland	48,134,833.88	35,308,502.57	45,080,483.17	38,087,636.34
<b>Total</b>	<b>48,134,833.88</b>	<b>35,308,502.57</b>	<b>45,080,483.17</b>	<b>38,087,636.34</b>

##### 3) Operating income – classified by recognition time

Item	The sales of electrical products and fittings	Commercial application program and software	Installation and maintenance of network and data security products	Current year
Within a certain period of time		28,592,329.08	15,713,378.85	<b>44,305,707.93</b>
At a certain point of time	3,829,125.95			<b>3,829,125.95</b>
<b>Total</b>	<b>3,829,125.95</b>	<b>28,592,329.08</b>	<b>15,713,378.85</b>	<b>48,134,833.88</b>

Item	The sales of electrical products and fittings	Commercial application program and software	Installation and maintenance of network and data security products	Last year
Within a certain period of time		21,604,480.67	20,000,344.32	41,604,824.99
At a certain point of time	3,475,658.18			3,475,658.18
<b>Total</b>	<b>3,475,658.18</b>	<b>21,604,480.67</b>	<b>20,000,344.32</b>	<b>45,080,483.17</b>

# Notes to the Financial Statements

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

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

#### (2) Relevant Information about performing obligation

Income from the sales of electrical products and fittings is confirmed when the customer obtains control of the products, in which case the products are transferred and accepted by the customer.

Income from commercial application program and software, installation and maintenance of network and data security products is confirmed by relevant performance schedule, because the customer obtains and consumes the economic benefits brought by the Company's performance at the same time as the Company performs the contract, and the customer is able to control the goods under construction in the process of the Company's performance.

#### (3) Information relating to the transaction price apportioned to the remaining performance obligation

The income corresponding to the performance obligations that have been signed but have not been performed or fully performed at the end of the year is RMB17,969,200.00, in which RMB15,589,700.00 (tax included) is expected to be recognized in 2022.

### 7.30 Tax and surcharge

Item	Current Year	Last Year
Urban Construction & Maintenance Tax	16,404.24	22,093.17
Education Surcharge	11,717.31	15,780.83
Other	27,230.20	28,707.12
<b>Total</b>	<b>55,351.75</b>	<b>66,581.12</b>

### 7.31 Sales expense

Item	Current Year	Last Year
Total	5,169,887.00	4,156,147.99
In which: Personnel expenses	4,285,245.88	3,172,217.15
Rental, water and electricity expenses	423,598.84	371,886.58
Sales expenses	123,624.80	363,612.59
Sales traveling expenses	10,615.17	45,909.64
Sales office expense	66,519.12	101,944.02
Others	260,283.19	100,578.01

# Notes to the Financial Statements

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

### 7.32 Administration expenses

Item	Current Year	Last Year
Total	<b>10,853,034.69</b>	15,460,846.64
In which: Personnel expenses	<b>8,555,507.61</b>	13,029,264.21
Outsourcing service fees	<b>1,068,664.30</b>	1,039,467.31
In which: Audit Services Fee	<b>400,000.00</b>	360,000.00
Federation Service Fee	<b>240,714.61</b>	264,244.45
Other Service Fee	<b>427,949.69</b>	415,222.86
Rental, water and electricity expenses	<b>512,567.70</b>	481,230.74
Depreciation and amortization	<b>30,048.41</b>	54,794.01
Operation expenses	<b>219,975.12</b>	218,148.67
Others	<b>466,271.55</b>	637,941.70

### 7.33 Research and development expenses

Item	Current Year	Last Year
Research and development expenses	<b>5,617,370.26</b>	8,960,205.96
<b>Total</b>	<b>5,617,370.26</b>	8,960,205.96

### 7.34 Financial expenses

#### (1) Breakdown of financial expense

Item	Current Year	Last Year
Interest changes	<b>114,358.66</b>	98,760.02
Less: Interest income	<b>68,847.97</b>	107,615.03
Add: Exchange loss	<b>-7,452.00</b>	13,615.96
Bank charge	<b>7,215.13</b>	6,384.64
<b>Total</b>	<b>45,273.82</b>	11,145.59

#### (2) Breakdown of interest income

Item	Current Year	Last Year
Interest income of bank deposit	<b>68,847.97</b>	107,615.03
Interest income accrued at actual interest rates		
<b>Total</b>	<b>68,847.97</b>	107,615.03

# Notes to the Financial Statements

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

### 7.35 Other gain

Sources of other income	Current Year	Last Year
Input tax plus deduction	403,689.85	443,506.42
Others	1,902.60	
<b>Total</b>	<b>405,592.45</b>	443,506.42

### 7.36 Investment Income

Item	Current Year	Last Year
Investment income of financial assets measured at fair value through profit or loss during the holding period	87,000.00	210,000.00
Long-term equity investment income calculated by equity method	2,229,474.68	955,091.54
Investment income from disposal of financial assets held for trading	566,212.33	813,787.68
<b>Total</b>	<b>2,882,687.01</b>	1,978,879.22

### 7.37 Gain from changes in fair values

Item	Current Year	Last Year
Gains from changes in fair value of other non-current financial assets	-424,624.67	-116,765.72
Financial assets held for trading In which: Gains from changes in fair value of derivative financial instruments		
<b>Total</b>	<b>-424,624.67</b>	-116,765.72

### 7.38 Credit impairment losses

Item	Current Year	Last Year
Bad debt provision of accounts receivable	-950,500.00	-2,414,250.00
<b>Total</b>	<b>-950,500.00</b>	-2,414,250.00

# Notes to the Financial Statements

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

### 7.39 Assets impairment losses

Item	Current Year	Last Year
Loss from impairment of inventories and loss from impairment of contract performance cost		-337,713.03
<b>Total</b>		<b>-337,713.03</b>

### 7.40 Non-operation Income

Item	Current Year	Last Year
Unpayable payables	<b>1,472,454.02</b>	
Others	<b>2,260.00</b>	3,794.44
<b>Total</b>	<b>1,474,714.02</b>	<b>3,794.44</b>

### 7.41 Non-operating expenses

Item	Current Year	Last Year
Disposal loss of non-current assets	<b>4,114.90</b>	1,374.86
Exemption of debt		2,115,500.00
Others	<b>19,514.18</b>	3,136.00
<b>Total</b>	<b>23,629.08</b>	<b>2,120,010.86</b>

### 7.42 Other Comprehensive Income

For details, please refer to the "7.23 Other Comprehensive Income" of this Note.

