



SHANGHAI JIAODA WITHUB
INFORMATION INDUSTRIAL COMPANY LIMITED*

上海交大慧谷信息產業股份有限公司

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

(Stock Code: 8205)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018,
PROPOSED CHANGE OF LEGAL ADDRESS,
PROPOSED CHANGE OF SCOPE OF BUSINESS,
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION,
RESIGNATION AND PROPOSED APPOINTMENT OF DIRECTOR**

**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 mid-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.

Given that the companies listed on GEM are generally small and mid-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 announcement for which the directors (the “Directors”) of Shanghai Jiaoda Withub Information Industrial Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rule Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading, and there are no other facts the omission of which would make any statement herein misleading.*

* For identification purposes only

HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2018,

- turnover of the Group amounted to RMB60,937,818.54 (2017: approximately RMB65,143,308.36) which represented a decrease of 6.46%;
- the profit attributable to owners of the Company was approximately RMB5,653,384.53 (2017: loss of approximately RMB10,093,714.37)
- the Directors do not recommend the payment of a final dividend (2017: Nil).

The board of directors (the “Board” or the “Directors”) of 上海交大慧谷信息產業股份有限公司 (Shanghai Jiaoda Withub Information Industrial Company Limited*) (the “Company”, together with its subsidiaries, collectively, the “Group”) announces the audited results of the Group for the year ended 31 December 2018, together with the comparative figures for the year of 2017 as follows:

CONSOLIDATED BALANCE SHEET
As at 31 December 2018

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	2018-12-31	2017-12-31
Current assets:			
Cash and bank balances		51,430,479.76	55,902,706.32
Settlement payment			
Lent fund			
Financial assets held for trading			
Financial assets at fair value through current profit or loss			
Derivative financial assets			
Notes receivable and accounts receivable	10	12,884,410.76	14,081,858.20
including: notes receivable			
accounts receivable	10.1	12,884,410.76	14,081,858.20
Prepayments		146,741.37	439,883.42
Provision of reinsurance receivables			
Insurance premiums receivables			
Reinsurance receivables			
Other receivables		2,647,072.35	4,040,284.48
including: Interest receivable		267,981.82	1,077,839.27
Dividends receivable			
buying back the sales of financial assets			
Inventories		3,051,345.19	1,872,903.05
Contract assets			
Holding assets for sale			
Non-current asset maturing within one year			
Other current assets		572,936.12	21,795.05
Total current assets		70,732,985.55	76,359,430.52
Non-current assets:			
loans and payments on behalf			
Debt investment			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment		11,777,753.54	9,769,941.16
Other long-term equity investment			
Other non-current financial assets		5,314,340.40	5,486,359.49
Investment properties			
Fixed assets		236,718.79	397,180.04
Construction in progress			
Biological assets for production			
Fuel assets			
Intangible assets		—	150,000.00
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets		—	—
Other non-current assets			
Total non-current assets		17,328,812.73	15,803,480.69
Total assets		88,061,798.28	92,162,911.21

CONSOLIDATED BALANCE SHEET (Continued)
As at 31 December 2018

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	2018-12-31	2017-12-31
Current liabilities:			
Short-term loans			
Borrowings from the Central Bank			
Deposits from customers and interbanks			
Borrowings from banks and other financial institutions			
Transactional moneytary liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable and accounts payables	11	12,183,388.49	17,412,298.42
Unearned revenue			
Contract liability		889,692.29	2,486,869.74
Financial assets sold for repurchase			
Handling charges and commissions payable			
Payroll payable		1,311,568.04	1,289,327.39
Taxes payable		41,970.40	1,428,268.64
Other payables		3,072,316.55	4,815,497.44
including: Interest payable			
Dividends payable			
Reinsurance payable			
Provision for insurance contracts			
Buying and selling securities as broker			
Holding for sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		17,498,935.77	27,432,261.63
Non-current liabilities:			
Deposit for reinsurance			
Long-term loans			
Bonds payable			
Including: Premium			
Perpetual			
Long-term payable			
Long-term payroll payable			
Estimated Liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		—	—
Total liabilities		17,498,935.77	27,432,261.63

CONSOLIDATED BALANCE SHEET (Continued)
As at 31 December 2018

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	2018-12-31	2017-12-31
Shareholders' equity:			
Share capital		48,000,000.00	48,000,000.00
Other equity instruments			
Including: Premium			
Perpetual			
Capital reserve		77,308,349.20	77,308,349.20
Less: treasury stock			
Other comprehensive income		1,459,608.20	1,278,079.80
Special reserve			
Surplus reserve		222,962.29	222,962.29
General risk reserve			
Undistributed profits		-56,400,630.85	-62,054,015.38
Total owners' equity attributable to the parent company		70,590,288.84	64,755,375.91
Minority interests		-27,426.33	-24,726.33
Total shareholders' equity		70,562,862.51	64,730,649.58
Total liabilities and shareholders' equity		88,061,798.28	92,162,911.21

BALANCE SHEET
As at 31 December 2018

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	2018-12-31	2017-12-31
Current assets:			
Cash and bank balances		47,871,416.69	52,139,530.95
Financial assets held for trading			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable and accounts receivable		12,884,410.76	14,081,858.20
Including: notes receivable			
accounts receivable		12,884,410.76	14,081,858.20
Prepayments		146,741.37	439,883.42
Other receivables		2,645,817.22	4,039,029.35
Including: Interest receivable		267,981.82	1,077,839.27
Dividend receivable			
Inventories		3,051,345.19	1,872,903.05
Contract asset			
Holding for sale assets			
Non-current assets due within one year			
Other current assets		572,936.12	21,795.05
Total current assets		67,172,667.35	72,595,000.02
Non-current assets:			
Debt investment			
Available-for-sale financial assets			
Other debt investment			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment		11,777,753.54	9,769,941.16
Other long-term equity investment			
Other non-current financial assets		5,314,340.40	5,486,359.49
Investment properties			
Fixed assets		236,718.79	397,180.04
Construction in progress			
Biological assets for production			
Fuel assets			
Intangible assets		—	150,000.00
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			
Total non-current assets		17,328,812.73	15,803,480.69
Total assets		84,501,480.08	88,398,480.71

BALANCE SHEET (Continued)
As at 31 December 2018

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	2018-12-31	2017-12-31
Current liabilities:			
Short-term loans			
Transactional monetary liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable and accounts payables		12,079,032.17	17,307,942.10
Unearned revenue			
Contract liability		889,692.29	2,486,869.74
Payroll payable		1,202,523.46	1,180,282.81
Taxes payable		41,970.40	1,428,268.64
Other payables		2,867,190.30	4,610,371.19
Including: Interest payable			
Dividends payable			
Holding for sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		17,080,408.62	27,013,734.48
Non-current liabilities:			
Long-term loans			
Bonds payable			
Including: Premium			
Perpetual			
Long-term payable			
Long-term payroll payable			
Estimated Liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		—	—
Total liabilities		17,080,408.62	27,013,734.48
Shareholders' equity:			
Share capital		48,000,000.00	48,000,000.00
Other equity instruments			
Including: Premium			
Perpetual			
Capital reserve		77,308,349.20	77,308,349.20
Less: treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve		222,962.29	222,962.29
Undistributed profits		-58,110,240.03	-64,146,565.26
Total owners' equity attributable to the parent company		67,421,071.46	61,384,746.23
Total liabilities and shareholders' equity		84,501,480.08	88,398,480.71

CONSOLIDATED INCOME STATEMENT
2018

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	Year of 2018	Year of 2017
I. Total operating income		60,937,818.54	65,143,308.36
Including: Operating income	5	60,937,818.54	65,143,308.36
Interest revenue			
Earned Premium			
Charges and commission income			
II. Total operating costs		57,527,418.89	76,486,250.02
Including: Operating cost	8	40,784,830.95	55,735,675.08
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	8	89,586.87	321,295.48
Selling expenses	8	4,930,708.77	5,933,000.90
Administrative expenses	8	8,632,611.19	10,595,201.42
Research and development expenses	8	3,130,221.43	3,066,621.89
Financial expenses	5/8	-938,424.68	-947,767.28
Including: Interest expenses			
Interest revenue		940,644.51	931,272.97
Loss on assets impairment		21,887.18	1,782,222.53
Loss of credit impairment		875,997.18	—
Add: Gain from change in fair value (losses are represented by -)			
Investment income (losses are represented by -)	5	2,217,812.38	1,188,905.15
Including: Income from investment in associates and joint ventures		2,007,812.38	1,038,905.15
Net hedging return (losses are represented by “-”)			
Profit and loss from fair value changes(losses are represented by “-”)	8	-172,019.09	—
Exchange gain (losses are represented by “-”)			
Asset disposal gain			
III. Operating profit (losses are represented by “-”)		5,456,192.94	-10,154,036.51
Add: Non-operating income		322,849.90	59,572.02
Less: Non-operating expense	8	128,358.31	1,949.88
IV. Total profit (losses are represented by “-”)		5,650,684.53	-10,096,414.37
Less: Income tax expenses		—	—
V. Net Profit (losses are represented by “-”)		5,650,684.53	-10,096,414.37
1. Classified by continuing operation		5,650,684.53	-10,096,414.37
1. Net profit from continues operation (losses are represented by “-”)		5,650,684.53	-10,096,414.37
2.Net profit from discontinued operation (losses are represented by “-”)			
2. Classified by ownership		5,650,684.53	-10,096,414.37
1.Net profit attribute to the equity holders of the parent company		5,653,384.53	-10,093,714.37
2.Minority interests		-2,700.00	-2,700.00

CONSOLIDATED INCOME STATEMENT (Continued)
2018

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	Year of 2018	Year of 2017
V. Other comprehensive income, net of tax		181,528.40	-296,240.49
Other comprehensive income, net of tax attribute to the equity holders of the parent company		181,528.40	-296,240.49
(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		181,528.40	-296,240.49
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. Gains or losses from changes in fair value of available-for-sale financial assets			
4. Gains or losses from reclassifying financial assets			
5. Gains or losses from reclassifying held-to maturity investments to available-for-sale financial assets			
6. Gains or losses from credit impairment of other debt investments			
7. Effective portion of cash flow adjusted for hedging gains or losses			
8. Exchange differences from retranslation of financial statements		181,528.40	-296,240.49
9. Others			
Other comprehensive income attributable to minority shareholders, net of tax			
VI. Total comprehensive income		5,832,212.93	-10,392,654.86
Total comprehensive income attributable to the shareholders of the parent company		5,834,912.93	-10,389,954.86
Total comprehensive income attributable to the minority shareholders		-2,700.00	-2,700.00
VII. Earnings per share:			
(1) Basic earnings per share		0.0118	-0.0210
(2) Diluted earnings per share		0.0118	-0.0210

INCOME STATEMENT
2018

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	Year of 2018	Year of 2017
I. Operating income		60,937,818.54	65,143,308.36
Including: Operating cost		40,784,830.95	55,735,675.08
Taxes and surcharges		89,586.87	321,295.48
Selling expenses		4,930,708.77	5,933,000.90
Administrative expenses		8,632,522.54	10,593,160.98
Research and development expenses		3,130,221.43	3,066,621.89
Financial expenses		-926,624.45	-919,714.30
Including: Interest expenses			
Interest revenue		935,459.02	931,229.23
Loss on assets impairment		21,887.18	1,097,634.00
Loss of credit impairment		478,644.90	—
Add: Other gain			
Investment income (losses are represented by-)		2,217,812.38	1,188,905.15
Including: Income from investment in associates and joint ventures Exchange gain		2,007,812.38	1,038,905.15
Net hedging return (losses are represented by “-”)			
Profit and loss from fair value changes(losses are represented by “-”)		-172,019.09	—
Asset disposal gain			
II. Operating profit (losses are represented by “-”)		5,841,833.64	-9,495,460.52
Add: Non-operating income		322,849.90	59,572.02
Less: Non-operating expenses		128,358.31	1,949.88
III. Total profit (losses are represented by “-”)		6,036,325.23	-9,437,838.38
Less: Income tax expenses			
IV. Net Profit (losses are represented by “-”)		6,036,325.23	-9,437,838.38
(1) Net profit from continued operation (losses are represented by-)		6,036,325.23	-9,437,838.38
(2) Net profit from discontinued operation (losses are represented by-)			
V. Other comprehensive income, net of tax		—	—
(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 will be reclassified to profit or loss in subsequent periods		—	—
1. Shares of other comprehensive income of investee that may be reclassified to profit or loss under the equity method subsequently			
2. Gains or losses from changes in fair value of other debt investments			
3. Gains or losses from changes in fair value of available-for-sale financial assets			
4. Gains or losses from reclassifying financial assets			
5. Gains or losses from reclassifying held-to maturity investments to available-for-sale financial assets			
6. Gains or losses from credit impairment of other debt investments			
7. Effective portion of cash flow adjusted for hedging gains or losses			
8. Exchange differences from retranslation of financial statements			
9. Others			
VI. Total comprehensive income		6,036,325.23	-9,437,838.38
VII. Earnings per share:			
(1) Basic earnings per share			
(2) Diluted earnings per share			

CONSOLIDATED CASH FLOW STATEMENT
2018

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	Year of 2018	Year of 2017
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		64,233,887.95	60,992,372.71
Net increase in customer deposit and inter-bank deposit			
Net increase in borrowings from central bank			
Net increase in borrowings from other financial institutions			
Cash received from insurance contract premium			
Net cash received from reinsurance business			
Net increase in insurance deposit and investment funds			
Net increase in disposing financial assets at fair value through profit or loss			
Cash received of interest, charges and commission			
Net increase in borrowings 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		862,881.93	6,087,374.45
Sub-total of cash inflows from operating activities		65,096,769.88	67,079,747.16
Cash paid for goods and services		44,990,766.54	46,032,832.98
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		18,102,751.96	20,621,260.46
Payments of tax charges		2,215,081.99	1,522,639.95
Cash paid relating to other operating activities		5,904,846.07	6,352,283.70
Sub-total of cash outflows from operating activities		71,213,446.56	74,529,017.09
Net cash flows from operating activities		-6,116,676.68	-7,449,269.93
II. Cash flows from investing activities			
Cash received from disposal of investments			
Cash received from returns on investments		210,000.00	2,650,454.97
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		6,446.90	3,000.00
Net cash received from disposal of subsidiaries and other operating entities			
Cash received relating to other investing activities		6,367,530.60	285,615.90
Sub-total of cash inflows from investing activities		6,583,977.50	2,939,070.87
Cash paid to acquire fixed assets, intangible assets and other long-term assets		45,537.26	39,510.26
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		—	3,413,373.92
Sub-total of cash outflows from investing activities		45,537.26	3,452,884.18
Net cash flows from investing activities		6,538,440.24	-513,813.31