# Notes to the Financial Statements

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

### 7.43 Items of the cash flow statement

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

Item	Current Year	Last Year
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
Net Profit	<b>-4,485,769.33</b>	-23,671,434.24
Add: Provision for assets impairment		337,713.03
Loss of credit impairment	<b>950,500.00</b>	2,414,250.00
Fixed assets depreciation	<b>49,635.57</b>	80,312.48
Depreciation of right-of-use assets	<b>2,169,217.91</b>	2,170,862.45
Intangible assets amortization		
Disposal loss on fixed assets and other long-term assets	<b>-205,651.00</b>	
Scrapped loss on fixed assets (gain marked as "-")	<b>4,114.90</b>	3,326.61
Gain or loss from changes in fair values (gain marked as "-")	<b>424,624.67</b>	116,765.72
Finance costs (gain marked as "-")	<b>106,906.66</b>	237,933.87
Investment loss (gain marked as "-")	<b>-2,882,687.01</b>	-1,978,879.22
Decrease in Inventories (increase marked as "-")	<b>682,111.60</b>	-1,622,043.16
Decrease in operating receivables (increase marked as "-")	<b>-1,588,455.25</b>	9,901,048.64
Increase in operating payables (decrease marked as "-")	<b>-4,239,738.24</b>	1,051,119.82
Others		
<b>Net cash flow from operating activities</b>	<b>-9,015,189.52</b>	-10,959,024.00
<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>		
Ending balance of cash	<b>19,168,386.64</b>	29,661,804.51
Less: Beginning balance of cash	<b>29,661,804.51</b>	30,002,641.59
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	<b>-10,493,417.87</b>	-340,837.08

# Notes to the Financial Statements

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

### 7.43 Items of the cash flow statement (Continued)

#### (2) Cash and Cash Equivalents

Item	Current Year	Last Year
Cash	<b>19,168,386.64</b>	29,661,804.51
Including: Cash on hand	<b>13,221.62</b>	12,304.48
Bank deposit available-for-use	<b>19,155,165.02</b>	29,649,500.03
Cash and cash equivalents balance at the end of the year	<b>19,168,386.64</b>	29,661,804.51
Including: Restricted use on cash and cash equivalent of parent company and its subsidiaries	<b>1,449,773.23</b>	2,163,544.18

### 7.44 Assets with restriction in ownership or use right

Item	Book value at the end of the year	Cause of restriction
Monetary fund(s)	323,811.00	deposits for letter of guarantee

### 7.45 Foreign Currency Item

#### (1) Foreign Currency item

Item	Ending Foreign Currency Balance	Exchange rate	Ending RMB Balance
Monetary funds			
Including: USD	200,001.19	6.3757	1,275,147.58
HKD	213,583.15	0.8176	174,625.58
JPY	1.00	0.0554	0.06

#### (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

## 8. RIGHTS IN OTHER ENTITIES

### 8.1 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		Dormant
Shanghai Withub Information and Professional Training School (The school)	Private non-enterprise unit	Shanghai	Shanghai	1,000,000	100		Dormant
Shanghai Withub Zhirui Hi-Tech Co., Limited	Private Limited Company (domestic joint ventures)	Shanghai	Shanghai	5,000,000	82		Dormant

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

# Notes to the Financial Statements

## 8. RIGHTS IN OTHER ENTITIES (Continued)

### 8.2 Interests in joint ventures or associates

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

Name	Business Nature	Place of principal business/ incorporation	Business Type	Percentage of shareholding (%)		The investment of joint venture or associates
				Direct	Indirect	
Shanghai Jiaoda Withub Technology Limited "Withub Technology"	Private limited company	Shanghai	Investment holding	44.44		16,000,000.00
Shanghai Jiaoda Withub Tongyong Technology Company Limited "Withub Tongyong"	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	Dormant	40.00		10,000,000.00
Shanghai Tong Tron Information Technology Company Limited	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 holding		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

## 8. RIGHTS IN OTHER ENTITIES (Continued)

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

#### (2) Main financial information of significant joint ventures

The consolidated financial details of Withub Technology and its subsidiary (Withub Tongyong) as follows:

Item	Ending Balance/ Current Year	Beginning Balance/ Last Year
Current assets	<b>48,722,841.66</b>	46,826,108.61
Non-current assets	<b>2,661,875.55</b>	2,091,306.33
Total assets	<b>51,384,717.21</b>	48,917,414.94
Current liabilities	<b>21,312,946.59</b>	20,553,992.68
Non-current liabilities	<b>1,247,668.31</b>	6,343,069.29
Total liabilities	<b>22,560,614.90</b>	26,897,061.97
Minority shareholders' equity	<b>9,176,580.41</b>	7,135,455.61
Attributable to the parent company shareholders' equity	<b>19,647,521.90</b>	14,884,897.36
Net asset calculated by proportion of shareholding	<b>8,731,358.74</b>	6,614,848.39
Adjustment		
– Goodwill		
– Unrealized profit of internal trading		
– Others		
Book value of joint venture equity investment	<b>8,731,358.74</b>	6,614,848.39
Operation income	<b>53,807,633.73</b>	46,267,543.65
Net Profits attributable to the parent company	<b>4,762,624.54</b>	5,102,515.59
Others comprehensive income		
Total comprehensive income attributable to the parent company	<b>4,762,624.54</b>	5,102,515.59
Dividends from the joint venture in current year		

# Notes to the Financial Statements

## 8. RIGHTS IN OTHER ENTITIES (Continued)

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

#### (2) Main financial information of significant joint ventures (Continued)

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

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

Note: As at 31 December 2021 and 31 December 2020, the Company's interest in Shangrao was fully impaired and never recognized further losses any more.