CONSOLIDATED CASH FLOW STATEMENT (Continued)
2018

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	Year of 2018	Year of 2017
III. Cash flows from financing activities			
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			
Sub-total of cash inflows from financing activities		—	—
Cash repayments of borrowings			
Cash payments for distribution of dividends or profits and interest expenses			
Including: Dividends and profits paid by subsidiaries to minority interests			
Cash paid to other financing activities			
Sub-total of cash outflows from financing activities		—	—
Net cash flows from financing activities		—	—
IV. Effect of foreign exchange rate changes on cash and cash equivalents		163,683.03	-220,917.02
V. Net increase in cash and cash equivalents		585,446.59	-8,184,000.26
Add: Cash and cash equivalents at beginning of period		19,376,447.68	27,560,447.94
VI. Cash and cash equivalent at end of period		19,961,894.27	19,376,447.68

CASH FLOW STATEMENT
2018

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Note	Year of 2018	Year of 2017
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		64,233,887.95	60,992,372.71
Refund of taxes and surcharges			
Cash received relating to other operating activities		857,696.44	6,087,330.71
Sub-total of cash inflows from operating activities		65,091,584.39	67,079,703.42
Cash paid for goods and services		45,017,138.86	46,032,668.14
Cash paid to and on behalf of employees		18,102,751.96	20,621,260.46
Payments of tax charges		2,215,081.99	1,522,639.95
Cash paid relating to other operating activities		5,505,480.18	5,618,557.10
Sub-total of cash outflows from operating activities		70,840,452.99	73,795,125.65
Net cash flows from operating activities		-5,748,868.60	-6,715,422.23
II. Cash flows from investing activities			
Cash received from disposal of investments			
Cash received from returns on investments		210,000.00	2,650,454.97
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		6,446.90	3,000.00
Net cash received from disposal of subsidiaries and other operating entities			
Cash received relating to other investing activities		6,367,530.60	285,615.90
Sub-total of cash inflows from investing activities		6,583,977.50	2,939,070.87
Cash paid to acquire fixed assets, intangible assets and other long-term assets		45,537.26	39,510.26
Cash paid to acquire investments			
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities		—	3,413,373.92
Sub-total of cash outflows from investing activities		45,537.26	3,452,884.18
Net cash flows from investing activities		6,538,440.24	-513,813.31
III. Cash flows from financing activities			
Cash received from capital contributions			
Cash received from borrowings			
Cash received from issuing of bonds			
Cash received from other financing activities			
Sub-total of cash inflows from financing activities		—	—
Cash repayments of debts			
Cash payments for distribution of dividends or profits and interest expenses			
Cash paid to other financing activities			
Sub-total of cash outflows from financing activities		—	—
Net cash flows from financing activities		—	—
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-12.75	51.76
V. Net increase in cash and cash equivalents		789,558.89	-7,229,183.78
Add: Cash and cash equivalents at beginning of period		15,613,272.31	22,842,456.09
VI. Cash and cash equivalent at end of period		16,402,831.20	15,613,272.31

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
2018

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Year of 2018											
	The owner's equity attributable to parent company											
	Share Capital	Other equity instrument		Capital Reserve	Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Reserve for general risks	Undistributed profits	Minority interests	Total shareholders' equity
		Preferred shares	Perpetual bond	Others								
I. Ending balance of previous year	48,000,000.00	—	—	—	77,308,349.20	—	1,278,079.80	—	222,962.29	—	-65,624,220.87	61,160,444.09
Add: changes in accounting policies											3,570,205.49	3,570,205.49
Correction of prior period errors												—
Business combinations under common control												—
Others												—
II. Opening balance of current year	48,000,000.00	—	—	—	77,308,349.20	—	1,278,079.80	—	222,962.29	—	-62,054,015.38	64,730,649.58
III. Change through current year ("—" for losses)	—	—	—	—	—	—	181,528.40	—	—	—	5,653,384.53	5,832,212.93
(1) Total comprehensive income							181,528.40				5,653,384.53	5,832,212.93
(2) Contribution and withdrawal of capital by shareholders	—	—	—	—	—	—	—	—	—	—	—	—
1. Ordinary shares contributed by shareholders												—
2. Capital contributed by other equity instruments holders												—
3. Amounts of share-based payments recognized in shareholder's equity												—
4. Others												—
(3) Profit distribution	—	—	—	—	—	—	—	—	—	—	—	—
1. Appropriation of surplus Reserve												—
2. Appropriation of general risk reserve												—
3. Distribution to shareholders												—
4. Others												—
(4) Internal carry-over of shareholders' equity	—	—	—	—	—	—	—	—	—	—	—	—
1. Capitalized capital reserve												—
2. Capitalized surplus reserve												—
3. Surplus reserve for covering up losses												—
4. Changes of benefits plan transferring retained earnings												—
5. Other comprehensive transferring retained earnings												—
6. Others												—
(5) Special reserve	—	—	—	—	—	—	—	—	—	—	—	—
1. Current year appropriation												—
2. Current year usage												—
6) Others												—
IV. Closing balance of current year	48,000,000.00	—	—	—	77,308,349.20	—	1,459,608.20	—	222,962.29	—	-56,400,630.85	70,562,862.51

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
2017

Prepared by: Shanghai Jiaoda Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Year of 2017												
	The owner's equity attributable to parent company												
	Share Capital	Other equity instrument			Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Reserve for general risks	Undistributed profits	Minority interests	Total shareholders' equity
		Preferred shares	Perpetual bond	Others									
I. Ending balance of previous year	48,000,000.00	—	—	77,068,451.89	—	1,574,320.29	—	222,962.29	—	-55,530,506.50	-22,026.33	71,313,201.64	
Add: changes in accounting policies												—	
Correction of prior period errors												—	
Business combinations under common control												—	
Others												—	
II. Opening balance of current year	48,000,000.00	—	—	77,068,451.89	—	1,574,320.29	—	222,962.29	—	-55,530,506.50	-22,026.33	71,313,201.64	
III. Change through current year ("—" for losses)	—	—	—	239,897.31	—	-296,240.49	—	—	—	-10,093,714.37	-2,700.00	-10,152,757.55	
(1) Total comprehensive income						-296,240.49				-10,093,714.37	-2,700.00	-10,392,654.86	
(2) Contribution and withdrawal of capital by shareholders	—	—	—	—	—	—	—	—	—	—	—	—	
1. Ordinary shares contributed by shareholders												—	
2. Capital contributed by other equity instruments holders												—	
3. Amounts of share-based payments recognized in shareholder's equity												—	
4. Others												—	
(3) Profit distribution	—	—	—	—	—	—	—	—	—	—	—	—	
1. Appropriation of surplus Reserve												—	
2. Appropriation of general risk reserve												—	
3. Distribution to shareholders												—	
4. Others												—	
(4) Internal carry-over of shareholders' equity	—	—	—	—	—	—	—	—	—	—	—	—	
1. Capitalized capital reserve												—	
2. Capitalized surplus reserve												—	
3. Surplus reserve for covering up losses												—	
4. 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				239,897.31			1,278,079.80	222,962.29		-65,624,220.87	-24,726.33	239,897.31	
IV. Closing balance of current year	48,000,000.00	—	—	77,308,349.20	—				—			61,160,444.09	