# Notes to the Financial Statements

## 8. RIGHTS IN OTHER ENTITIES (Continued)

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

#### (2) Main financial information of significant joint ventures (Continued)

Shanghai Tongchuang Technology Co., Ltd

Item	Ending Balance/ Current Year	Beginning Balance/ Last Year
Current assets	<b>19,749,885.16</b>	18,535,730.68
Non-current assets	<b>2,119,625.80</b>	2,541,618.81
Total assets	<b>21,869,510.96</b>	21,077,349.49
Current liabilities	<b>8,474,708.84</b>	8,350,041.93
Non-current liabilities	<b>780,000.00</b>	780,000.00
Total liabilities	<b>9,254,708.84</b>	9,130,041.93
Minority shareholders' equity	-	
Attributable to the parent company shareholders' equity	<b>12,614,802.12</b>	11,947,307.56
Net asset calculated by proportion of shareholding	<b>4,281,463.84</b>	4,054,916.19
Adjustment	-	-
- Goodwill	-	-
- Unrealized profit of internal trading	-	-
- Others	-	-
Book value of joint venture equity investment	<b>4,281,463.84</b>	4,054,916.19
Operation income	<b>49,483,092.08</b>	49,109,504.95
Net Profits	<b>667,494.56</b>	-4,237,788.48
Others comprehensive income	-	
Total comprehensive income	<b>667,494.56</b>	-4,237,788.48
Dividends from the joint venture in current year	-	-

# Notes to the Financial Statements

## 8. RIGHTS IN OTHER ENTITIES (Continued)

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

#### (2) Main financial information of significant joint ventures (Continued)

Shanghai Withub Duogao Information Construction Co., Ltd

Item	Ending Balance/ Current Year	Beginning Balance/ Last Year
Current assets	<b>32,877,869.71</b>	33,966,787.19
Non-current assets	<b>137,339.11</b>	245,657.20
Total assets	<b>33,015,208.82</b>	34,212,444.39
Current liabilities	<b>24,251,106.35</b>	25,114,273.33
Non-current liabilities	-	
Total liabilities	<b>24,251,106.35</b>	25,114,273.33
Minority shareholders' equity	-	
Attributable to the parent company shareholders' equity	<b>8,764,102.47</b>	9,098,171.06
Net asset calculated by proportion of shareholding	<b>3,052,040.98</b>	3,168,378.17
Adjustment	-	-
- Goodwill	-	-
- Unrealized profit of internal trading	-	-
- Others	-	-
Book value of joint venture equity investment	<b>3,052,040.98</b>	3,168,378.17
Operation income	<b>56,093,092.41</b>	51,563,975.98
Net Profits	<b>-334,068.59</b>	370,114.75
Others comprehensive income	-	
Total comprehensive income	<b>-334,068.59</b>	370,114.75
Dividends from the joint venture in current year	<b>1,020,000.00</b>	

# Notes to the Financial Statements

## 8. RIGHTS IN OTHER ENTITIES (Continued)

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

#### (2) Main financial information of significant joint ventures (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	<b>33,998,909.71</b>	35,093,832.78
Non-current assets	<b>973,389.72</b>	974,348.09
Total assets	<b>34,972,299.43</b>	36,068,180.87
Current liabilities	<b>68,598,679.41</b>	70,249,795.66
Non-current liabilities	—	—
Total liabilities	<b>68,598,679.41</b>	70,249,795.66
Minority shareholders' equity	—	—
Attributable to the parent company shareholders' equity	<b>-33,626,379.98</b>	-34,181,614.79
Net asset calculated by proportion of shareholding	—	—
Adjustment	—	—
– Goodwill	<b>2,624,000.00</b>	2,624,000.00
– Unrealized profit of internal trading	—	—
– Others	—	—
Book value of joint venture equity investment	—	—
Operation income	<b>469,716.99</b>	391,592.25
Net Profits	<b>-137,638.23</b>	-140,851.88
Others comprehensive income	—	—
Total comprehensive income	<b>-137,638.23</b>	-140,851.88
Dividends from the joint venture in current year	—	—

Note: As at 31 December 2021 and 31 December 2020, 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 reduced to zero and never recognized further losses any more.

# Notes to the Financial Statements

## 8. RIGHTS IN OTHER ENTITIES (Continued)

### 8.2 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	<b>Unconfirmed- losses of current year</b>	Unconfirmed- accumulated losses at the end of current year
Total	41,150,766.14	<b>52,715.44</b>	41,203,481.58

## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

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 of the Company manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

### 9.1 Financial risk management objectives and policies

The objectives of the Company's risk management are 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.

# Notes to the Financial Statements

## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

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

#### (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, USD and JPY, other main business operations are settled in RMB. As of 31 December 2021, except for assets and liabilities with balances in HKD, USD and JPY balances described 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 operating results of the Company.

Item	Ending Balance	Beginning Balance
Monetary funds – USD	<b>200,001.19</b>	300,001.69
Monetary funds – HKD	<b>213,583.15</b>	244,835.19
Monetary funds – JPY	<b>1.00</b>	1.00

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

##### 2) Interest rate risks

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

The Company's cash flow interest rate is mainly concentrated on the fluctuation of prevailing market rates arising from the Company's bank balances denominated in RMB base deposit rate stipulated by the People's Bank of China arising from the Company's bank balances denominated in RMB. At 31 December 2021, the balance of non-term deposit is RMB19,155,165.02 (31 December 2020: RMB29,661,804.51), and the balance of term deposit is RMB0.00 (31 December 2020: RMB0.00), and the balance of deposit for letter of guarantee is RMB323,811.00.

##### 3) Price risks

The Company conducted the sales of electrical 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.

# Notes to the Financial Statements

## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

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

#### (2) Credit risk

As at 31 December 2021, 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, the Company strictly selects counterparties to limit the exposure to credit risk. The Company mitigates its exposure to receivables related risk by transacting with sound financial and selected government agencies. Besides mentioned above, certain new customers are required to pay deposits in cash to the Company to mitigate the exposure of maximum credit risk. 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 records. 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 RMB5,652,004.47.

# Notes to the Financial Statements

## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

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

#### (3) Liquidity risk

Liquidity risk refers to the risk that the Company could not perform 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's reputation. The analysis of liabilities structure and durations would be made periodically by the Company 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 2021:

Item	Within 1 year	1-2 years	2-3 years	3 years or above	Total
<b>Financial assets</b>	-	-	-	-	-
Monetary funds	19,492,197.64	-	-	-	19,492,197.64
Financial assets held for trading	10,000,000.00	-	-	-	10,000,000.00
Accounts receivable	10,268,959.29	-	-	-	10,268,959.29
Other receivable	1,876,428.81	-	-	-	1,876,428.81
<b>Financial liabilities</b>					
Accounts payables	5,631,758.22	-	-	-	5,631,758.22
Other payable	3,506,807.14	-	-	-	3,506,807.14

### 9.2 Sensitivity analysis

The Company adopted sensitivity analysis of reasonableness and the probable change effect of risk variables on profit or loss or equity of shareholder. 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.