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
2018

Prepared by: Shanghai Jiada Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Year of 2018									
	Share Capital	Other equity instrument		Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
		Preferred shares	Perpetual bond							
I. Ending balance of previous year	48,000,000.00			77,308,349.20				222,962.29	-67,716,770.75	57,814,540.74
Add: changes in accounting policies										
Correction of prior period errors									3,570,205.49	3,570,205.49
Others										—
II. Opening balance of current year	48,000,000.00	—	—	77,308,349.20	—	—	—	222,962.29	-64,146,565.26	61,384,746.23
III. Change through current year ("—" for losses)										
(1) Total comprehensive income	—	—	—	—	—	—	—	—	6,036,325.23	6,036,325.23
(2) Contribution and withdrawal of capital by shareholders	—	—	—	—	—	—	—	—	6,036,325.23	6,036,325.23
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										—
IV. Closing balance of current year	48,000,000.00	—	—	77,308,349.20	—	—	—	222,962.29	-58,110,240.03	67,421,071.46

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
2017

Prepared by: Shanghai Jiada Withub Information Industrial Company Limited

Unit: RMB (Yuan)

Item	Share Capital	Other equity instrument			Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
		Preferred shares	Perpetual bond	Others							
I. Ending balance of previous year	48,000,000.00				77,068,451.89				222,962.29	-58,278,932.37	67,012,481.81
Add: changes in accounting policies											—
Correction of prior period errors											—
Others											—
II. Opening balance of current year	48,000,000.00	—	—	—	77,068,451.89	—	—	—	222,962.29	-58,278,932.37	67,012,481.81
III. Change through current year ("—" for losses)	—	—	—	—	239,897.31	—	—	—	—	-9,437,838.38	-9,197,941.07
(1) Total comprehensive income										-9,437,838.38	-9,437,838.38
(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											—
IV. Closing balance of current year	48,000,000.00	—	—	—	239,897.31	—	—	—	222,962.29	-67,716,770.75	239,897.31
					77,308,349.20	—	—	—			57,814,540.74

NOTES:

1. BASIC CORPORATE INFORMATION

Shanghai Jiaoda Withub Information Industrial Co., Ltd. (hereinafter referred to as the “Company”) is an incorporated company jointly invested by Shanghai Jiaotong University, Shanghai Technology Venture Capital Company Limited, Shanghai Xin Xuhui (Group) Co., Ltd., Shanghai Huixin Investment Management Co., Ltd., and Shanghai Jiaoda Angli 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 GEM 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 2018, 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: 2/F, Building 7, No. 471 Guiping Rd., Shanghai; the legal representative: Zou Yimin.

The Company’s business scope mainly includes: development of electronic products, technical service and maintenance, distribution and sales of information products, intelligent integration of computer internet, software development, server room decoration, achievement transfer, real estate development, property management, education investment, designing and installment of safety and prevention system, and sale and manufacture of safety and prevention system (involving permitted operations with license).

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

2. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

Shanghai Withub Zhirui Hi-Tech Co., Limited, and Shanghai Withub Information and Professional Training School suspended their operations during the reporting period.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

3.1 Basis for preparation

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

3.2 Going concern

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

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

4.1 Statement of compliance with the Accounting Standards for Business Enterprises

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

4.2 Accounting period

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

4.3 Operating cycle

The Company's business has a relatively short operating cycle, with 12 months as the liquidity classification criterion for 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 notes 4.8(2).

4.5 Financial assets and financial liabilities

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

(1) Financial assets

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

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

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

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

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

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

income and may not be transferred to the current profits and losses. When it is derecognised, the accumulated gain or loss previously included in other comprehensive income is transferred from other comprehensive income and is included in retained earnings.

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.

2) *Recognition basis and measurement method of transfer of financial assets*

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

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

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

(2) Financial Liabilities

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

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

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

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

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

2) Conditions of de-recognition of financial liabilities

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

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

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

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

4) *Offset of financial assets and financial liabilities*

The company's financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, when the following conditions are met, the net amount after offsetting is presented in the balance sheet: (1) The company has the statutory right to offset the confirmed amount, and the statutory 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.

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.

4.6 Notes receivable and accounts receivable

Method for determining the expected credit losses of notes receivable and 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 probability of default 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 recognition. In general, if the overdue period exceeds six months, it indicates that the credit risk of financial instruments has increased significantly. Unless the Company obtains reasonable and evidenced information without unnecessary additional costs or effort, it proves that even if the overdue period exceeds six months, the credit risk has not increased significantly since the initial recognition. 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. The information considered by the company includes the credit period, and the company usually gives a credit period of six months.

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

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

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

The Company incurred credit losses and determined that the relevant bills receivable and 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 “receivable notes” or “accounts receivable”. If the write-off amount is greater than the provision for loss, the “credit impairment loss” is debited on the difference.

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

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

4.7 Other receivables

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

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

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

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

The Company calculates the expected credit loss of other receivables on the balance sheet date. If the expected credit loss is greater than the carrying amount of the current other receivables impairment provision, the Company recognizes the difference as other receivables impairment losses, it will debit “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:

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

4.8. Inventories

The inventories of the Company mainly include stock goods, etc.

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

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

4.9. 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. However, the payment of this amount also depends on the delivery of another commodity, the Company seen this right of receivables as contract 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.

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

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

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

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

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

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

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

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

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

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

4.11. Long-term equity investment

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

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

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

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

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

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

For shareholding which obtained by different transactions in stages and become business combination finally, if it belongs to package transaction, the accounting method for which each transaction applies will treat as one transaction which obtains

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

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

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

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

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

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

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

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

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

4.12. 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.

4.13. Contract liabilities

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

4.14 Recognition and measurement of revenue

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

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

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

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

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

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

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

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

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

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

4.15 Significant changes in accounting policies and changes in accounting estimates

(1) Significant changes in accounting policies:

1. Changes in accounting policies resulting from the implementation of the new financial instrument guidelines

On March 31, 2017, the Ministry of Finance promulgated the “Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (Revised in 2017)” (Accounting (2017) No. 7), “Accounting Standards for Business Enterprises No. 23 - Financial Assets Transfer (2017 Revision) (Accounting (2017) No. 8), “Accounting Standards for Business Enterprises No. 24 - Hedge Accounting (Revised in 2017)” (Accounting (2017) No. 9), released on May 2, 2017 “Accounting Standards for Business Enterprises No. 37 - Financial Instruments Presentation (Revised in 2017)” (Financial Accounting (2017) No. 14) (the above guidelines are collectively referred to as the New Financial Instruments Guidelines). Enterprises that require simultaneous listing at home and abroad, as well as companies that are listed overseas and use IFRS or corporate accounting standards to prepare financial reports, will be implemented on January 1, 2018.