# Notes to the Financial Statements

## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

### 9.2 Sensitivity analysis (Continued)

#### (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 2021		Year 2020	
		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	312.83	-353,293.56	-729.57	-363,998.71
	5% depreciation of RMB	-312.83	353,293.56	729.57	363,998.71

#### (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 2021		Year 2020	
		Effect on net profit	Effect on owner's equity	Effect on net profit	Effect on owner's equity
Deposit	Increase 1%	688.48	688.48	1,076.15	1,076.15
	Decrease 1%	-688.48	-688.48	-1,076.15	-1,076.15

# Notes to the Financial Statements

## 10. DISCLOSURE OF FAIR VALUE

### 10.1 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			Total
	First-level fair value measurement	Second-level fair value measurement	Third-level fair value measurement	
<b>Continuous measurement of fair value</b>				
(1) Financial assets held for trading				
1. Designation of financial assets measured at fair value through profit or loss.				
(1) Debt instrument investment				
(2) Investment in equity instruments				
(3) Wealth management products				
(4) Others			10,000,000.00	10,000,000.00
(2) Other non-current financial assets				
1. Designation of financial assets measured at fair value through profit or loss.				
(1) Debt instrument investment	-	-		
(2) Investment in equity instruments			4,864,138.20	4,864,138.20
(3) Others	-	-	-	-
<b>Total assets that continue to be measured at fair value</b>	<b>-</b>	<b>-</b>	<b>14,864,138.20</b>	<b>14,864,138.20</b>

### 10.2 Continual Level 3 fair value measurement major items, the valuation techniques adopted and information of important parameters.

The Company adopted Level 3 fair value measurement mainly for equity investment and financial wealth management products in unlisted companies, if there is no recent equity transaction price of unlisted company and significant change in operating environment and financial condition, the Company uses the investment costs and the share in the investee's net net assets as reference, measuring fair value with reasonable estimates. Financial assets held for trading are mainly the wealth management products held by the Company, and the Company calculates the fair values by discounting the future cash flows using agreed expected return.

# Notes to the Financial Statements

## 11. CAPITAL MANAGEMENT

The capital management of the Company is: (1) to optimise the assets; (2) to adjust the structure; (3) to operate leaner; (4) to give priority to efficiency; (5) strategic planning for the management ideas and methods. Comprehensively review the asset management process to find out the weak links. The Company is oriented by enterprise strategy, through optimising and adjusting the structure of assets, reducing the redundancy of assets, so as to improve the efficiency of the Company's assets, and eventually maximise the operational benefits of assets.

In 2021, the Company's strategy is to maintain the cash balance above a certain standard to ensure that the Company's business development needs, and this strategy is consistent with the previous year. The Company's cash and cash equivalents as at 31 December, 2021 was RMB19,168,386.64 and the amount of borrowings was RMB0 (the cash and cash equivalents as at December 31, 2020 was RMB29,661,804.51 and the amount of borrowings was RMB0).

## 12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### 12.1 Related party relationships

#### (1) *Controlling shareholder and ultimate controlling party*

Jiaotong University Industrial Group, the original shareholder of the Company, received the relevant notice from Shanghai Jiao Tong University (hereinafter referred to as SJTU) in response to the reform of the enterprise system affiliated to the university. On June 28, 2021, Jiao Tong University Industry Group, Shanghai State-owned Assets Supervision and Administration Commission (hereinafter referred to as Shanghai SASAC) and Shanghai Guosheng Group Co., LTD. (Hereinafter referred to as Guosheng Group) signed a tripartite agreement to transfer 90% of the equity of Jiao Tong University Industry Group held by Shanghai Jiao Tong University to Shanghai SASAC without compensation. This free transfer is based on June 28, 2021. Before the free transfer, SJTU holds 100% equity of Jiao Tong University Industry Group, and Jiao Tong University Industry Group holds 23.75% equity of the Company, which is the main shareholder of the Company. After the free transfer, SASAC and SJTU will hold 90% and 10% of the shares of Jiao Tong University Industry Group respectively, and Jiao Tong University Industry Group will remain the main shareholder holding 23.75% of the shares of the company.

After this free transfer, the actual controller of the company will be changed from SJTU to Shanghai SASAC.

# Notes to the Financial Statements

## 12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 12.1 Related party relationships (Continued)

#### (2) Subsidiaries

For details of subsidiaries, please refer to this notes 8.1. (1) Structure of the Group.

#### (3) Joint ventures and associates

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

Name of joint ventures or associates	Relationship with the Company
Shanghai Withub Duogao Information Construction Company Limited	34% of its equity shares were directly held by the Company
Shanghai Jiaoda Withub Tong Yong Technology Company Limited	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

#### (4) Other related parties

Relationship with the Company	Name of related parties	Description
Other related party	Shanghai Jiao Tong University	The lease of house \ providing services
Other related party	Shanghai Jiao Tong University Design and Research Institute Co., Ltd	Providing services

# Notes to the Financial Statements

## 12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 12.2 Related party transaction

#### (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	308,726.42	0.64%	1,111,897.44	2.33%
Shanghai Jiao Tong University			18,867.92	0.04%
<b>Total</b>	<b>308,726.42</b>	<b>0.64%</b>	<b>1,130,765.36</b>	<b>2.37%</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.

#### (2) Related party leasing information

##### 1) 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	2,169,212.91	1,785,148.16

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 2021	Year 2020
Within 1 year	2,165,913.85	1,447,241.62
2-5 years (including the first year and last year)	4,331,827.70	
<b>Total</b>	<b>6,497,741.55</b>	<b>1,447,241.62</b>

# Notes to the Financial Statements

## 12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 12.3 Account balance between related parties

#### (1) Receivable items of related parties

Item	Related parties	Ending Balance		Beginning Balance	
		Book Balance	Bad debt provision	Book Balance	Bad debt provision
Account Receivables	Shanghai Jiaoda Withub Tong Yong Technology Company Limited		-	65,075.00	-
	Shanghai Withub Duogao Information Construction Company Limited	14,210.00	-	14,210.00	-
	Subtotal	14,210.00	-	79,285.00	-
Others Receivables	Shanghai Jiao Tong University	200,000.00	-	200,000.00	
	Shanghai Withub Duogao Information Construction Company Limited			192,977.56	-
	Subtotal	200,000.00	-	392,977.56	-

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

Item	Related parties	Ending Balance	Beginning Balance
Others payables	Shanghai Jiao Tong University	1,400,000.00	1,500,000.00
	Shanghai Huikang Information Technology Company Limited	442,215.00	442,215.00
	<b>Total</b>	1,842,215.00	1,942,215.00