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

2. Changes in accounting policies resulting from the implementation of new revenue standards

On July 5, 2017, the Ministry of Finance issued the “Accounting Standards for Business Enterprises No. 14 - Revenue (Revised in 2017)” (hereinafter referred to as the New Income Standard). It requires that companies which are simultaneous listings at domestic and overseas, as well as companies that are listed overseas and use IFRS or corporate accounting standards to prepare financial reports, will implement the New Income Standard from January 1, 2018.

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

The Company retroactively applied the new revenue standard. The accumulated impact amount adjustments for the first time was implemented for the first time, refers to retained income at the beginning of the current period (i.e. January 1, 2018) and the other items in the financial statements were not adjusted for the 2017 financial statement comparison items.

3. Other accounting policy changes

On June 15, 2018, the Ministry of Finance promulgated the Notice on Amending the 2018 Annual Financial Statements of General Enterprises (Accounting [2018] No. 15) to amend the financial statements of general enterprises. The Company has prepared 2018 annual statements in accordance with this regulation and adopted the retrospective adjustment method to adjust the format and presentation of relevant financial statements in the previous year.

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

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

Affected accounts	December 31, 2017 (January-December 2017)		
	Before adjustment	Adjustment amount	After adjustment
Total assets			
Notes receivable and accounts receivable		14,081,858.20	14,081,858.20
Accounts receivable	14,081,858.20	-14,081,858.20	
Other receivables	2,962,445.21	1,077,839.27	4,040,284.48
Interest receivables	1,077,839.27	-1,077,839.27	
Total Liabilities			
Notes payable and accounts payable		17,412,298.42	17,412,298.42
Accounts payable	17,412,298.42	-17,412,298.42	
Profit and loss			
Management costs	13,661,823.31	-3,066,621.89	10,595,201.42
Research and development expenses		3,066,621.89	3,066,621.89

(2) Changes in important accounting estimates

None.

- (3) The first implementation of the new financial instruments guidelines, the new income standards, the first implementation of the relevant financial statements at the beginning of the year

1) Consolidated balance sheet

Accounts	December 31, 2017	December 31,2018	Adjustments:
Current assets:			
Total current assets:	76,359,430.52	76,359,430.52	
Non-current assets:			
Available-for-sale financial assets	1,916,154.00	Not applicable	-1,916,154.00
Other non-current financial assets	Not applicable	5,486,359.49	5,486,359.49
Total non-current assets	12,233,275.20	15,803,480.69	3,570,205.49
Total assets:	88,592,705.72	92,162,911.21	3,570,205.49
Current liability:			
Advance payment	2,486,869.74		-2,486,869.74
Contract liability	Not applicable	2,486,869.74	2,486,869.74
Total current liabilities	27,432,261.63	27,432,261.63	
Total Liabilities	27,432,261.63	27,432,261.63	
Owners' equity:			
Undistributed profit	-65,624,220.87	-62,054,015.38	3,570,205.49
Total owner's equity attributable to the parent company	61,185,170.42	64,755,375.91	3,570,205.49
Total owner's equity	61,160,444.09	64,730,649.58	3,570,205.49
Total Liabilities and Owner's Equity	<u>88,592,705.72</u>	<u>92,162,911.21</u>	<u>3,570,205.49</u>

2) Parent company balance sheet

Accounts	December 31, 2017	December 31,2018	Adjustments:
Current assets:			
Total current assets:	72,595,000.02	72,595,000.02	
Non-current assets:			
Available-for-sale financial assets	1,916,154.00	Not applicable	-1,916,154.00
Other non-current financial assets	Not applicable	5,486,359.49	5,486,359.49
Total non-current assets:	12,233,275.20	15,803,480.69	3,570,205.49
Total assets	84,828,275.22	88,398,480.71	3,570,205.49
Current liability:			
Advance payment	2,486,869.74		-2,486,869.74
Contract liability	Not applicable	2,486,869.74	2,486,869.74
Total current liabilities	27,013,734.48	27,013,734.48	
Total Liabilities	27,013,734.48	27,013,734.48	
Owners' equity:		—	
Undistributed profit	-67,716,770.75	-64,146,565.26	3,570,205.49
Total owner's equity attributable to the parent company	57,814,540.74	61,384,746.23	3,570,205.49
Total owner's equity	84,828,275.22	88,398,480.71	3,570,205.49

(4) Explanation of the first-time implementation of the new financial instrument criteria retrospective adjustment of the prior period comparison data:

The Company holds a 3% equity interest in Shanghai Jiaoda Withub Science and Technology Street Co., Ltd. (hereinafter referred to as Jiaoda Withub Science and Technology Street Company). According to the new financial instrument standard, the management has identified it as “financial value measured at fair value through profit or loss”. Assets: On January 1, 2018, the net assets of Jiaoda Withub Science and Technology Street Company were retrospectively adjusted, affecting the undistributed profit of RMB 2,993,941.69 on January 1, 2018, affecting the current profit and loss of RMB 27,746.77 in 2018.

The Company holds a 7.02% equity interest in Shanghai Huikang Information Co., Ltd. (hereinafter referred to as Shanghai Huikang Co., Ltd.), which is recognised by management as “financial assets measured at fair value through profit or loss”. On January 1, 2018, according to the net assets of Jiaoda Withub Science and Technology Street Company, the retrospective adjustment was made, affecting the undistributed profit of 576,263.80 yuan on January 1, 2018, affecting the current profit and loss amount of 2018 to -199,765.86 yuan.

5. OPERATING INCOME, OTHER OPERATION & EQUITY

5.1 Operating income

Items	2018	2017
Sales and distribution of computers, electrical products and fittings	6,587,209.19	25,760,994.06
Commercial application program and software	47,024,773.93	33,247,955.64
Installation and maintenance of network and data security products	5,630,711.69	5,503,673.18
Total	59,242,694.81	64,512,622.88

5.2 Other operation & equity

Items	2018	2017
Interest income	940,644.51	931,272.97
Breakdown of government grants		
Property rental income	1,695,123.73	630,685.48
Investment income of available for sale financial assets	210,000.00	150,000.00
Assets impairment losses		
From disposal of long-term equity investment		
From long-term equity investment under equity method	2,007,812.38	1,038,905.15
Disposal gain of non-current assets		
Total	4,853,580.62	2,750,863.60

6. SEGMENT INFORMATION

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

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

Reporting segments for 2018

Item	Business application project and application software	Sales Products	Undistributed portion	Offset	Total
Operating Income	52,655,488.62	6,587,209.19			59,242,694.81
Including: Income from external transactions	52,655,488.62	6,587,209.19			59,242,694.81
Income from inter-segment transactions					—
Operating costs	34,029,320.78	5,438,127.45			39,467,448.23
Dividend of associations			2,007,812.38		2,007,812.38
Interest income			940,644.51		940,644.51
Undistributed income			2,227,973.63		2,227,973.63
Period costs			16,695,761.22		16,695,761.22
Undistributed other expenses			2,605,231.35		2,605,231.35
Subsidiaries' total profits (total loss)	18,626,164.84	1,149,081.74	-14,124,562.05		5,650,684.53
Total assets	11,452,088.78	5,315,313.42	—		16,767,402.20
Equity of associates			11,777,753.54		11,777,753.54
Available-for-sale investment			5,314,340.40		5,314,340.40
Unallocated corporate assets			54,202,302.14		54,202,302.14
Total liabilities	10,816,209.00	3,486,731.02			14,302,940.02
Undistributed liabilities	—	—	3,195,995.75	—	3,195,995.75
supplementary information	—	—	—	—	—
Capital expenditure	—	—	—	—	—
Impairment loss recognized for the period	—	—	—	—	—
Including Impairment loss of account receivable		983,187.18			983,187.18
Revesal of impairment loss recognised on account receivables		107,190.00			107,190.00
Inventory impairment		21,887.18			21,887.18
Reversal of impairment loss recognised on inventory		-21,887.18			-21,887.18
Depreciation and amortisation expenses	340,896.86				340,896.86

Reporting segments for 2017 (last year)

Item	Business application project and application software	Sales Products	Undistributed portion	Offset	Total
Operating Income	38,751,628.82	25,760,994.06			64,512,622.88
Including: Income from external transactions	38,751,628.82	25,760,994.06			64,512,622.88
Income from inter-segment transactions					
Operating costs	33,056,821.19	22,048,168.41			55,104,989.60
Dividend of associations			1,038,905.15		1,038,905.15
Interest income			931,272.97		931,272.97
Undistributed income			209,572.02		209,572.02
Period costs			19,594,824.21		19,594,824.21
Undistributed other expenses			2,088,973.58		2,088,973.58
Subsidiaries' total profits (total loss)	5,694,807.63	3,712,825.65	-19,504,047.65	—	-10,096,414.37
Total assets	13,130,015.58	11,262,197.87			24,392,213.45
Equity of associates			9,769,941.16		9,769,941.16
Available-for-sale investment			1,916,154.00		1,916,154.00
Unallocated corporate assets			52,514,397.11		52,514,397.11
Total liabilities	15,461,003.64	7,065,539.76	—		22,526,543.40
Undistributed liabilities			4,905,718.23		4,905,718.23
supplementary information					—
Capital expenditure					—
Impairment loss recognized for the period					—
Including Impairment loss of account receivable		1,680,885.82			1,680,885.82
Revelal of impairment loss recognised on account receivables		10,000.00			10,000.00
Inventory impairment		68,746.71			68,746.71
Reversal of impairment loss recognised on inventory		-208,622.39			-208,622.39
Depreciation and amortisation expenses	558,557.88				558,557.88

Geographical information

All of the Group's turnover was generated from customers in the PRC during the years ended 31 December 2018 and 2017 and all of the Group's assets were located in the PRC. Therefore, no geographical segment information is presented

Information about major customers

There is no customer with whom transactions have exceeded 10% of the Group's total turnover during the years ended 31 December 2018 and 2017.

7. TAXATION

7.1. Main categories of tax and tax rate

Category	Tax base	Tax rate before May of 2018	Tax rate after May of 2018
Value-Added Tax	Revenue from sales of goods and provision of technical service	17%/6%/11%	16%/6%/10%
Urban Construction & Maintenance Tax	VAT and business tax payable	7%	7%
Education Surcharges	VAT and business tax payable	5%	5%
Corporate Income Tax	Taxable Income	25%	25%

7.2 Tax Preference

(1) *Enterprise Income Tax*

On November 24, 2016, the Company obtained the certificate of high-tech enterprise (certificate number GR201631002008) issued by Shanghai Science and Technology Department, Shanghai Municipal Bureau of Finance, Shanghai State Taxation Bureau and Shanghai Local Taxation Bureau, and was identified as high-tech enterprise, which valid for 3 years. Pursuant to the Enterprise Income Tax Law of the People's Republic of China, the applicable corporate income tax rate for the year 2018 is 15%.

(2) *VAT*

According to Rule 1 (Item 26) of the Provisions on the Transit Policies for the Pilot Collection of Value-added Tax in Lieu of Business Tax stated in the Circular of State Administration of Taxation and Ministry of Finance on Comprehensively promoting the Pilot program of the collection of Value-added Tax in Lieu of Business Tax (Caishui No. 36, 2016), for taxpayers that are entrusted with the provision of technology development and related technical consulting and technical services, Value-added Tax shall be exempt.

The preferential VAT policies mentioned above applied to the Company in 2018.

7.3 Income tax expense

The tax rate of the Company and its PRC subsidiaries is 15% for both 2017 and 2018.

No provision for Enterprise Income Tax has been made for the two years ended 31 December 2018 as there was no assessable profit derived from the PRC for both years.

No provision for Hong Kong Profits Tax has been made for the two years ended 31 December 2018 as there was no assessable profit derived from Hong Kong for both years.

Item	2018	2017
Current income tax		
Deferred tax		
Total		

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

Item	2018	2017
2018 and following years		35,049,977.90
2019 and following years	31,420,492.04	
Total	31,420,492.04	35,049,977.90

8. BEFORE TAX OF COST AND FEE

Item	2018	2017
Sales cost		
Computer hardware and software products	5,438,127.45	22,048,168.41
Commercial application program and software	30,965,207.60	30,097,010.09
Installation and maintenance of network and data security products	3,064,113.18	2,959,811.10
Tax and surcharges	89,586.87	321,295.48
Selling expenses	2,034,585.74	2,503,461.23
Total	57,929,746.31	57,929,746.31
Staff costs(including directors', chief executive's and supervisors ⁵ emoluments)		
Salaries and other benefits	15,547,905.56	18,137,494.39
Termination benefits	293,284.79	131,017.65
Contributions to retirement benefits scheme	2,215,979.07	2,135,819.91
Total	18,057,169.42	20,404,331.95
Auditor's remuneration	360,000.00	360,000.00
Research and development expenditure	3,130,221.43	3,066,621.89
Others Administration expense	2,119,779.06	2,743,609.69
exchange loss	-8,526.95	-28,708.29
Bank charge	10,746.78	12,213.98
Loss on disposal of non-current assets	2,358.31	1,949.88
Gain from changes in fair values	172,019.09	
Others Non-operating expenses	126,000.00	—
Total	5,912,597.72	6,155,687.15

9. INFORMATION ABOUT PROFIT DISTRIBUTION

Item	Content
Profits or dividends proposed to distribute	According to the resolution of the board of directors of the Company on 21 March 2019: recommend not to distribute dividends as at 31 December 2018
Profits or dividends approved to declare to pay after consideration	None

10. Notes receivables and account receivables

Item	Ending Balance	Beginning Balance
Notes receivable	—	—
Account receivables	12,884,410.76	14,081,858.20
Total	12,884,410.76	14,081,858.20