# Notes to the Financial Statements

## 12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 12.4 Directors, Supervisors and Employees' Compensation

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

Item	Salaries and allowance	Social insurance, housing fund and pension	Bonus	Share-based payment	Total
<b>This year amount</b>	-	-	-	-	-
<b>Executive directors</b>	<b>484,800.00</b>	<b>149,667.60</b>	-	-	<b>634,467.60</b>
Mr. Chang Jiang (appointed on October 21)	-	-	-	-	-
Mr. Shuai Ge	-	-	-	-	-
Mr. Shang Ling	484,800.00	149,667.60	-	-	634,467.60
Mr. Chen Guoliang (appointed on October 21)	-	-	-	-	-
Ms. Gu Xiaomin (appointed on July 7)	-	-	-	-	-
Mr. Shen Zhimin (resigned on July 7)	-	-	-	-	-
Ms. Xia Weiwei (resigned on October 21)	-	-	-	-	-
Mr. Zou Yimin (resigned on October 21)	-	-	-	-	-
Mr. Hu Lunjie	-	-	-	-	-
<b>Supervisors</b>	<b>379,700.00</b>	<b>162,911.54</b>	-	-	<b>542,611.54</b>
Mr. Rong Yinsheng	-	-	-	-	-
Mr. Yang Binghua	168,500.00	72,031.20	-	-	240,531.20
Ms. Sun Guofang	211,200.00	90,880.34	-	-	302,080.34
Ms. Panli	-	-	-	-	-
Mr. Yang Qing	-	-	-	-	-
<b>Independent non-executive directors</b>	<b>300,000.00</b>	-	-	-	<b>300,000.00</b>
Dr. Ni Jing (Resigned on July 7)	-	-	-	-	-
Mr. Liu Feng (Appointed on July 7)	100,000.00	-	-	-	100,000.00
Mr. Yuan Shumin	100,000.00	-	-	-	100,000.00
Mr. Zhou Guolai	100,000.00	-	-	-	100,000.00
<b>Total</b>	<b>1,164,500.00</b>	<b>312,579.14</b>	-	-	<b>1,477,079.14</b>

# Notes to the Financial Statements

## 12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 12.4 Directors, Supervisors and Employees' Compensation (Continued)

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

Name	Salaries and allowance	Social insurance, housing fund and pension	Bonus	Share-based payment	Total
<b>Last year amount</b>					
<b>Executive directors</b>	504,800.00	131,907.60	1,200,000.00	-	1,836,707.60
Mr. Zhou Re Qing (Resigned on July 7)	-	-	-	-	-
Mr. Shuai Ge	-	-	-	-	-
Mr. Shang Ling	504,800.00	131,907.60	1,200,000.00	-	1,836,707.60
Mr. Shen Zhimin	-	-	-	-	-
Ms. Xia Weiwei	-	-	-	-	-
Mr. Zou Yimin	-	-	-	-	-
Mr. Hu Lunjie (Appointed on July 7)	-	-	-	-	-
<b>Supervisors</b>	347,900.00	55,134.53	180,000.00	-	583,034.53
Mr. Rong Yinsheng	-	-	-	-	-
Mr. Yu Jiming (Resigned on March 20, 2020)	-	-	-	-	-
Ms. Dong Beihua (Resigned on March 20, 2020)	-	-	-	-	-
Mr. Yang Binghua	162,700.00	25,192.93	80,000.00	-	267,892.93
Ms. Sun Guofang	185,200.00	29,941.60	100,000.00	-	315,141.60
Ms. Pan Li (Appointed on March 20, 2020)	-	-	-	-	-
Mr. Yang Qing (Appointed on March 20, 2020)	-	-	-	-	-
<b>Independent non-executive director</b>	300,000.00	-	-	-	300,000.00
Mr. Ni Jing	100,000.00	-	-	-	100,000.00
Mr. Yuan Shumin	100,000.00	-	-	-	100,000.00
Mr. Zhou Guolai	100,000.00	-	-	-	100,000.00
<b>Total</b>	<b>1,152,700.00</b>	<b>187,042.13</b>	<b>1,380,000.00</b>	<b>-</b>	<b>2,719,742.13</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

## 12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 12.4 Directors, Supervisors and Employees' Compensation (Continued)

#### (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: 0), 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: four) are as follows:

Item	Current Year	Last Year
Salaries and allowances	<b>1,491,231.33</b>	1,233,340.00
Social insurance, housing fund and retirement benefit plan contributions	<b>351,595.68</b>	130,916.61
Annual bonus	<b>155,000.00</b>	1,525,240.00
<b>Total</b>	<b>1,997,827.01</b>	2,889,496.61

Highest emoluments within the following groups (per capita)

Item	Current Year	Last Year
Nil to RMB1,000,000	<b>5</b>	3
RMB1,000,001 to 2,000,000	<b>0</b>	2
RMB2,000,001 to 2,500,000	<b>0</b>	0

(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.*

#### (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	<b>1,605,300.00</b>	1,293,500.00
Social insurance, housing fund and retirement benefit plan contributions	<b>312,579.14</b>	187,042.13
Year-end bonus	<b>–</b>	2,330,000.00
<b>Total</b>	<b>1,917,879.14</b>	3,810,542.13

(5) *No emolument was paid or payable by the Group to any of the directors or the highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office during the year ended 31 December 2021 (2020: Nil).*

# Notes to the Financial Statements

## 13. CONTINGENT EVENTS

There are no significant contingent events as at 31 December 2021.

## 14. COMMITMENTS

### 14.1 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 RMB2,392,827.23. (RMB1,820,743.47 in 2020)

At the end of report date, the minimum rent income the company agreed on with tenants is as follows:

<b>Item</b>	<b>2021</b>	2020
Within one year	<b>1,494,999.96</b>	1,997,999.94

2) *Operating rent expense*

Operating rent expense this year is RMB2,662,884.29 (RMB2,237,802.61 in 2020), including RMB2,662,884.29 (RMB2,237,802.61 in 2020) house rent expense.

At the end of report end, the Company has irrevocable minimum operating lease income is as follows:

<b>Items</b>	<b>2021</b>	2020
Within one year	<b>2,340,775.87</b>	1,542,204.40
Two to five years	<b>4,331,827.70</b>	
<b>Total</b>	<b>6,672,603.57</b>	1,542,204.40

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

**14.2** Except for the commitment above, there is no other significant commitments within the Company as at 31 December 2021.