10.1 Account receivables

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

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

Continued

Category	Beginning Balance				
	Book balance		Bad debt provision		Book value
	Amount	Percent	Amount	Percent	
Bad debt provision on portfolio	19,773,968.74	100.00	5,692,110.54	28.79	14,081,858.20
Total	19,773,968.74	100.00	5,692,110.54	28.79	14,081,858.20

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

Aging	Ending Balance		
	Accounts receivables	Bad debt provision	Ratio (%)
3 months (inclusive)	5,726,744.00	—	—
3 months to 6 months (inclusive)	1,474,841.00	—	—
7 months to 12 months (inclusive)	1,826,561.47	—	—
Over 1 year	2,213,768.28	2,213,768.28	100.00
Total	11,241,914.75	2,213,768.28	19.69

Continued

Aging	Beginning Balance		
	Accounts receivables	Bad debt provision	Ratio (%)
3 months (inclusive)	6,673,537.84	—	—
3 months to 6 months (inclusive)	316,011.00	—	—
7 months to 12 months (inclusive)	1,120,429.20	—	—
Over 1 year	5,692,110.54	5,692,110.54	100.00
Total	13,802,088.58	5,692,110.54	41.24

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

Aging	Ending Balance		
	Book balance	Bad debt provision	Percent %
Guarantee deposit and project payment within credit period	3,347,538.71	—	—
Guaranteed recovery	429,440.58	—	—
Related party with regular transactions	79,285.00	—	—
Total	3,856,264.29	—	—

Continued

Aging	Beginning Balance		
	Book balance	Bad debt provision	Percent %
Guarantee deposit and project payment within credit period	4,906,681.16	—	—
Guaranteed recovery	268,482.00	—	—
Related party with regular transactions	796,717.00	—	—
Total	5,971,880.16	—	—

(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)	5,726,744.00	7,470,254.84
3 months to 6 months (inclusive)	1,474,841.00	316,011.00
7 months to 12 months (inclusive)	1,840,771.47	1,120,429.20
Over 1 year	3,842,054.29	5,175,163.16
Total	12,884,410.76	14,081,858.20

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

Aging	Ending Balance	Beginning Balance
Not overdue and no impairment	7,201,585.00	7,786,265.84
Overdue but no impairment	—	—
7 months to 12 months (inclusive)	1,840,771.47	1,120,429.20
Over 1 year	3,842,054.29	5,175,163.16
Total	12,884,410.76	14,081,858.20

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

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

(4) *The movement of bad debt provision*

Aging	Ending Balance	Beginning Balance
At 1st January	5,692,110.54	4,021,224.72
Cancellation of bad debts	4,354,339.44	—
Additional bad debt provision	983,187.18	1,680,885.82
Deductable bad debt provision	107,190.00	10,000.00
At 31st December	2,213,768.28	5,692,110.54

The significant amounts of deductible bad debt provision:

Company Name	Amounts reversed (or received)	The way of receiving funds	Reasons for amounts reversed (or received)
Shanghai Automation Instrument Co., LTD	107,190.00	Cash	Returned funds
Total	107,190.00	—	—

(5) *The accounts receivable is actually written off during this year*

Item	Amounts
Project payment and payment for goods	4,354,339.44

Company	Nature of receivable	Written off amount	Written off reason	Fulfillment written procedure	Transactions with related party
No.1	Project payment	1,221,800.00	Unable to recover	Yes	No
No.2	Project payment	607,500.00	Unable to recover	Yes	No
No.3	Project payment	209,556.00	Unable to recover	Yes	No
No.4	Project payment	172,080.00	Unable to recover	Yes	No
No.5	Payment for goods	162,296.25	Unable to recover	Yes	No
Total		2,373,232.25			

11. NOTES PAYABLE AND TRADE PAYABLE

Item	Ending Balance	Beginning Balance
Notes payable	—	—
Trade payables	12,183,388.49	17,412,298.42
Total	12,183,388.49	17,412,298.42

(1) Trade payable

Item	Ending Balance	Beginning Balance
Project	9,179,867.05	14,380,055.36
Goods	3,003,521.44	3,032,243.06
Total	12,183,388.49	17,412,298.42

Note: The year-end balance decreased significantly compared with the beginning balance, which was mainly due to the decrease in the scale of the company's engineering projects.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDENDS

The Directors do not recommend the payment of any dividends in respect of the year ended 31 December 2018.

RESULTS

For the year ended 31 December 2018, the Group recorded a turnover of approximately RMB60,937,818.54 (2017: approximately RMB65,143,308.36), representing a decrease of RMB4,205,489.82 or 6.46% as compared to last year. The Group recorded a profit of RMB5,653,384.53, while a loss for the year ended 31 December 2017 was RMB10,093,714.37.

BUSINESS REVIEW AND FUTURE PROSPECTS

For the entire financial year under review ended 31 December 2018, the total revenue of the Group has decreased from RMB65,143,308.36 to RMB60,937,818.54. The decrease of RMB4,205,489.82 in revenue represents 6.46% decrease of the Group's sales as compared with that in 2017. The Group recorded a loss before tax of RMB10,093,714.37 in the previous year and a profit before tax of RMB5,653,384.53 during the year.

Revenue of main business is mainly generated from business solutions and application software business which accounted for 77.17% of the total sales (or RMB47,024,773.93), and this is followed by 10.81% of the total sales (or RMB6,587,204.19) for sales and distribution of computer and electronic products and accessories and 9.24% of the total sales (or RMB5,630,711.69) for installation and maintenance of network and data security products. These business segments remain the core services and products for the Company in the past and also for the future.

Revenue of business application solutions and application software has increased by RMB13,776,818.29 or 41.44% from RMB33,247,955.64 in the previous year. The increase was due to the exploring of the northern market and growth of business.

Revenue of installation and maintenance of network and data security products has increased by RMB127,038.51 from the previous year of RMB5,503,673.18, representing an increase of 2.31%. The change is immaterial.

Revenue of sales and distribution of computer and electronic products and accessories has decreased by RMB19,173,784.87 or 74.43% from RMB25,760,994.06 in the previous year. The decrease was due to the impact of e-commerce, withdrawing of major dealers from the Chinese market, and the Company's corresponding business adjustments, resulting lower revenue.

The gross profit of main business has increased from RMB9,407,633.28 to RMB19,775,246.58, representing an increase of RMB10,367,613.30 or 110.20%. The gross profit margin of main business has increased from 14.58% for the previous financial year to 33.38% for the current year.

Other revenue has increased by RMB1,073,809.79 or 68.75% to RMB2,635,768.24 in the current year from RMB1,561,958.45 in the previous year.

The share of profits of associates amounted to RMB2,217,812.38 in the current year as compared to the profit of RMB1,188,905.15 in the previous year, representing a significant increase of RMB968,907.23.

Distribution expenses has decreased by RMB1,002,292.13 or 16.89% from RMB5,933,000.90 in the previous year to RMB4,930,708.77 in the current year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018, shareholders' funds of the Group amounted to approximately RMB70,590,288.84 (2017: RMB64,755,375.91). Current assets amounted to approximately RMB70,732,985.55 (2017: RMB76,359,430.52), of which approximately RMB51,430,479.76 (2017: RMB55,902,706.32) were cash and bank balances. The Group did not have non-current liabilities (2017: Nil) and its current liabilities amounted to approximately RMB17,498,935.77 (2017: RMB27,432,261.63), 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 2018, the Group had a net cash position and its working capital ratio (current assets divided by current liabilities) was 4.04 (2017: 2.78); and gearing ratio (liabilities divided by total assets) was approximately 19.87% (2017: 29.76%).

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

The Group had no capital commitments and significant investments for the year ended 31 December 2018.

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 2018.

SEGMENT INFORMATION

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

EMPLOYEE INFORMATION

As at 31 December 2018, the Group had 118 full time employees (2017: 134), comprising 17 in management, finance and administration (2017: 18), 37 in research and development (2017: 44), 42 in application development and engineering (2017: 48), and 20 in sales and marketing (2017: 22). Also, the Group had 2 school staff (2017: 2).

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

Remuneration of employees including Directors' emoluments and all staff-related costs for the year ended 31 December 2018 was approximately RMB18,057,169.42 (2017: RMB20,404,331.95).

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 2018, the Group did not have any charges on its assets (2017: 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 2018, 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 2018, the Group did not have any significant contingent liabilities (2017: Nil).

EVENT AFTER THE REPORTING PERIOD

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25 May 2019 to 25 June 2019 (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 25 June 2019 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 2019.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY THE DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2018.

COMPETING INTERESTS

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

AUDIT COMMITTEE

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

The Company's consolidated financial statements for the year ended 31 December 2018 have been reviewed by the audit committee, who gave advice on such statements to the Board. The financial reporting process, internal control system and risk management of the Company have also been reviewed by the audit committee, who were of the opinion that no further improvement was required for the time being. During the year, the audit committee has held four formal meetings.

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

The Company's auditor, ShineWing Certified Public Accountants (Special General Partnership) has agreed that the figures in respect of the financial statements of the Company, which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the year 2018 and the notes to the financial statements as set out in the preliminary announcement are in line with the amounts set out in the Company's audited consolidated financial statements for the year. As the work performed by ShineWing Certified Public Accountants (Special General Partnership) in this respect did not constitute an assurance engagement in accordance with Auditing Standards issued by China Institute Certified Public Accountant, consequently no assurance has been expressed by ShineWing Certified Public Accountants (Special General Partnership) on the preliminary announcement.

CORPORATE GOVERNANCE

The Board considers that the Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 15 of the GEM Listing Rules throughout the year.

PROPOSED CHANGE OF THE LEGAL ADDRESS

The Board proposed to change the legal address of the Company to Building A, Shanghai Jiaoda Withub Information Park, No. 951 Panyu Road, Xuhui District, Shanghai, the PRC, effective from 25 June 2019.

The telephone number of the Company should also be changed to (8621)-64078333, effective from 25 June 2019. The facsimile number will cease to operate.

PROPOSED CHANGE OF SCOPE OF BUSINESS

The Board proposed to change the principal scope of business of the company into: information security, research of information management technique and the design, production and construction of products with related technique in the electronic information industry, research and production of software, integration of computer network, design and production of computer network products, design of software, technical services, sale of distributed products, construction of mechanical and electrical installation and construction projects, design and construction integration of architectural decoration and construction projects and web design.

The scope of business which are currently engaged in by the company is proposed to be changed into: maintenance of computers and network products, integration of intelligent buildings, intelligent system for residential district, transfer of technological achievements, professional construction of environmental protection construction projects, etc.

The above updates will become effective from 25 June 2019.

Proposed Amendments to the Articles of Association

The Board proposed certain amendments to the articles of association of the Company (“Articles of Association”). The specific amendments are as follows:

Amend Article 3 of the Articles of Association

Originally read as:

Article 3 The Company’s Address:
2/F, Building 7, No.471 Guiping Rd., Shanghai
Postcode: 200233
Telephone: (8621)-64283303
Fax: (8621)-64272140

(Article 3 of Mandatory Provisions)

to be amended as:

Article 3 The Company’s Address:
Building A, Shanghai Jiaoda Withub Information Park,
No. 951 Panyu Road, Xuhui District, Shanghai
Postcode: 200030
Telephone: (8621)-64078333

(Article 3 of Mandatory Provisions)

Amend the Article 11 of the Articles of Association

Originally read as:

Article 11 The scope of business of the Company shall be based on the projects examined and approved by the company registration authority.

The principal scope of business of the company includes: information security, research of information management technique and the design, production and construction of products with related technique in the electronic information industry, research and production of software, integration of computer network, design and production of computer network products, design of software, technical services, sale of distributed products.

The scope of business which are currently engaged in by the company includes: maintenance of computers and network products, integration of intelligent buildings, intelligent system for residential district, transfer of technological achievements, etc.

(Article 10 of Mandatory Provisions)

to be amended as:

Article 11 The scope of business of the Company shall be based on the projects examined and approved by the company registration authority.

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

The scope of business which are currently engaged in by the company include: maintenance of computers and network products, integration of intelligent buildings, intelligent system for residential district, transfer of technological achievements, professional construction of environmental protection construction projects, etc.

(Article 10 of Mandatory Provisions)

RESIGNATION OF DIRECTOR

The Board hereby announces that the independent non-executive Director Dr. Chan Yan Chong (“Dr. Chan”) resigned as independent non-executive Director due to other business development with effect from 7 July 2019. Dr. Chan confirmed that he has no disagreement with the Board and there is no matter concerning his resignation that needs to be brought to the attention of the shareholders of the Company. The Board took this opportunity to express its gratitude to Dr. Chan for his valuable contribution to the Company during his tenure of office.

PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR

The Board nominates Mr. Zhou Guolai (“Mr. Zhou”) as a candidate of independent non-executive Director. Mr. Zhou is not the existing independent non-executive Director, and he has agreed to be nominated as a candidate.

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

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

The term of Mr. Zhou in the Company will be three years from 7 July 2019. Mr. Zhou will not enter into any service contract with the Company and he is not and will not be entitled to receive any salary or other remuneration and/or benefits as a Director. The Board is not aware that there are any other matters that need to be brought to the attention of shareholders in respect of the proposed appointment of Mr. Zhou.

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

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

In accordance with the provisions of the Articles of Association, the above proposed appointment of the director is subject to the approval of the shareholders at the forthcoming annual general meeting (“AGM”). The relevant resolutions (as set out in the circular and the notice of the AGM to be despatched in due course) will be submitted to the AGM by way of ordinary resolution to be approved by the shareholders.

CHANGES IN THE COMPOSITION OF AUDIT COMMITTEE AND REMUNERATION COMMITTEE

After the resignation of Dr. Chan, Mr. Zhou was nominated to be appointed as a member of each of the audit committee and the remuneration committee with effect from 7 July 2019.

APPRECIATION

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

By Order of the Board
Shanghai Jiaoda Withub Information Industrial Company Limited*
Zou Yimin
Chairman

Shanghai, the PRC, 21 March 2019

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

Executive directors	Zou Yimin, Shuai Ge, Shang Ling, Zhou Re Qing, Xia Weiwei and Shen Zhimin
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Independent non-executive directors	Yuan Shumin, Ni Jing and Chan Yan Chong
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This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days of its posting and on the website of the Company at <http://www.withub.com.cn>.