# Notes to the Financial Statements

## 15. EVENTS AFTER THE BALANCE SHEET DATE

### 15.1 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 28 March 2022: recommend not to distribute dividends as at 31 December 2021
Profits or dividends approved to declare to pay after consideration	None

### 15.2 Sales Return

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

**15.3** 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.

## 16. OTHER SIGNIFICANT EVENTS

### 16.1 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 solutions (development and provision of business application solution 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.

# Notes to the Financial Statements

## 16. OTHER SIGNIFICANT EVENTS (Continued)

### 16.1 Segment information (Continued)

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

Reporting segments for 2021

Item	Business application solutions and application software	Sales of Products	Undistributed portion	Offset	Total
Operating Income	44,305,707.93	3,829,125.95		-	48,134,833.88
Including: Income from external transactions	44,305,707.93	3,829,125.95		-	48,134,833.88
Income from inter-segment transactions				-	-
Operating costs	32,448,254.72	2,860,247.85		-	35,308,502.57
Associate income			2,229,474.68	-	2,229,474.68
Interest income			68,847.97	-	68,847.97
Undistributed income			4,707,372.36	-	4,707,372.36
Period expenses			21,754,413.74	-	21,754,413.74
Undistributed other expenses			2,563,381.91	-	2,563,381.91
Segments' total profits (total loss)	11,857,453.21	968,878.10	-17,312,100.64	-	-4,485,769.33
Total assets	7,826,858.22	52,416.63	432,448.56	-	8,311,723.41
Equity of associates			16,067,617.43	-	16,067,617.43
Other non-current financial assets			4,864,138.20	-	4,864,138.20
Unallocated corporate assets			36,137,675.46	-	36,137,675.46
Total liabilities	6,712,375.95	1,349,344.44		-	8,061,720.39
Undistributed liabilities			9,988,665.78	-	9,988,665.78
Supplementary information				-	-
Capital expenditure				-	-
Impairment loss recognized for the period	950,500.00			-	950,500.00
Including: Impairment loss of account receivable	950,500.00			-	950,500.00
Reversal of impairment loss recognised on account receivables				-	-
Inventory impairment					-
Reversal of impairment loss recognised on inventory					-
Depreciation and amortisation expenses	2,218,853.48			-	2,218,853.48

# Notes to the Financial Statements

## 16. OTHER SIGNIFICANT EVENTS (Continued)

### 16.1 Segment information (Continued)

Reporting segments for 2020 (last year)

Item	Business application solutions and application software	Sales of Products	Undistributed portion	Offset	Total
Operating Income	41,604,824.99	3,475,658.18		-	45,080,483.17
Including: Income from external transactions	41,604,824.99	3,475,658.18		-	45,080,483.17
Income from inter-segment transactions	-	-			
Operating costs	35,348,375.02	2,739,261.32		-	38,087,636.34
Associate income			955,091.54	-	955,091.54
Interest income			107,615.03	-	107,615.03
Undistributed income			3,291,832.01	-	3,291,832.01
Period expenses			28,695,961.21	-	28,695,961.21
Undistributed other expenses			6,322,858.44	-	6,322,858.44
Segments' total profits (total loss)	6,256,449.97	736,396.86	-30,664,281.07	-	-23,671,434.24
Total assets	3,951,149.49	26,965.37	4,208,800.73	-	8,186,915.59
Equity of associates			13,838,142.75	-	13,838,142.75
Other non-current financial assets			5,438,762.87	-	5,438,762.87
Unallocated corporate assets			41,767,185.16	-	41,767,185.16
Total liabilities	8,794,921.02	1,611,741.60		-	10,406,662.62
Undistributed liabilities			6,956,442.92	-	6,956,442.92
Supplementary information				-	-
Capital expenditure				-	-
Impairment loss recognized for the period	2,414,250.00	337,713.03		-	2,751,963.03
Including: Impairment loss of account receivable	2,414,250.00			-	2,414,250.00
Reversal of impairment loss recognised on account receivables				-	-
Inventory impairment		337,713.03		-	337,713.03
Reversal of impairment loss recognised on inventory				-	-
Depreciation and amortisation expenses	2,251,174.93			-	2,251,174.93

# Notes to the Financial Statements

## 16. OTHER SIGNIFICANT EVENTS (Continued)

### 16.1 Segment information (Continued)

#### *Geographical information*

All the Company's income was generated from customers in the PRC as at 31 December 2021 and 31 December 2020, 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 2021 and 2020.

## 17. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY

### 17.1 Account receivables

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

Category	Book balance		Ending Balance		Book value
	Amount	Percent %	Bad debt provision		
			Amount	Percent %	
Bad debt provision on portfolio	10,268,959.29	100.00	4,283,878.35	41.72	5,985,080.94
<b>Total</b>	<b>10,268,959.29</b>	<b>100.00</b>	<b>4,283,878.35</b>	<b>41.72</b>	<b>5,985,080.94</b>

Category	Book balance		Beginning Balance		Book value
	Amount	Percent %	Bad debt provision		
			Amount	Percent %	
Bad debt provision on portfolio	7,413,740.02	100.00	3,333,378.35	44.96	4,080,361.67
<b>Total</b>	<b>7,413,740.02</b>	<b>100.00</b>	<b>3,333,378.35</b>	<b>44.96</b>	<b>4,080,361.67</b>

# Notes to the Financial Statements

## 17. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

### 17.1 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:

Aging	Ending Balance		Expected credit loss rate for the whole duration
	Accounts receivables	Bad debt provision	
3 months (inclusive)	4,354,906.14		0%
3 months to 6 months (inclusive)	211,324.80		0%
7 months to 12 months (inclusive)	387,472.82		0%
Over 1 year	4,283,878.35	4,283,878.35	100.00%
<b>Total</b>	<b>9,237,582.11</b>	<b>4,283,878.35</b>	

Aging	Beginning Balance		Expected credit loss rate for the whole duration
	Accounts receivables	Bad debt provision	
3 months (inclusive)	2,207,838.83	–	0%
3 months to 6 months (inclusive)	0	–	0%
7 months to 12 months (inclusive)	349,500.00	–	0%
Over 1 year	3,333,378.35	3,333,378.35	100.00%
<b>Total</b>	<b>5,890,717.18</b>	<b>3,333,378.35</b>	

# Notes to the Financial Statements

## 17. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

### 17.1 Account receivables (Continued)

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

2) Other accounts receivable for which bad debt allowance is provided by portfolio of credit risk characteristics:

Aging	Ending Balance		Expected credit loss rate for the whole duration
	Book balance	Bad debt provision	
Guarantee deposit and project payment within credit period	357,167.18		0%
Guaranteed recovery	660,000.00		0%
Related party with regular transactions	14,210.00		0%
<b>Total</b>	<b>1,031,377.18</b>		

Aging	Beginning Balance		Expected credit loss rate for the whole duration
	Book balance	Bad debt provision	
Guarantee deposit and project payment within credit period	1,443,737.84	–	0%
Guaranteed recovery		–	0%
Related party with regular transactions	79,285.00	–	0%
<b>Total</b>	<b>1,523,022.84</b>	<b>–</b>	<b>–</b>

# Notes to the Financial Statements

## 17. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

### 17.1 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)	<b>4,354,906.14</b>	2,207,838.83
3 months to 6 months (inclusive)	<b>211,324.80</b>	
7 months to 12 months (inclusive)	<b>387,472.82</b>	349,500.00
Over 1 year	<b>1,031,377.18</b>	1,523,022.84
<b>Total</b>	<b>5,985,080.94</b>	4,080,361.67

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

Aging	Ending Balance	Beginning Balance
Not overdue and no impairment	<b>4,566,230.94</b>	2,207,838.83
Overdue but no impairment		
7 months to 12 months (inclusive)	<b>387,472.82</b>	349,500.00
Over 1 year	<b>1,031,377.18</b>	1,523,022.84
<b>Total</b>	<b>5,985,080.94</b>	4,080,361.67

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

## 17. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

### 17.1 Account receivables (Continued)

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

Aging	Ending Balance	Beginning Balance
At 1st January	3,333,378.35	919,128.35
Cancellation of bad debts		
Additional bad debt provision	950,500.00	2,414,250.00
Deductible bad debt provision		
At 31st December	4,283,878.35	3,333,378.35

#### (5) Receivables due from top 5 borrowers by ending balance

Company	Ending Balance	Aging	Percentage of total ending balance of accounts receivables (%)	Ending balance of bad debt provision
Chongqing Liqi Technology Company Limited (重慶勵祺科技有限公司)	2,251,500.00	2-3 years	21.93	2,251,500.00
Shanghai Guangjin Communication Technology Company Limited (上海光勁通信技術有限公司)	1,592,604.47	0-3 months	15.51	
Shuangjian Construction Company Limited (雙建建設股份有限公司)	660,000.00	1-2 years	6.43	
Shanghai Chaohe Information Technology Company Limited (上海朝和信息科技有限公司)	592,800.00	0-3 months	5.77	
China UnionPay Merchant Services Company Limited (銀聯商務股份有限公司)	555,100.00	0-3 months	5.41	
<b>Total</b>	<b>5,652,004.47</b>		<b>55.04</b>	<b>2,251,500.00</b>

# Notes to the Financial Statements

## 17. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

### 17.2 Other receivables

Item	Ending Balance	Beginning Balance
Interest receivables	-	-
Dividend receivables	-	-
Other receivables	<b>1,262,123.68</b>	2,379,232.74
<b>Total</b>	<b>1,262,123.68</b>	2,379,232.74

#### 17.2.1 Other receivables

(1) Other receivables classified by nature

Nature	Ending Balance	Beginning Balance
Affiliates	<b>12,028,511.89</b>	12,497,176.19
Margin deposit, Reserve fund, and returnable deposit	<b>1,124,209.09</b>	2,415,598.74
Current accounts	<b>550,964.59</b>	576,684.00
<b>Total</b>	<b>13,703,685.57</b>	15,489,458.93

(2) Other receivables presented by ageing

Ageing	Ending Balance	Beginning Balance
Within one year	<b>499,710.59</b>	1,485,339.99
More than 1 year	<b>762,413.09</b>	893,892.75
<b>Total</b>	<b>1,262,123.68</b>	2,379,232.74

# Notes to the Financial Statements

## 17. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

### 17.2 Other receivables (Continued)

#### 17.2.1 Other receivables (Continued)

(3) Movement of bad debt provision for other receivables

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss for the next 12 months	Expected credit loss for the whole duration (not credit – impaired)	Expected credit loss for the whole duration (credit – impaired)	
Balance as at 1 January 2020			13,110,226.19	13,110,226.19
Interest receivable as at 1 January 2020			–	–
– Transfer to stage 2				
– Transfer to stage 3				
– Reverse to stage 2				
– Reverse to stage 1				
Provision for the current year				
Reversal for the current year			668,664.30	668,664.30
Write-off for the current year				
Cancelled for the current year				
Other movements				
Balance as at 1 December 2021			12,441,561.89	12,441,561.89

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.

# Notes to the Financial Statements

## 17. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

### 17.2 Other receivables (Continued)

#### 17.2.1 Other receivables (Continued)

(4) Other receivables due from top 5 borrowers by ending balance

Company names	Nature	Ending Balance	Aging	Percentage of ending balance (%)	Ending Balance of bad debt provision
Jiaoda Withub (Hong Kong) Limited (交大慧谷(香港)有限公司)	Affiliates	7,868,498.74	More than 1 year	57.42	7,868,498.74
Shanghai Jiaoda Withub Software Company Limited (上海交大慧谷软件有限公司)	Affiliates	3,960,013.15	More than 1 year	28.90	3,960,013.15
Shanghai Kangchuang Technology Company (上海康创科技公司)	Current account	280,460.00	More than 1 year	2.05	280,460.00
Shanghai Municipal Public Security Bureau (上海市公安局)	Margin deposit	219,624.25	More than 1 year	1.60	–
Jiangxi Higher People's Court (江西省高级人民法院)	Margin deposit	208,600.00	More than 1 year	1.52	–
<b>Total</b>	–	<b>12,537,196.14</b>	–	<b>91.49</b>	<b>12,777,636.19</b>

(5) Borrowings due from employees

Name of borrowers	Administration and Management Department	Software department	Arbitration team	Total
Purpose	Petty cash	Petty cash	Petty cash	–
Amount	–	–	–	–
– Current year	10,000.00	58,000.00	0.00	68,000.00
– Last year	10,000.00	0.00	5,000.00	15,000.00
Bad debt provision	–	–	–	–

# Notes to the Financial Statements

## 17. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

### 17.3 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	26,067,617.43	10,000,000.00	16,067,617.43	23,838,142.75	10,000,000.00	13,838,142.75
<b>Total</b>	<b>43,936,817.43</b>	<b>27,869,200.00</b>	<b>16,067,617.43</b>	<b>41,707,342.75</b>	<b>27,869,200.00</b>	<b>13,838,142.75</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	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

## 17. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

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

#### (3) Investment in associates

Investment	Beginning Balance	Additional investment	Reduction of investment	Increase/Decrease for the year				Announced cash dividend or profit	Provision for impairment	Others	Ending Balance	Ending balance of provision for impairment
				Investment gain or loss recognized under equity method	Other comprehensive income adjustment	Changes in other equity						
<b>Under equity method</b>	-	-	-	-	-	-	-	-	-	-	-	
Shanghai Jiaoda Withub Technology Company Limited	6,614,848.39	-	-	2,116,510.35	-	-	-	-	-	8,731,358.74	-	
Shanghai Jiaoda Science & Technology Park Information Technology (Shangrao) Company Limited	10,000,000.00	-	-	-	-	-	-	-	-	10,000,000.00	10,000,000.00	
Shanghai Tong Chuang Information Technology Company Co.Limited	4,054,916.19	-	-	226,547.65	-	-	-	-	-	4,281,463.84	-	
Shanghai Withub Duogao Information Construction Company Limited	3,168,378.17	-	-	-113,583.32	-	-	-	-	-	3,054,794.84	-	
<b>Subtotal</b>	<b>23,838,142.75</b>	<b>-</b>	<b>-</b>	<b>2,229,474.68</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,067,617.43</b>	<b>10,000,000.00</b>	

### 17.4 Operating income & Operating cost

Item	Current Year		Last Year	
	Income	Cost	Income	Cost
Main operation	<b>48,134,833.88</b>	<b>35,308,502.57</b>	45,080,483.17	38,087,636.34
Other operation	<b>2,392,827.23</b>	<b>1,533,901.08</b>	1,820,743.47	1,265,585.96
<b>Total</b>	<b>50,527,661.11</b>	<b>36,842,403.65</b>	46,901,226.64	39,353,222.30

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

# Notes to the Financial Statements

## 17. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (Continued)

### 17.4 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	<b>3,829,125.95</b>	<b>2,860,247.85</b>	3,475,658.18	2,739,261.32
Commercial application program and software	<b>28,592,329.08</b>	<b>23,091,553.52</b>	21,604,480.67	17,101,454.16
Installation and maintenance of network and data security products	<b>15,713,378.85</b>	<b>9,356,701.20</b>	20,000,344.32	18,246,920.86
<b>Total</b>	<b>48,134,833.88</b>	<b>35,308,502.57</b>	45,080,483.17	38,087,636.34

### 17.5 Investment Income

Item	Current Year	Last Year
Investment income of financial assets measured at fair value through profit or loss during the holding period	<b>87,000.00</b>	210,000.00
Long-term equity investment income calculated by equity method	<b>2,229,474.68</b>	955,091.54
Investment income from disposal of financial assets held for trading	<b>566,212.33</b>	813,787.68
<b>Total</b>	<b>2,882,687.01</b>	1,978,879.22

# Notes to the Financial Statements

## 18. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The Company's financial statements were issued with the approval of the Company's Board of the directors on 28 March 2022.

## SUPPLEMENTARY INFORMATION TO FINANCIAL STATEMENTS

Return on net assets 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	-9.03	-0.0093	-0.0093
Net profit attributed to the equity holders of the parent company after deducting non-recurring gains and losses	-17.72	-0.0183	-0.0183

## SHANGHAI JIAODA WITHUB INFORMATION INDUSTRIAL COMPANY LIMITED

28 March 2022

# Five-Year Financial Summary

## RESULTS

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB	RMB	RMB	RMB	RMB
Turnover	<b>50,527,611.11</b>	46,901,226.64	74,496,520.52	60,937,818.54	65,143,308.36
Profit (loss) before tax	<b>-4,485,769.33</b>	-23,671,434.24	5,089,300.93	5,650,684.53	-10,096,414.37
Income tax expense	-	-	-	-	-
Profit (loss) for the year	<b>-4,485,769.33</b>	-23,671,434.24	5,089,300.93	5,650,684.53	-10,096,414.37
Profit (loss) for the year attributable to:					
- Owners of the Company	<b>-4,485,769.33</b>	-23,671,434.24	5,092,000.93	5,653,384.53	-10,093,714.37
- Non-controlling interest	-	-	-2,700.00	-2,700.00	-2,700.00
Dividend	-	-	-	-	-
Earnings (loss) per share (in RMB)					
- Basic and diluted	<b>-0.0093</b>	-0.0493	0.0106	0.0118	-0.0210

# Five-Year Financial Summary

## ASSETS AND LIABILITIES

	2021	Year ended 31 December			
		2020	2019	2018	2017
	RMB	RMB	RMB	RMB	RMB
Non-current assets	<b>27,498,930.95</b>	20,830,517.81	23,244,402.69	17,328,812.73	15,803,480.69
Current assets	<b>37,882,223.55</b>	48,400,488.56	70,176,625.93	70,732,985.55	76,359,430.52
<b>Total assets</b>	<b>65,381,154.50</b>	69,231,006.37	93,421,028.62	88,061,798.28	92,162,911.21
Current liabilities	<b>14,338,790.33</b>	17,363,105.54	17,735,817.05	17,498,935.77	27,432,261.63
Non-current liability	<b>3,711,595.84</b>	–	–	–	–
<b>Total liabilities</b>	<b>18,050,386.17</b>	17,363,105.54	17,735,817.05	17,498,935.77	27,432,261.63
<b>Total net assets</b>	<b>47,330,768.33</b>	51,867,900.83	75,685,211.57	70,562,862.51	64,730,649.58
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>-639,105.34</b>	3,898,027.16	27,715,337.90	22,590,288.84	16,755,375.91
Equity attributable to					
owners of the Company	<b>47,360,894.66</b>	51,898,027.16	75,715,337.90	70,590,288.84	64,755,375.91
Non-controlling interests	<b>-30,126.33</b>	-30,126.33	-30,126.33	-27,426.33	-24,726.33
<b>Total equity</b>	<b>47,330,768.33</b>	51,867,900.83	75,685,211.57	70,562,862.51	64,730,649.58